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DELTA REPORT

10-K

FBMS - FIRST BANCSHARES INC /MS/

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS 2769

■ CHANGES	447
■ DELETIONS	792
■ ADDITIONS	1530

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2022** **December 31, 2023**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission file no. 000-22507

THE FIRST BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Mississippi	64-0862173	
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)	
6480 U.S. Hwy. 98 West, Suite A Hattiesburg, Mississippi	39402	
(Address of principal executive offices)	(Zip Code)	
Issuer's telephone number: (601) 268-8998		
Securities registered under Section 12(b) of the Exchange Act:		
Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, \$1.00 par value	FBMS	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. x

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. o

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Based on the price at which the registrant's Common Stock was last sold on **June 30, 2022** **June 30, 2023**, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant was **\$558.5 million** **\$776.6 million**.

On **February 22, 2023** **February 21, 2024**, the registrant had outstanding **31,063,780** **31,227,881** shares of common stock.

Auditor Firm PCAOB ID: 686

Auditor Name: FORVIS, LLP

Auditor Location: Jackson, MS

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Registrant's proxy statement to be filed for the Annual Meeting of Shareholders to be held **May 25, 2023** **May 23, 2024** are incorporated by reference into Part III of this Annual Report on Form 10-K. Other than those portions of the proxy statement specifically incorporated by reference pursuant to Items 10-14 of Part III hereof, no other portions of the proxy statement shall be deemed so incorporated.

THE FIRST BANCSHARES, INC.
FORM 10-K
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THE FIRST BANCSHARES, INC.
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PART I

This Annual Report on Form 10-K, including information incorporated by reference herein, contains statements which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements are statements that include projections, predictions, expectations, or beliefs about future events or results or otherwise are not statements of historical fact, and may include statements relating to our projected growth, anticipated future financial performance, financial condition, credit quality and management's long-term performance goals, as well as statements relating to the anticipated effects on our business, financial condition and results of operations from expected developments or events, our business, growth and strategies. Such statements are often characterized by the use of qualifying words (and their derivatives) such as "may," "would," "could," "should," "will," "expect," "anticipate," "predict," "project," "seek," "potential," "aim," "continue," "assume," "believe," "intend," "plan," "forecast," "goal," "estimate," or other statements concerning opinions or judgments of the Company, the Bank, and management about possible future events or outcomes.

These forward-looking statements are not historical facts, and are based upon current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. The inclusion of these forward-looking statements should not be regarded as a representation by us or any other person that such expectations, estimates and projections will be achieved. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict and that are beyond our control. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date of this Annual Report, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, the following:

Factors that could influence the accuracy of such forward-looking statements include, but are not limited to, competitive pressures among financial institutions increasing significantly; economic conditions, either nationally or locally, in areas in which the Company conducts operations being less favorable than expected; interest rate risk; legislation or regulatory changes which adversely affect the ability of the consolidated Company to conduct business combinations or new operations; financial success or changing strategies of the Bank's customers or vendors; actions of government regulators; and the risk that anticipated benefits from the recent acquisitions are not realized in the time frame anticipated or at all as a result of changes in general economic and market conditions.

Potential risks and uncertainties that could cause our actual results to differ materially from those anticipated in any forward-looking statements include, but are not limited to, the following:

- negative impacts on our business, profitability and our stock price that could result from prolonged periods of inflation;
- risks and uncertainties relating to recent, pending or potential future mergers or acquisitions, including risks related to the completion of such acquisitions within expected timeframes and the successful integration of the business that we acquire into our operations;
- the risks that a future economic downturn and contraction, including a recession, could have a material adverse effect on our capital, financial condition, credit quality, results of operations and future growth, including the risk that the strength of the current economic environment could be weakened by the continued impact of rising interest rates, **supply chain challenges** and inflation;
- disruptions to the financial markets as a result of the current or anticipated impact of military conflict, including **escalating Russia's military tension between Russia** **action in Ukraine, the conflict in Israel** and **Ukraine, surrounding areas**, terrorism or other geopolitical events;
- governmental monetary and fiscal policies, including interest rate policies of the Board of Governors of the Federal Reserve;
- the costs and effects of litigation, investigations, inquiries or similar matters, or adverse facts and developments related thereto, including the costs and effects of litigation related to our participation in government stimulus programs associated with the COVID-19 pandemic;
- reduced earnings due to higher credit losses generally and specifically because losses in the sectors of our loan portfolio secured by real estate are greater than expected due to economic factors, including declining real estate values, increasing interest rates, increasing unemployment, or changes in payment behavior or other factors occurring in those areas;
- general economic conditions, either nationally or regionally and especially in our primary service areas, becoming less favorable than expected resulting in, among other things, a deterioration in credit quality;
- adverse changes in asset quality and resulting credit risk-related losses and expenses;
- ability of borrowers to repay loans, which can be adversely affected by a number of factors, including changes in economic conditions, adverse trends or events affecting business industry groups, reductions in real estate values or markets, business closings or layoffs, natural disasters, public health emergencies and international instability;
- changes in laws and regulations affecting our businesses, including governmental monetary and fiscal policies, legislation and regulations relating to bank products and services, as well as changes in the enforcement and interpretation of such laws and regulations by applicable governmental and self-regulatory agencies, which could require us to change certain business practices, increase compliance risk, reduce our revenue, impose additional costs on us, or otherwise negatively affect our businesses;
- the financial impact of future tax legislation;
- changes in political conditions or the legislative or regulatory environment, including the possibility that the U.S. could default on its debt obligations;
- the adequacy of the level of our allowance for credit losses and the amount of credit loss provision required to replenish the allowance in future periods;
- reduced earnings due to higher credit losses because our loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral;
- changes in the interest rate environment which could reduce anticipated or actual margins;
- increased funding costs due to market illiquidity, increased competition for funding, higher interest rates, and increased regulatory requirements with regard to funding;

- results of examinations by our regulatory authorities, including the possibility that the regulatory authorities may, among other things, require us to increase our allowance for credit losses through additional credit loss provisions or write-down of our assets;
- the rate of delinquencies and amount of loans charged-off;
- the impact of our efforts to raise capital on our financial position, liquidity, capital, and profitability;
- significant increases in competition in the banking and financial services industries;
- changes in the securities markets;
- significant turbulence or a disruption in the capital or financial markets and the effect of a fall in stock market prices on our investment securities;
- loss of consumer confidence and economic disruptions resulting from national disasters or terrorist activities;
- our ability to retain our existing customers, including our deposit relationships;

- changes occurring in business conditions and inflation;
- changes in technology or risks related to cybersecurity;
- changes in deposit flows;
- changes in accounting principles, policies, or guidelines, including the impact of the new current expected credit loss ("CECL") standard; guidelines;
- our ability to maintain adequate internal control over financial reporting;
- risks related to the continued use, availability and reliability of "benchmark" rates and the discontinuation of quotation of London Inter-Bank Offered Rate ("LIBOR") ("LIBOR") and other "benchmark" rates; and
- other risks and uncertainties detailed from time to time in our filings with the Securities and Exchange Commission ("SEC").

We have based our forward-looking statements on our current expectations about future events. Although we believe that the expectations reflected in and the assumptions underlying our forward-looking statements are reasonable, we cannot guarantee that these expectations will be achieved or the assumptions will be accurate. The Company disclaims any obligation to update such factors or to publicly announce the results of any revisions to any of the forward-looking statements included herein to reflect future events or developments. Additional information concerning these risks and uncertainties is contained in this Annual Report on Form 10-K for the year ended December 31, 2022, included in Item 1A. Risk Factors and in our future filings with the SEC. Further information on The First Bancshares, Inc. is available in its filings with the Securities and Exchange Commission, available at the SEC's website, <http://www.sec.gov>.

ITEM 1. BUSINESS

BUSINESS OF THE COMPANY

Overview and History

The First Bancshares, Inc. ("Company") was incorporated on June 23, 1995 to serve as a bank holding company for The First Bank ("The First"), formerly known as The First, A National Banking Association, headquartered in Hattiesburg, Mississippi. The Company is a Mississippi corporation and is a registered bank holding company. The First began operations on August 5, 1996 from our main office in the Oak Grove community, which is now incorporated within the city of Hattiesburg. As of December 31, 2022, December 31, 2023, The First operated 90116 locations in Mississippi, Alabama, Florida, Georgia and Louisiana. Our principal executive offices are located at 6480 U.S. Highway 98 West, Hattiesburg, Mississippi 39402, and our telephone number is (601) 268-8998.

The Company is a community-focused financial institution that offers a full range of financial services to individuals, businesses, municipal entities, and nonprofit organizations in the communities that it serves. These services include consumer and commercial loans, deposit accounts and safe deposit services.

We have benefited from historically strong asset quality metrics compared to most of our peers, which we believe illustrates our historically disciplined underwriting and credit culture. As such, we benefited from our strength by taking advantage of growth opportunities when many of our peers were unable to do so. We have also focused on growing earnings per share and increasing our tangible common equity and tangible book value per share.

In recent years, we have developed and executed a regional expansion strategy to take advantage of growth opportunities through several acquisitions, which has allowed us to expand our footprint to Alabama, Florida, Louisiana and Georgia. We believe the conversion and integration of these acquisitions have been successful to date, and we are

optimistic that these markets will continue to contribute to our future growth and success. In addition, we continue to experience organic loan growth by continuing to strengthen our relationships with existing clients and creating new relationships.

On January 15, 2022, The First, then named The First, A National Banking Association, converted from a national banking association to a Mississippi state-chartered bank and changed its name to The First Bank. The First Bank is now a member of the Federal Reserve System through the Federal Reserve Bank of Atlanta.

Unless otherwise indicated or unless the context requires otherwise, all references in this report to "the Company", "we", "us", "our", or similar references, mean The First Bancshares, Inc. and our subsidiaries, including our banking subsidiary, The First, on a consolidated basis. References to "The First" or the "Bank" mean our wholly owned banking subsidiary, The First Bank.

Human Capital Resources

At December 31, 2022 December 31, 2023, we The First employed 870 1,078 full-time equivalent employees spanning 5 five states and 90 116 locations. In 2023 alone, our team members donated over 3,500 volunteer hours to more than 700 organizations including delivering financial education to over 52,000 community members and students.

We are The First is dedicated to providing competitive compensation and benefit benefits programs to help attract and maintain highly skilled and highly trained experienced employees. Our compensation and benefit benefits programs include: include a 401(k) 401(k) plan with matching contributions, a Loan Incentive Plan for our lending officers, an Employee Stock Ownership Plan, healthcare and dental insurance benefits, health savings accounts, flexible spending accounts, life and disability insurance, as well as paid time off. The Company offers a Continuing Education Program for our employees to support and help them attain personal goals and professional achievements by encouraging and supporting those who pursue and participate in continuing their education.

We endeavor The First endeavors to ensure that the makeup composition of our employees, management team and board of directors are reflective of the diversity of the communities we serve. We As a company, we believe in the importance of diversity, and value the benefits that diversity can bring, affords our organization, and we are dedicated to fostering and maintaining an inclusive culture that solicits multiple perspectives and views and is free of conscious or unconscious bias and discrimination.

We strive

In addition to maintain maintaining a safe and healthy working environment. We provide workplace, The First provides our employees with access to a Grief Counseling and Confidential Assistance Program, which provides counseling services to employees on a confidential basis to ensure our employees get the help they may need.

need when they need it. The First also has an Employee Support Program funded by our Heritage Community Foundation for bank employees who suffer a loss of loved ones, emergency medical procedures and other issues that affect employees. In 2023, our employees contributed over \$76 thousand to the Heritage Community Foundation, which benefited employees in need, nonprofit organizations and local disaster relief efforts.

Market Areas

As of December 31, 2022 December 31, 2023, The First had 90 116 locations across Mississippi, Louisiana, Alabama, Florida and Georgia.

Recent Developments

On January 15, 2022, The First, then named The First, A National Banking Association, converted from a national banking association to a Mississippi state-chartered bank and changed its name to The First Bank. The First is now a member of the Federal Reserve System through the Federal Reserve Bank of Atlanta.

On August 1, 2022, we completed the acquisition of Beach Bancorp, Inc. ("BBI"), and immediately thereafter merged its wholly-owned subsidiary, Beach Bank, with and into The First. The Company paid a total consideration of approximately \$101.5 million to the former Beach shareholders as consideration in the acquisition, which included 3,498,936 shares of the Company's common stock, and approximately \$1 thousand in cash in lieu of fractional shares, and also assumed options entitling the owners thereof to purchase an additional 310,427 shares of the Company's common stock.

On January 1, 2023, we completed the acquisition of Heritage Southeast Bancorporation, Inc. ("HSBI"), pursuant to an Agreement and immediately thereafter Plan of Merger dated July 7, 2022, by and between the Company and HSBI. Upon completion of the merger of HSBI with and into the Company, Heritage Southeast Bank ("Heritage Bank"), HSBI's wholly-owned subsidiary, merged with and into the Company. The First Bank. The Company paid a total consideration of approximately \$221.5 million to the former HSBI shareholders as consideration in the acquisition, which included approximately 6,920,909 shares of the Company's common stock, and approximately \$16 thousand in cash in lieu of fractional shares.

Banking Services

We strive to provide our customers with the breadth of products and services offered by large regional banks, while maintaining the timely response and personal service of a locally owned and managed bank. In addition to offering a full range of deposit services and loan products, we have a mortgage and private banking division. The following is a description of the products and services we offer.

Deposit Services. We offer a full range of deposit services that are typically available in most banks and savings institutions, including checking accounts, NOW accounts, savings accounts, and other time deposits of various types, ranging from daily money market accounts to longer-term certificates of deposit. The transaction accounts and time certificates are tailored to our principal market areas at rates competitive to those offered by other banks in these areas. All deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to the maximum amount allowed by law. We solicit these accounts from individuals, businesses, associations, organizations, and governmental authorities. In addition, we offer certain retirement account services, such as Individual Retirement Accounts (IRAs) and health savings accounts.

Loan Products. We offer a full range of commercial and personal loans. Commercial loans include both secured and unsecured loans for working capital (including loans secured by inventory and accounts receivable), business expansion (including acquisition of real estate and improvements), purchase of equipment and machinery, and interest rate swap agreements to facilitate the risk management strategies of certain commercial customers. Consumer loans include equity lines of credit, secured and unsecured loans for financing automobiles, home improvements, education, and personal investments. We also make real estate construction and acquisition loans. **In addition, we offer interest rate swap agreements to certain commercial customers to facilitate their risk management strategies.** Our lending activities are subject to a variety of lending limits imposed by federal law. While differing limits apply in certain circumstances based on the type of loan or the nature of the borrower (including the borrower's relationship to the bank), in general we are subject to an aggregate loans-to-one-borrower limit of 15% of our unimpaired capital and surplus.

Mortgage Loan Division. We have a residential mortgage loan division which originates conventional, or government agency insured loans to purchase existing residential homes, construct new homes or refinance existing mortgages.

Private Banking Division. We have a private banking division, which offers financial and wealth management services to individuals who meet certain criteria.

Other Services. Other bank services we offer include online internet banking services, automated teller machines, voice response telephone inquiry services, commercial sweep accounts, cash management services, safe deposit boxes, merchant services, mobile deposit, direct deposit of payroll and social security checks, and automatic drafts for various accounts. We network with other automated teller machines that may be used by our customers throughout our market area and other regions. The First also offers credit card services through a correspondent bank.

Competition

The First generally competes with other financial institutions through the selection of banking products and services offered, the pricing of services, the level of service provided, the convenience and availability of services, and the degree of expertise and the personal manner in which services are offered. State law permits statewide branching by banks and savings institutions, and many financial institutions in our market area have branch networks. Consequently, commercial banking in Mississippi, Alabama, Louisiana, Florida, and Georgia is highly competitive. Many large banking organizations currently operate in our market area, several of which are controlled by out-of-state ownership. In addition, competition between commercial banks and thrift institutions (savings institutions and credit unions) has been intensified significantly by the elimination of many previous distinctions between the various types of financial institutions and the expanded powers and increased activity of thrift institutions in areas of banking which previously had been the sole domain of commercial banks. Federal legislation, together with other regulatory changes by the primary regulators of the various financial institutions, has resulted in the almost total elimination of practical distinctions between a commercial bank and a thrift institution. Consequently, competition among financial institutions of all types is largely unlimited with respect to legal ability and authority to provide most financial services. Currently there are numerous other commercial banks, savings institutions, and credit unions operating in The First's primary service area.

We face increased competition from both federally-chartered and state-chartered financial and thrift institutions, as well as credit unions, consumer finance companies, insurance companies, and other institutions in the Company's market area. Some of these competitors are not subject to the same degree of regulation and restriction imposed upon the Company. Many of these competitors also have broader geographic markets and substantially greater resources and lending limits than the Company and offer certain services such as trust banking that the Company does not currently provide. In addition, many of these competitors have numerous branch offices located throughout the extended market areas of the Company that may provide these competitors with an advantage in geographic convenience that the Company does not have at present.

We also compete with numerous financial and quasi-financial institutions for deposits and loans, including providers of financial services over the internet, and financial technology, or fintech companies. Recent technology advances and other changes have allowed parties to effect financial transactions that previously required the involvement of banks. For example, consumers can maintain funds in brokerage accounts or mutual funds that would have historically been held as bank deposits. Consumers can also complete transactions such as paying bills and transferring funds directly without the assistance of banks. These nontraditional financial service providers have been successful in developing digital and other products and services that effectively compete with traditional banking services, but are in some cases subject to fewer regulatory restrictions than banks and bank holding companies, allowing them to operate with greater flexibility and lower cost structures. Although digital products and services have been important competitive features of financial institutions for some time, the COVID-19 pandemic has accelerated the move toward digital financial services products and we expect that trend to continue.

Available Information

Pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act") we are required to file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and other filings pursuant to Section 13(a) or 15(d) of the Exchange Act, and amendments to such filings. The SEC maintains a website at www.sec.gov that contains the reports, proxy statements, and other filings we electronically file with the SEC. Such information is also available free of charge on or through our website www.thefirstbank.com as soon as reasonably practicable after each is electronically filed with, or furnished to, the SEC. Information appearing on the Company's website is not part of any report that it files with the SEC.

SUPERVISION AND REGULATION

We are extensively regulated under federal and state law. The following is a brief summary that does not purport to be a complete description of all regulations that affect us or all aspects of those regulations. This discussion is qualified in its entirety by reference to the particular statutory and regulatory provisions described below and is not intended to be an exhaustive description of the statutes or regulations applicable to the Company's and The First's business. In addition, proposals to change the laws and regulations governing the banking industry are frequently raised at both the state and federal levels. The likelihood and timing of any changes in these laws and regulations, and the impact

such changes may have on us and The First, are difficult to predict. In addition, bank regulatory agencies may issue enforcement actions, policy statements, interpretive letters and similar written guidance applicable to us or to The First. Changes in applicable laws, regulations or regulatory guidance, or their interpretation by regulatory agencies or courts may have a material adverse effect on our and The First's business, operations, and earnings.

We, The First, and our nonbank affiliates must undergo regular on-site examinations by the appropriate regulatory agency, which will examine for adherence to a range of legal and regulatory compliance responsibilities. A bank regulator conducting an examination has complete access to the books and records of the examined institution. The results of the examination are confidential. Supervision and regulation of banks, their holding companies and affiliates is intended primarily for the protection of depositors and customers, the Deposit Insurance Fund ("DIF") of the FDIC, and the U.S. banking and financial system rather than holders of our capital stock.

Bank Holding Company Regulation

We are registered as a bank holding company with the Federal Reserve under the Bank Holding Company Act, as amended ("BHC Act"). As such, we are subject to comprehensive supervision, and regulation by the Federal Reserve and are subject to its regulatory reporting requirements. Federal law subjects bank holding companies, such as the Company, to particular restrictions on the types of activities in which they may engage, and to a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations.

Violations of laws and regulations, or other unsafe and unsound practices, may result in regulatory agencies imposing fines or penalties, cease and desist orders, or taking other enforcement actions. Under certain circumstances, these agencies may enforce these remedies directly against officers, directors, employees, and other parties participating in the affairs of a bank or bank holding company. Like all bank holding companies, we are regulated extensively under federal and state law. Under federal and state laws and regulations pertaining to the safety and soundness of insured depository institutions, state banking regulators, the Federal Reserve, and separately the FDIC as the insurer of bank deposits, have the authority to compel or restrict certain actions on our part if they determine that we have insufficient capital or other resources, or are otherwise operating in a manner that may be deemed to be inconsistent with safe and sound banking practices. Under this authority, our bank regulators can require us or our subsidiaries to enter into informal or formal supervisory agreements, including board resolutions, memoranda of understanding, written agreements and consent or cease and desist orders, pursuant to which we would be required to take identified corrective actions to address cited concerns and to refrain from taking certain actions.

If we become subject to and are unable to comply with the terms of any future regulatory actions or directives, supervisory agreements, or orders, then we could become subject to additional, heightened supervisory actions and orders, possibly including consent orders, prompt corrective action restrictions and/or other regulatory actions, including prohibitions on the payment of dividends on our common stock and preferred stock. If our regulators were to take such additional supervisory actions, then we could, among other things, become subject to significant restrictions on our ability to develop any new business, as well as restrictions on our existing business, and we could be required to raise additional capital, dispose of certain assets and liabilities within a prescribed period of time, or both. The terms of any such supervisory action could have a material negative effect on our business, reputation, operating flexibility, financial condition, and the value of our common stock and preferred stock.

Activity Limitations

Bank holding companies are generally restricted to engaging in the business of banking, managing or controlling banks; and certain other activities determined by the Federal Reserve to be closely related to banking. In addition, the Federal Reserve has the power to order a bank holding company or its subsidiaries to terminate any nonbanking activity or terminate its ownership or control of any nonbank subsidiary, when it has reasonable cause to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial safety, soundness, or stability of any bank subsidiary of that bank holding company.

Source of Strength Obligations

A bank holding company, such as us, is required to act as a source of financial and managerial strength to its subsidiary bank. The term "source of financial strength" means the ability of a company, such as us, that directly or indirectly owns or controls an insured depository institution, such as The First, to provide financial assistance to such insured depository institution in the event of financial distress. The appropriate federal banking agency for the depository institution (in the case of The First, this agency is the Federal Reserve) may require reports from us to assess our ability to serve as a source of strength and to enforce compliance with the source of strength requirements by requiring us to provide financial assistance to The First in the event of financial distress. If we were to enter bankruptcy or become subject to the orderly liquidation process established by the Dodd-Frank Act, any commitment by us to a federal bank regulatory agency to maintain the capital of The First would be assumed by the bankruptcy trustee or the FDIC, as appropriate, and entitled to a priority of payment. In addition, the FDIC provides that any insured depository institution generally will be liable for any loss incurred by the FDIC in connection with the default of, or any assistance provided by the FDIC to, a commonly controlled insured depository institution. The First is an FDIC-insured depository institution and thus subject to these requirements.

Acquisitions

The BHC Act permits acquisitions of banks by bank holding companies, such that we and any other bank holding company, whether located in Mississippi or elsewhere, may acquire a bank located in any other state, subject to certain deposit-percentage, age of bank charter requirements, and other restrictions. The BHC Act requires that a bank holding company obtain the prior approval of the Federal Reserve before (i) acquiring direct or indirect ownership or control of more than 5% of the voting shares of any additional bank or bank holding company, (ii) taking any action that causes an additional bank or bank holding company to become a subsidiary of the bank holding company, or (iii) merging or consolidating with any other bank holding company. The Federal Reserve may not approve any such transaction that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any section of the United States, or the effect of which may be substantially to lessen competition or to tend to create a monopoly in any section of the country, or that in any other manner would be in restraint of trade, unless the anticompetitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The Federal Reserve is also required to consider: (1) the financial and managerial resources of the companies involved, including pro forma capital ratios; (2) the risk to the stability of the United States banking or financial system; (3) the convenience and needs of the communities to be served, including performance under the Community Reinvestment Act ("CRA"); and (4) the effectiveness of the companies in combating money laundering.

Change in Control

Federal law restricts the amount of voting stock of a bank holding company or a bank that a person may acquire without the prior approval of banking regulators. Under the federal Change in Bank Control Act and the regulations thereunder, a person or group must give advance notice to the Federal Reserve before acquiring control of any bank holding company, such as the Company, or before acquiring control of any state member bank, such as The First. Upon receipt of such notice, the Federal Reserve may approve or disapprove the acquisition. The Change in Bank Control Act creates a rebuttable presumption of control if a member or group acquires a certain percentage or more of a bank holding company's or bank's voting stock. As a result, a person or entity generally must provide prior notice to the Federal Reserve before acquiring the power to vote 10% or more of our outstanding common stock. The overall effect of such laws is to make it more difficult to acquire a bank holding company and a bank by tender offer or similar means than it might be to acquire control of another type of corporation. Consequently, shareholders of the Company may be less likely to benefit from the rapid increases in stock prices that may result from tender offers or similar efforts to acquire control of other companies. Investors should be aware of these requirements when acquiring shares of our stock.

Governance and Financial Reporting Obligations

We are required to comply with various corporate governance and financial reporting requirements under the Sarbanes-Oxley Act of 2002, as well as rules and regulations adopted by the SEC, the Public Company Accounting Oversight Board ("PCAOB"), and NASDAQ. In particular, we are required to include management and independent registered public accounting firm reports on internal controls as part of our Annual Report on Form 10-K in order to comply with Section 404 of the Sarbanes-Oxley Act. We have evaluated our controls, including compliance with the SEC rules on internal controls, and have and expect to continue to spend significant amounts of time and money on compliance with these rules. Our failure to comply with these internal control rules may materially adversely affect our reputation, ability to obtain the necessary certifications to financial statements, and the values of our securities.

Corporate Governance

The Dodd-Frank Act addresses many investor protections, corporate governance, and executive compensation matters that will affect most U.S. publicly traded companies. The Dodd-Frank Act (1) grants shareholders of U.S. publicly traded companies an advisory vote on executive compensation; (2) enhances independence requirements for Compensation Committee members; and (3) requires companies listed on national securities exchanges to adopt incentive-based compensation claw-back policies for executive officers.

Volcker Rule

Section 13 of the BHC Act, commonly referred to as the "Volcker Rule," generally prohibits banking organizations from (i) engaging in certain proprietary trading, and (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund," all subject to certain exceptions. The Volcker Rule also specifies certain limited activities in which banking organizations may continue to engage and requires us to maintain a compliance program. Banking organizations, such as us, with \$10 billion or less in total consolidated assets and with total trading assets and liabilities of less than 5% of total consolidated assets are exempt from the Volcker Rule.

Incentive Compensation

The Dodd-Frank Act required the banking agencies and the SEC to establish joint rules or guidelines for financial institutions with more than \$1 billion in assets, such as us and The First, which prohibit incentive compensation arrangements that the agencies determine to encourage inappropriate risks by the institution. The banking agencies issued proposed rules in 2011 and previously issued guidance on sound incentive compensation policies. In 2016, the banking agencies also proposed rules that would, depending upon the assets of the institution, directly regulate incentive compensation arrangements and would require enhanced oversight and recordkeeping. As of December 31, 2022 December 31, 2023, these rules have not been implemented. We have undertaken efforts to ensure that our incentive compensation plans do not encourage inappropriate risks, consistent with three key principles—that incentive compensation arrangements should appropriately balance risk and financial rewards, be compatible with effective controls and risk management, and be supported by strong corporate governance.

In October 2022, the SEC adopted a final rule directing national securities exchanges and associations, including Nasdaq, to implement listing standards that require listed companies to adopt policies mandating the recovery or "clawback" of excess incentive-based compensation earned by a current or former executive officer during the three fiscal years preceding the date the listed company is required to prepare an accounting restatement, including to correct an error that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. Nasdaq's listing standards pursuant to the SEC's rule became effective on October 2, 2023. We adopted a compensation recovery policy pursuant to the Nasdaq listing standards effective as of October 2, 2023. The policy is included as Exhibit 97.1 to this Form 10-K.

Shareholder Say-On-Pay Votes

The Dodd-Frank Act requires public companies to take shareholders' votes on proposals addressing compensation (known as say-on-pay), the frequency of a say-on-pay vote, and the golden parachutes available to executives in connection with change-in-control transactions. Public companies must give shareholders the opportunity to vote on the compensation at least every three years and the opportunity to vote on frequency at least every six years, indicating whether the say-on-pay vote should be held annually, biennially, or triennially. The say-on-pay, the say-on-parachute and the say-on-frequency votes are explicitly nonbinding and cannot override a decision of our Board of Directors.

Other Regulatory Matters

We are subject to oversight by the SEC, the Public Company Accounting Oversight Board ("PCAOB") PCAOB, NASDAQ and various state securities and insurance regulators. We and our subsidiaries have from time to time received requests for information from regulatory authorities in various states, including state attorneys general,

securities regulators and other regulatory authorities, concerning our business practices. Such requests are considered incidental to the normal conduct of business.

Capital Requirements

We and The First are each required under federal law to maintain certain minimum capital levels based on ratios of capital to total assets and capital to risk-weighted assets. The required capital ratios are minimums, and the Federal Reserve may determine that a banking organization, based on its size, complexity or risk profile, must maintain a higher level of capital in order to operate in a safe and sound manner. Risks such as concentration of credit risks and the risk arising from non-traditional activities, as well as the institution's exposure to a decline in the economic value of its capital due to changes in interest rates, and an institution's ability to manage those risks, are important factors that are to be taken into account by the federal banking agencies in assessing an institution's overall capital adequacy. The following is a brief description of the relevant provisions of these capital rules and their potential impact on our and The First's capital levels.

We and The First are each subject to the following risk-based capital ratios: a CET1 risk-based capital ratio, a Tier 1 risk-based capital ratio, which includes CET1 and additional Tier 1 capital and a total capital ratio, which includes Tier 1 and Tier 2 capital. CET1 is primarily comprised of the sum of common stock instruments and related surplus net of treasury stock and retained earnings less certain adjustments and deductions, including with respect to goodwill, intangible assets, mortgage servicing assets and deferred tax assets subject to temporary timing differences. Additional Tier 1 capital is primarily comprised of noncumulative perpetual preferred stock. Tier 2 capital consists of instruments disqualified from Tier 1 capital, including qualifying subordinated debt and a limited amount of loan loss reserves up to a maximum of 1.25% of risk-weighted assets, subject to certain eligibility criteria. The capital rules also define the risk-weights assigned to assets and off-balance sheet items to determine the risk-weighted asset components of the risk-based capital rules, including, for example, certain "high volatility" commercial real estate, past due assets, structured securities and equity holdings.

The leverage capital ratio, which serves as a minimum capital standard, is the ratio of Tier 1 capital to quarterly average assets net of goodwill, certain other intangible assets, and certain required deduction items. The required minimum leverage ratio for all banks and bank holding companies (unless exempt) is 4%.

In addition, effective January 1, 2019, the capital rules required a capital conservation buffer of CET1 of 2.5% above each of the minimum capital ratio requirements (CET1, Tier 1, and total risk-based capital), which is designed to absorb losses during periods of economic stress. These buffer requirements must be met for a bank or bank holding company to be able to pay dividends, engage in share buybacks or make discretionary bonus payments to executive management without restriction.

Failure to be well-capitalized or to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on our operations or financial condition. Failure to be well-capitalized or to meet minimum capital requirements could also result in restrictions on the Company's or The First's ability to pay dividends or otherwise distribute capital or to receive regulatory approval of applications or other restrictions on its growth.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), among other things, requires the federal bank regulatory agencies to take "prompt corrective action" regarding depository institutions that do not meet minimum capital requirements. FDICIA establishes five regulatory capital tiers: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." A depository institution's capital tier will depend upon how its capital levels compare to various relevant capital measures and certain other factors, as established by regulation. FDICIA generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. The FDICIA imposes progressively more restrictive restraints on operations, management and capital distributions, depending on the category in which an institution is classified. Undercapitalized depository institutions are subject to restrictions on borrowing from the Federal Reserve System. In addition, undercapitalized depository institutions may not accept brokered deposits absent a waiver from the FDIC, are subject to growth limitations and are required to submit capital restoration plans for regulatory approval. A depository

institution's holding company must guarantee any required capital restoration plan, up to an amount equal to the lesser of 5% of the depository institution's assets at the time it becomes undercapitalized or the amount of the capital deficiency when the institution fails to comply with the plan. Federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. All of the federal bank regulatory agencies have adopted regulations establishing relevant capital measures and relevant capital levels for federally insured depository institutions.

To be well-capitalized, The First must maintain at least the following capital ratios:

- 6.5% CET1 to risk-weighted assets;
- 8.0% Tier 1 capital to risk-weighted assets;
- 10.0% Total capital to risk-weighted assets; and
- 5.0% leverage ratio.

The First was well capitalized at **December 31, 2022** **December 31, 2023**, and brokered deposits are not restricted.

The Federal Reserve has not yet revised the well-capitalized standard for bank holding companies to reflect the higher capital requirements imposed under the current capital rules applicable to banks. For purposes of the Federal Reserve's Regulation Y, bank holding companies, such as the Company, must maintain a Tier 1 risk-based capital ratio of 6.0% or greater and a total risk-based capital ratio of 10.0% or greater to be well-capitalized. If the Federal Reserve were to apply the same or a very similar well-capitalized

standard to bank holding companies as that applicable to The First, the Company's capital ratios as of December 31, 2022 December 31, 2023 would exceed such revised well-capitalized standard. Also, the Federal Reserve may require bank holding companies, including the Company, to maintain capital ratios substantially in excess of mandated minimum levels, depending upon general economic conditions and a bank holding company's particular condition, risk profile and growth plans.

On October 29, 2019, the federal banking agencies issued a final rule to simplify the regulatory capital requirements for eligible banks and holding companies with less than \$10 billion in consolidated assets that opt into the Community Bank Leverage Ratio ("CBLR") framework, as required by Section 201 of the Economic Growth, Relief and Consumer Protection Act (the "Regulatory Relief Act"). A qualifying community banking organization that exceeds the CBLR threshold would be exempt from the agencies' current capital framework, including the risk-based capital requirements and capital conservation buffer described above, and would be deemed well-capitalized under the agencies' prompt corrective action regulations. The Regulatory Relief Act defines a "qualifying community banking organization" as a depository institution or depository institution holding company with total consolidated assets of less than \$10 billion. Under the final rule, if a qualifying community banking organization elects to use the CBLR framework, it will be considered "well-capitalized" so long as its CBLR is greater than 9%. The First has chosen not to opt into the CBLR at this time.

In 2022, 2023, our and The First's regulatory capital ratios were above the applicable well-capitalized standards and met the capital conservation buffer. Based on current estimates, we believe that we and The First will continue to exceed all applicable well-capitalized regulatory capital requirements and the capital conservation buffer in 2023, 2024. Certain regulatory capital ratios of the Company and The First, as of December 31, 2022 December 31, 2023, are shown in the following table:

Regulatory Minimums	Regulatory Minimums to be Well Capitalized	Regulatory Minimums
Common Equity Tier 1 risk-based capital ratio		
Tier 1 risk-based capital ratio		
Total risk-based capital ratio		
Leverage ratio		

Payment of Dividends

We are a legal entity separate and distinct from The First and our other subsidiaries. The primary sources of funds for our payment of dividends to our

In addition, in deciding whether or not to declare a dividend of any particular size, the Company's board of directors must consider its and the Bank's Federal Reserve regulations limit dividends, stock repurchases and discretionary bonuses to executive officers if the Company's regulatory capital is below the

In addition, we and The First are subject to various general regulatory policies and requirements relating to the payment of dividends, including require unsafe or unsound practice. The Federal Reserve has indicated that paying dividends that deplete a bank's capital base to an inadequate level would be ar Mississippi law, The First must obtain the non-objection of the Commissioner of the Mississippi Department of Banking and Consumer Finance prior to paying :

Under a Federal Reserve policy adopted in 2009, the board of directors of a bank holding company must consider different factors to ensure that its d financial position. As a general matter, the Federal Reserve has indicated that the board of directors of a bank holding company should consult with the Federa

- its net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the d
- its prospective rate of earnings retention is not consistent with its capital needs and overall current and prospective financial condition; or
- it will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

Regulation of the Bank

The First, which is a member of the Federal Reserve System, is subject to comprehensive supervision and regulation by the Federal Reserve, and is required to hold stock in its district Federal Reserve Bank in an amount equal to 6% of its capital stock and surplus (half paid to acquire stock with the remainder

The deposits of The First are insured by the FDIC up to applicable limits, and, accordingly, The First is also subject to certain FDIC regulations and the

In addition, as discussed in more detail below, The First and any other of our subsidiaries that offer consumer financial products and services are subject to those regulations promulgated by the CFPB, and state attorneys general are permitted to enforce certain federal consumer financial protection law.

Broadly, regulations applicable to The First include limitations on loans to a single borrower and to its directors, officers and employees; restrictions on

ratios; the granting of credit under equal and fair conditions; the disclosure of the costs and terms of such credit; requirements to maintain reserves against de accounting requirements on the Company that may be more restrictive and may result in greater or earlier charges to earnings or reductions in its capital than !

Transactions with Affiliates and Insiders

The First is subject to restrictions on extensions of credit and certain other transactions between The First and the Company or any nonbank affiliate. (affiliates combined are limited to 20% of The First's capital and surplus. Loans and other extensions of credit from The First to the Company or any affiliate ger

Federal banking laws also place similar restrictions on certain extensions of credit by insured banks, such as The First, to their directors, executive offi

Reserves

Federal Reserve rules require depository institutions, such as The First, to maintain reserves against their transaction accounts, primarily NOW and Reserve.

FDIC Insurance Assessments and Depositor Preference

The First's deposits are insured by the FDIC's DIF up to the limits under applicable law, which currently are set at \$250,000 per depositor, per insu consolidated assets less its average tangible equity, and applies one of four risk categories determined by reference to its capital levels, supervisory ratings, ar

As of June 30, 2020, the DIF reserve ratio fell to 1.30%, below the statutory minimum of 1.35%. The FDIC, as required under the Federal Deposit restoration plan to increase the likelihood that the reserve ratio would be restored to at least 1.35% by September 30, 2028. The FDIC's amended restoration assessments for certain insured depository institutions, including The First, if the DIF reserve ratio is not restored as projected.

In November 2023, the FDIC approved a final rule to implement a special assessment to recover the loss to DIF associated with several bank failures annual rate of approximately 13.4 basis points for an anticipated total of eight quarterly assessment periods, beginning the first quarterly assessment period of

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe that, in the event of the liquidation or other resolution of an insured depository institution, the claims of depositors of the institution, including the claims of the bank holding company.

Standards for Safety and Soundness

The Federal Deposit Insurance Act requires the federal bank regulatory agencies to prescribe, by regulation or guideline, operational and managerial s The federal banking agencies have adopted regulations and Interagency Guidelines Establishing Standards for Safety and Soundness to implement these regulator determines that a bank fails to meet any standards prescribed by the guidelines, the regulator may require the bank to submit an acceptable plan to a

Anti-Money Laundering

Under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism ("USA PATRIOT") Act of 2 financial institutions and foreign customers. The USA PATRIOT Act, and its implementing regulations adopted by the FinCEN, a bureau of the U.S. Departmen

- the development of internal policies, procedures, and controls;
- the designation of a compliance officer;
- an ongoing employee training program;
- an independent audit function to test the programs; and
- identify and verify the identity of beneficial owners of legal entity customers.

Banking regulators will consider compliance with the Act's money laundering provisions in acting upon acquisition and merger proposals. Bank regulat these obligations. Sanctions for violations of the Act can be imposed in an amount equal to twice the sum involved in the violating transaction, up to \$1 million.

Economic Sanctions

The Office of Foreign Assets Control ("OFAC") is responsible for helping to ensure that U.S. entities do not engage in transactions with certain prohibited persons, including the Specially Designated Nationals and Blocked Persons List. If we find a name on any transaction, account or wire transfer that is on an OFAC list, we will not process it.

Concentrations in Lending

During 2006, the federal bank regulatory agencies released guidance on "Concentrations in Commercial Real Estate Lending" (the "Guidance") and concentrations. Higher allowances for loan losses and capital levels may also be required. The Guidance is triggered when CRE loan concentrations exceed certain thresholds:

- Total reported loans for construction, land development, and other land of 100% or more of a bank's total risk-based capital; or
- Total reported loans secured by multifamily and nonfarm nonresidential properties and loans for construction, land development, and other land of 300% or more of a bank's total risk-based capital; or
- Total reported loans secured by multifamily and nonfarm nonresidential properties and loans for construction, land development, and other land of 300% or more of a bank's total risk-based capital; or

The Guidance also applies when a bank has a sharp increase in CRE loans or has significant concentrations of CRE secured by a particular property type. The bank's underwriting policies, internal controls, and other policies currently in place, as well as our loan and credit monitoring and administration procedures, are generally designed to prevent concentrations in CRE loans.

Community Reinvestment Act

The First is subject to the provisions of the CRA, which imposes a continuing and affirmative obligation, consistent with their safe and sound operation, to serve the public. Further, a less than satisfactory CRA rating will slow, if not preclude, expansion of banking activities and prevent a company from becoming or remaining a financial holding company. A bank holding company will not be permitted to become or remain a financial holding company and no new activities authorized under GLB, among other things, that evidence of discrimination against applicants on a prohibited basis, and illegal or abusive lending practices be considered in the CRA rating.

On **May 5, 2002** October 24, 2023, the Office of OCC, the Comptroller of the Currency (OCC), FRB, and FDIC issued a notice of proposed rulemaking aspects taking effect January 1, 2026 and revised data reporting requirements taking effect January 1, 2027. Among other things, the revised rules evaluate the CRA rating, clarify the assessment, and clarify eligible CRA activities. The final rules may make it more challenging and/or costly for the same set of banks to receive a rating of at least "satisfactory".

Privacy, Credit Reporting, and Data Security

The GLB generally prohibits disclosure of consumer information to non-affiliated third parties unless the consumer has been given the opportunity to opt out. The GLB also directs federal regulators to prescribe standards for the security of consumer information. The Credit Reporting Act and Regulation V on a uniform, nationwide basis, including credit reporting, prescreening, and sharing of information between affiliates and nonaffiliates of that Act. We are also required to have an information security program to safeguard the confidentiality and security of customer information and to implement a rule effective in 2022 that requires also require banks to notify their regulators within 36 hours of a "computer-security incident" that rises to the level of a "notifiable event".

Anti-Tying Restrictions

In general, a bank may not extend credit, lease, sell property, or furnish any services or fix or vary the consideration for them on the condition that (1) the consideration is given to a competitor, except to the extent reasonable conditions are imposed to assure the soundness of the credit extended. A bank may, however, offer combined-balance sheet products.

of tying and authorizes the Federal Reserve to grant additional exceptions by regulation or order. Also, certain foreign transactions are exempt from the general rule.

Consumer Regulation

Activities of The First are subject to a variety of statutes and regulations designed to protect consumers. These laws and regulations include, among many others:

- limit the interest and other charges collected or contracted for by The First, including rules respecting the terms of credit cards and of debit card overdrafts;
- govern The First's disclosures of credit terms to consumer borrowers;
- require The First to provide information to enable the public and public officials to determine whether it is fulfilling its obligation to help meet the housing needs of low- and moderate-income families;
- prohibit The First from discriminating on the basis of race, creed or other prohibited factors when it makes decisions to extend credit;

- govern the manner in which The First may collect consumer debts; and
- prohibit unfair, deceptive or abusive acts or practices in the provision of consumer financial products and services.

Mortgage Regulation

The CFPB has issued rules to implement requirements of the Dodd-Frank Act pertaining to mortgage loan origination (including with respect to loan regard to: error correction; information disclosure; force-placement of insurance; information management policies and procedures; requiring information about borrowers' applications for available loss mitigation options. These rules also address initial rate adjustment notices for adjustable-rate mortgages (ARMs), per

Non-Discrimination Policies

The First is also subject to, among other things, the provisions of the Equal Credit Opportunity Act (the "ECOA") and the Fair Housing Act (the "FHA"). The Justice (the "DOJ"), and the federal bank regulatory agencies have issued an Interagency Policy Statement on Discrimination in Lending that provides guidance increased its efforts to prosecute what it regards as violations of the ECOA and FHA.

LIBOR

On March 15, 2022, Congress enacted the Adjustable Interest Rate (LIBOR) Act (the "LIBOR Act") to address references to LIBOR in contracts that (i) rule to implement the LIBOR Act by identifying benchmark rates based on SOFR (Secured Overnight Financing Rate) that will replace LIBOR in certain financial contracts.

Effect of Governmental Monetary and Fiscal Policies

The difference between the interest rate paid on deposits and other borrowings and the interest rate received on loans and securities comprises most of the bank's net interest margin.

The earnings and growth of a bank are affected by both general economic conditions and the monetary and fiscal policy of the U.S. government and by government securities, adjustments in the amount of reserves that financial institutions are required to maintain and adjustments to the discount rates on borro

rates on loans and deposits. The nature and timing of any future changes in monetary policies and their potential impact on the Company cannot be predicted.

ITEM 1A. RISK FACTORS

Our business is subject to risk. The following discussion, along with management's discussion and analysis and our financial statements and footnote: that management currently deems immaterial may also have a material adverse effect on our business, financial condition or results of operations. There is no set forth below also are cautionary statements identifying important factors that could cause our actual results to differ materially from those expressed in any f

Risk Factors Associated with Our Business

General economic conditions in the areas where our operations or loans are concentrated may adversely affect our financial results or liquidity.

A sudden or severe downturn in the economy in the geographic markets we serve in the states of Mississippi, Louisiana, Alabama, Florida or Georgia may affect the ability of borrowers to repay these loans and the value of the collateral securing such loans. Any deterioration in the economic conditions of these market areas

Our Bank requires liquidity in the form of available funds to meet its deposit, debt and other obligations as they come due, borrower requests to draw on these funds and other factors. Customers with larger uninsured deposit account balances often are small-and mid-sized businesses that rely upon deposit funds for payment of operational expenses. These businesses are more likely to withdraw their deposits. If a significant portion of our deposits were to be withdrawn within a short period of time, additional sources of liquidity may not be available. We will be able to obtain such liquidity on terms that are favorable to us, or at all.

We may be vulnerable to certain sectors of the economy, including real estate.

A significant portion of our loan portfolio is secured by real estate. The real estate values in our markets have experienced periods of fluctuation over time. If the economy deteriorates and real estate values decline materially in one or more of our markets, the credit risk associated with our loan portfolio could increase and our earnings. Our ability to dispose of foreclosed real estate at prices above the respective carrying values could also be impacted, which could cause our results to fluctuate.

Unpredictable market conditions may adversely affect the industry in which we operate.

The capital and credit markets are subject to volatility and disruption. Dramatic declines in the housing market in years past caused home prices to fall and asset values, including government-sponsored entities as well as major commercial and investment banks. Market turmoil and tightening of credit could lead to a

an adverse effect on us and others in the financial institution industry, particularly in our real estate markets, as lower home prices and increased foreclosures may lead to a

The state of the economy and various economic factors, including inflation, recession, unemployment, interest rates and the level of U.S. debt, as well as government's decisions regarding its debt ceiling and the possibility that the U.S. could default on its debt obligations could cause further interest rate increases. An allowance for loan credit losses and could negatively impact our results of operations.

We must maintain an appropriate allowance for credit losses.

The First, as lender, is exposed to the risk that its customers will be unable to repay their loans in accordance with their terms and that any collateral held in respect to our real estate and construction loan portfolio relates principally to the creditworthiness of the borrower corporations and the value of the real estate in our local markets.

On January 1, 2021, the Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* ("ASC 326"). The Company uses reasonable and supportable information to determine credit losses. In accordance with ASC 326, the Company has developed an allowance for credit losses equal to the amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the uncollectibility of a loan balance is probable.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current and historical risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environment and peer data. Management evaluates the adequacy of the ACL quarterly and makes provisions for credit losses based on this evaluation. See Note B – Summary of Significant Accounting Policies. The Company's existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the ACL. Further, if any reason, such increases could have an adverse effect on our business, financial condition, and results of operations.

We are subject to risks related to changes in market interest rates.

Our assets and liabilities are primarily monetary in nature, and as a result we are subject to significant risks resulting from changes in interest rates. A decrease in interest rates would result in a decrease in net interest income. In addition, such changes could adversely affect the valuation of our assets and liabilities.

The fair market value of the securities portfolio and the investment income from these securities also fluctuates depending on general economic and market conditions at the time of investment as a result of interest rate fluctuations.

Beginning in early 2022, in response to growing signs of inflation, the FRB increased interest rates rapidly. Further, the FRB has increased the benchmark interest rate it uses to borrow or by adversely affecting their ability to repay outstanding loan balances that may increase due to adjustments in their variable rates. In addition, as interest rates increase, the cost of funding our operations will increase, which could result in negative pressure on our net interest income. It is not possible to predict the pace and magnitude of changes in interest rates, or the impact on our business, financial condition, and results of operations.

We may be adversely affected by the replacement of the London Interbank Offered Rate ("LIBOR") with an alternative reference rate, for our variable rate loans.

In July 2017, the United Kingdom's Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to publish LIBOR rates for the one week and two month LIBOR offered rates will cease after December 31, 2021; but, the publication of the remaining LIBOR offered rates will continue. The FCA will either use a rate other than LIBOR or include clear language defining the alternative rate that will be applicable after LIBOR's discontinuation.

To address the problem created by legacy financial contracts that incorporate LIBOR as their reference interest rate, but extend beyond the date after which LIBOR is discontinued, the SOFR that will replace LIBOR in certain financial contracts after June 30, 2023.

Upon the cessation of the use of LIBOR, interest rates on our floating rate obligation, loans, derivatives, and other financial instruments tied to LIBOR rates will increase. This will affect our floating rate obligations, loans, derivatives, and other financial instruments tied to LIBOR rates.

As of December 31, 2022, approximately \$140.7 million or 3.8% of our outstanding loans were indexed to 30-day, 90-day, and one-year LIBOR. The Company is amending existing contracts with counterparties that are dependent on LIBOR, including contracts that do not have fallback language.

Uncertainty as to the nature of such potential changes, alternative reference rates, the replacement or disappearance of LIBOR or other reforms may affect our business, financial condition, and results of operations.

Certain changes in interest rates, inflation, or the financial markets could affect demand for our products and our ability to deliver products efficiently.

Loan originations, and therefore loan revenues, could be adversely impacted by rising interest rates. Increases in market interest rates can have negative effects on the value of adjustable rate loans. If our borrowers' ability to repay their loans is impaired by increasing interest payment obligations, our level of earnings will decrease. We may experience relatively minor changes in interest rates. If interest rates were to decrease, our yield on our variable rate loans and on our new loans would decrease, resulting in lower future periods. A significant reduction in our net interest income could have a material adverse impact on our capital, financial condition and results of operations.

Continued increases in inflation could cause operating costs related to salaries and benefits, technology, and supplies to increase at a faster pace than our revenue growth.

Evaluation of investment securities for impairment involves subjective determinations and could materially impact our results of operations and financial condition.

The evaluation of impairments is a quantitative and qualitative process, which is subject to risks and uncertainties, and is intended to determine whether prospects, the effects of changes in interest rates or credit spreads and the expected recovery period.

Estimating future cash flows involves incorporating information received from third-party sources and making internal assumptions and judgments regarding the quarterly evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as necessary.

Additionally, our management considers a wide range of factors about the security issuer and uses its reasonable judgment in evaluating the cause of its future earnings potential. Impairments to the carrying value of our investment securities may need to be taken in the future, which could have a material adverse effect on our results of operations.

Changes in the policies of monetary authorities and other government action could adversely affect profitability.

The results of operations of the Company are affected by credit policies of monetary authorities, particularly the Board of Governors of the Federal Reserve System, the discount rate or the federal funds rate on bank borrowings and changes in reserve requirements against bank deposits. In view of changing conditions in the economy and other governments in responding to developing situations or implementing new fiscal or trade policies may result in currency fluctuations, which could have a material adverse effect on our results of operations.

We are subject to regulation by various Federal and State entities.

The Company and The First are subject to extensive regulation by various regulatory agencies, including the Federal Reserve Board, the FDIC, the MSA and other government agencies that regulate our business activities. The Company is subject to various Federal and state laws and certain changes in these laws and regulations may adversely affect our results of operations.

The Company and The First are also subject to the accounting rules and regulations of the SEC and the FASB. Changes in accounting rules could be changed from time to time, and we cannot be assured that such modifications or changes will not adversely affect the Company.

Tax law and regulatory changes could adversely affect our financial condition and results of operations.

Changes to tax laws, including a repeal of all or part of the Tax Cuts and Jobs Act and the implementation of the Inflation Reduction Act of 2022 ("IFRA") could have a material impact on our financial results, including on our annual estimated effective tax rate or on our liquidity, the effects of the measures are unknown.

On August 16, 2022, the IRA was signed into law in the United States. The IRA includes various tax provisions, including an excise tax on stock repurchases and a limit on the deduction of charitable contributions. The IRA also includes provisions that could increase our costs and impact our business.

We may be required to pay additional insurance premiums to the FDIC, which could negatively impact earnings.

Pursuant to the Dodd-Frank Act, the limit on FDIC coverage has been permanently increased to \$250,000, causing the premiums assessed to The First to increase. The premiums are determined by the level of its assessment base and its risk classification, which is based on its regulatory capital levels and the level of supervisory controls. The FDIC also has the power to require additional insurance premiums to be paid by The First and other insured institutions. The FDIC utilized these powers during the financial crisis to require additional insurance premiums and to impose future special assessments, increases in order to replenish the fund. The FDIC may need to set a higher base rate schedule or impose special assessments in the future, which could have an adverse impact on our profitability or limit our ability to pursue certain business opportunities, which could materially and adversely affect our results of operations.

We are subject to industry competition which may have an adverse impact upon our success.

The profitability of the Company depends on its ability to compete successfully with other financial services companies. We operate in a highly competitive environment, facing competition from commercial banks, savings institutions, credit unions, internet banks, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, and other financial intermediaries that offer similar products and services.

Many of these competitors also have broader geographic markets and substantially greater resources and lending limits than The First and offer certain services that are not available to The First. These competitors may have an advantage in geographic convenience that The First does not have at present.

Currently there are numerous other commercial banks, savings institutions, and credit unions operating in The First's primary service area.

We also compete with numerous financial and quasi-financial institutions for deposits and loans, including providers of financial services over the internet, accounts or mutual funds that would have historically been held as bank deposits. Consumers can also complete transactions such as paying bills and transfer related income generated from those deposits. The loss of these revenue streams and access to lower cost deposits as a source of funds could have a material adverse effect on our financial performance.

Some of our competitors have reduced or eliminated certain service charges on deposit accounts, including overdraft fees, and additional competitors' income related to these products and services would be reduced. If the Company chooses not to take such actions, we may be at a competitive disadvantage.

Our information systems may experience an interruption or breach in security.

We necessarily collect, use and hold personal and financial information concerning individuals and businesses with which we have a banking relationship to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management system that we can prevent any such failures, interruptions, cyber security breaches or other security breaches or, if they do occur, that they will be adequately addressed. We are subject to laws and regulations that require us to maintain the security of personal information and to notify individuals if there is a breach. These laws and regulations may be amended from time to time, and we may be required to implement additional measures to protect personal information. Any such failure, interruption or breach in security could result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, all of which could have a material adverse effect on our financial performance.

It is difficult or impossible to defend against every risk being posed by changing technologies or criminals intent on committing cyber-crime. In the last few years, there have been numerous high-profile cyber-attacks on financial services companies in the United States, including financial services companies much larger than us. These cyber incidents have been initiated from a variety of sources, including terrorist organizations, nation-state actors, and criminal groups. These attacks have targeted various systems, including payment processing systems, teller machines, remote deposit capture sites and similar access points, some of which are not controlled or secured by us. It is possible that we could have experienced a cyber-attack in the future that we have not yet identified. The sources of these attacks are often unknown, and the methods used by attackers are constantly changing. We cannot predict when or if we will be targeted by a cyber-attack.

Natural disasters, public health emergencies, acts of war or terrorism and other external events could affect our ability to operate.

Our market areas are susceptible to natural disasters such as hurricanes and tornados. Natural disasters can disrupt operations, result in damage to property and equipment, and affect our ability to provide services to our customers. We cannot predict whether or to what extent damage caused by future hurricanes, tornados or other natural disasters will affect operations or the economies in our market areas, which could result in loan losses.

In addition, health emergencies, disease pandemics, acts of war or terrorism, trade policies and sanctions, including the repercussions of the attack by Russia on Ukraine, could affect our business, financial condition and results of operations.

Our business is susceptible to fraud.

Our business exposes us to fraud risk from our loan and deposit customers, the parties they do business with, as well as from our employees, contractors and third parties that we do business with. We are at increased risk of fraud losses. We believe we have underwritten our risk exposure to fraud losses, but we cannot predict the amount of damage related to such fraud, at levels that adversely affect our financial results or reputation. Our lending customers may also experience fraud in their business, which could result in unexpected loan losses that exceed those that have been provided for in our allowance for loan credit losses.

We may not be able to attract and retain skilled personnel.

Our success depends, in large part, on our ability to attract and retain key personnel. Competition for the best personnel in most activities we engage in is intense, and we may have difficulty of promptly finding qualified replacement personnel with comparable skills, knowledge of our market, relationships in the communities we serve, and years of experience.

The failure of other financial institutions could adversely affect the Company.

Our ability to engage in routine funding transactions could be adversely affected by the actions and potential failures of other financial institutions, including broker-dealers, commercial banks, investment banks, and other financial intermediaries. As a result, we may experience losses or defaults by the Company or by other institutions.

Recent negative developments affecting the banking industry, and resulting media coverage, have eroded customer confidence in the banking system.

The closures of Silicon Valley Bank and Signature Bank in March 2023 and First Republic Bank in May 2023, and concerns about similar future events, have raised questions about the safety and soundness of regional banks. As a result, customers may choose to maintain deposits with larger financial institutions or invest in higher-yield alternatives. The U.S. Treasury, the Federal Reserve, and the FDIC took action to ensure that depositors of these failed banks had access to their deposits, including uninsured deposits.

Merger-Related Risks

We may engage in acquisitions of other businesses from time to time, which may adversely impact our results.

From time to time, we may engage in acquisitions of other businesses. Difficulty in integrating an acquired business or company may cause us to not to achieve the expected benefits of the acquisition, loss of key employees, disruption of the Company's business or the business of the acquired company, or otherwise adversely affect the Company's ability to compete.

result in unexpected costs. The Company may need to make additional investment in equipment and personnel to manage higher asset levels and loan balanc

We may fail to realize the anticipated cost savings and other financial benefits of recent acquisitions in the timeframe we expect, or at all.

The Company completed the Beach Bancorp, Inc. ("BBI") acquisition on August 1, 2022, and the acquisition of Heritage Southeast Bank ("Heritage Ba First. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsiste addition, the integration of certain operations following the mergers has required and will continue to require the dedication of significant management resourc the mergers, as well as any delays encountered in the integration process, could have an adverse effect on the business and results of operations of the comb

We have incurred and may continue to incur significant transaction and merger-related costs in connection with our recent acquisitions.

We have incurred and may continue to incur a number of non-recurring costs associated with our recent acquisitions. These costs and expenses incl processes, policies, procedures, operations, technologies and systems that must be integrated in connection with the integration of these companies' business and implementation expenses.

There may also be additional unanticipated significant costs in connection with the acquisitions that we may not recoup. These costs and expenses co costs over time, the net benefit may not be achieved in the near term or at all, which could have a material adverse impact on our financial results.

We may incur impairment to goodwill.

We review our goodwill at least annually. Significant negative industry or economic trends, reduced estimates of future cash flows or disruptions to ou projections of future operating performance. We operate in a competitive environment and projections of future operating results and cash flows may vary signi impairment is determined to exist. Any such charge could have a material adverse effect on our results of operations.

Risks Relating to Our Securities

The price of our common stock may fluctuate significantly, which may make it difficult for investors to resell shares of common stock at a time or p

Our stock price may fluctuate significantly as a result of a variety of factors, many of which are beyond our control. In addition to those described in "Sp

- actual or anticipated quarterly fluctuations in our operating results, financial condition or asset quality;
- changes in financial estimates or the publication of research reports and recommendations by financial analysts or actions taken by rating agencies wil
- failure to declare dividends on our common stock from time to time;
- failure to meet analysts' revenue or earnings estimates;
- failure to integrate acquisitions or realize anticipated benefits from acquisitions;
- strategic actions by us or our competitors, such as acquisitions, restructurings, dispositions or financings;
- fluctuations in the stock price and operating results of our competitors or other companies that investors deem comparable to us;
- future sales of our common stock or other securities;
- proposed or final regulatory changes or developments;
- anticipated or pending regulatory investigations, proceedings, or litigation that may involve or affect us;
- reports in the press or investment community generally relating to our reputation or the financial services industry;
- domestic and international economic and political factors unrelated to our performance;
- general market conditions and, in particular, developments related to market conditions for the financial services industry;
- adverse weather conditions, including floods, tornadoes and hurricanes;
- public health emergencies, including disease pandemics; and
- disruptions to the financial markets as a result of the current or anticipated impact of military conflict, including escalating the ongoing military tension b

In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant eff operating results. We expect that the market price of our common stock will continue to fluctuate and there can be no assurances about the levels of the marke

General market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, in

We may need to rely on the financial markets to provide needed capital.

Our common stock is listed and traded on the Nasdaq stock market. Although we anticipate that our capital resources will be adequate for the foreseeable future, our capital resources may be affected by economic and market conditions or regulatory changes that are beyond our control. Adverse changes in our operating performance or financial condition may require us to raise capital through the issuance of securities at times and with maturities, conditions and rates that are disadvantageous, and which could have a negative impact on our stock price.

Securities issued by the Company, including the Company's common stock, are not FDIC insured.

Securities issued by the Company, including the Company's common stock, are not savings or deposit accounts or other obligations of any bank and are not insured by the Federal Deposit Insurance Corporation.

Anti-takeover laws and certain agreements and charter provisions may adversely affect the price of our common stock.

Certain provisions of state and federal law and our articles of incorporation may make it more difficult for someone to acquire control of the Company. These provisions include provisions that may be used to delay or block a takeover attempt. As a result, these statutory provisions and provisions in our articles of incorporation could result in the Company's shares being traded at a price that is lower than the price of shares of other companies in the same industry.

The trading volume in our common stock is less than that of other larger financial services companies.

Although our common stock is listed for trading on the Nasdaq Global Market, the trading volume for our common stock is low relative to other larger financial services companies. This presence depends on the individual decisions of investors to buy or sell our stock price to fall.

You may not receive dividends on our common stock.

Although we have historically declared quarterly cash dividends on our common stock, we are not required to do so and may reduce or cease to pay cash dividends in the future.

The principal source of funds from which we pay cash dividends are the dividends received from The First. Federal and state banking laws and regulations limit the amount of dividends that we can pay.

If we fail to pay dividends, capital appreciation, if any, of our common stock may be the sole opportunity for gains on an investment in our common stock. The inability to receive dividends from The First could also have a material adverse effect on our business, financial condition and results of operations and the value of our stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 1C. CYBERSECURITY

The Company's information security program is designed to protect the security of our computer systems, networks, software and information assets. The program includes regular updates, guidance, and common industry standard security practices.

The board of directors and our executives appreciate the severity of cybersecurity-related risks and support the continuous development of and investment in our information security program.

Commitment to Security and Confidentiality

At the Company, we expect each associate to be responsible for the security and confidentiality of customer information. We communicate this responsibility to associates through training, including the recognition and appropriate handling of potential phishing emails, and during each year of employment.

We regularly provide associates with information security awareness training, including the recognition and appropriate handling of potential phishing emails. For associates who fail a phishing campaign, the associates are assigned additional training courses.

Associates must also follow established procedures for the safe storage and handling and secure disposal of customer information. Old or obsolete customer information is destroyed in accordance with established procedures.

Cybersecurity Incident Response Plan

As part of our information security program, we have adopted an Information Security Incident Response Plan (Incident Response Plan), which is designed to respond to cybersecurity incidents. The Incident Response Plan is intended to be followed in the event of a cybersecurity incident, including implementation of (i) forensic and containment measures, (ii) communication with law enforcement, and (iii) remediation of the incident. The Plan includes an annual tabletop exercise to simulate responses to cybersecurity events. If applicable, each exercise may result in postmortem and discuss lessons learned.

The Incident Response Plan includes processes for escalation and reporting of cybersecurity incidents to the Incident Response Team.

Network and Device Security

The Company employs a constantly evolving, defense-in-depth methodology to cybersecurity. Robust high-availability firewalls are in place at the perimeter of the platform to ensure monitoring of the Company's network, ensures the timely installation of software patches, and provides a risk-based approach to address servers, and other endpoints to prevent inappropriate access or damage to physical, virtual, or data assets. Data loss prevention programs are in place to prevent unauthorized access to sensitive data.

Cybersecurity training is provided to all employees as part of the overall cybersecurity program. The Company contracts with third party vendors to conduct penetration testing and vulnerability assessments.

Impacts of Cybersecurity Incidents

To date, the Company has not experienced a cybersecurity incident that has materially impacted our business strategy, results of operations, or financial condition.

Third-Party Vendor Controls

Before engaging third-party service providers, the Company carries out a due diligence process. This process is led by the Enterprise Risk Management team.

Any third-party service provider or vendor utilized as part of the Company's cybersecurity framework is required to comply with the Company's policies regarding security threats or unauthorized access. After contract executions, vendors undergo ongoing monitoring to ensure they continue to meet their security obligations.

Our Board of Directors' Role in Oversight of Cybersecurity Threats

Our Board of Directors is responsible for overseeing the Company's business and affairs, including risks associated with cybersecurity threats. The Board of Directors has a formal charter that includes cybersecurity as a key risk category.

The Board Risk Committee has primary responsibility for overseeing the Company's comprehensive Enterprise Risk Management program. The Board Risk Committee reviews cybersecurity risk assessments and oversees the implementation of controls to mitigate identified risks. These assessments are regularly included in Board Risk Committee meetings.

The Board's oversight of cybersecurity risk is supported by our CISO and Cybersecurity Manager. The CISO and the Cybersecurity Manager attend Board meetings, outlining the overall status of our information security program and the Company's compliance with regulatory guidelines.

Our Management's Role in Assessing and Managing Cybersecurity Matters

The Company's CISO directs the Company's information security program and our information technology risk management. The CISO and Cybersecurity Manager are responsible for developing and implementing security policies and procedures, as well as providing guidance on immediate responses to threats.

Role of the Chief Information Security Officer and Cybersecurity Manager

Our CISO is responsible for the Company's information security program. In this role, the CISO manages the Company's information security Program.

The CISO has experience with FDIC regulated financial institutions and holds the certification as a Certified Banking Chief Information Security Officer.

The Company's Cybersecurity Manager oversees the day-to-day cybersecurity operations.

The CISO and Cybersecurity Manager support the information security risk oversight responsibilities of the Board and its committees. The CISO reports to the Chief Risk Officer.

Our Cybersecurity Manager has experience spanning multiple OCC and FDIC regulated financial institutions across the nation. He holds various certifications and is highly regarded in the industry.

Role of the Enterprise Risk Manager

Our Enterprise Risk Manager is responsible for oversight of the Company's information technology governance and risk program. In this role, the Enterprise Risk Manager monitors and analyzes risk data, identifies potential threats, and provides recommendations to management. The Enterprise Risk Manager is a member of the Company's Risk Management Group and reports to the Chief Risk Officer, who in turn reports to the Board of Directors.

Role of the IT Risk Governance Subcommittee

Governance of the information security program begins with the IT Risk Governance Subcommittee, a management level subcommittee, whose object meets regularly to review the development of the program and develop recommendations and provides regular reports to management, and, ultimately, the Board.

Role of Enterprise Risk Management

Enterprise Risk Management (ERM) is a holistic process to identify, assess/measure, mitigate/control, and aggregate/escalate/report organizational risks. It works with information security management to facilitate performance of Risk Assessments, the results of which are used to identify opportunities to strengthen

ITEM 2. PROPERTIES

Our Company's main office, which is the holding company headquarters, is located at 6480 U.S. Highway 98 West in Hattiesburg, Mississippi. As of year-end, all properties, whether owned or leased, are maintained in suitable condition.

The following table sets forth banking office locations that are leased by the Company.

Alabama

- Theodore - Bayley's Corner
- Dauphin Island
- Fairhope
- Spanish Fort

Florida

- Pensacola - Garden Street
- Hardy Court
- Killern
- Mary Esther
- Niceville – 750 John Sims Parkway East
- Ocean Springs
- Panama City Beach **Tallahassee – Apalachee Parkway**
- **Tallahassee – Thomasville Road**
- **Tampa - Westshore**

ITEM 3. LEGAL PROCEEDINGS

From time to time the Company and/or The First may be named as defendants in various lawsuits arising out of the normal course of business. At pres-

Nancy Hall, et al. v. The First Bancshares, Inc., Case No. 2:23-cv-192, United States District Court, Southern District of Mississippi.

On December 7, 2023, Nancy Hall, individually and on behalf of all others similarly situated ("Plaintiff"), sued The First Bancshares, Inc., as successor overdraft fees. Specifically, Plaintiff's claims relate to overdraft fees resulting from alleged "authorized positive, settle negative" or APSN debit card transaction Electronic Funds Transfer Act. The complaint seeks an unspecified amount of damages, restitution, costs, attorney's fees, and interest, as well as injunctive relief.

On February 1, 2024, the Company filed its Answer and Affirmative Defenses, and the proceedings remain ongoing. At this stage of the proceedings, i

ITEM 4. MINE SAFETY DISCI OSURES

Not applicable.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Shares of our common stock are traded on the Nasdaq global market under the symbol "FBMS".

There were approximately 4,240/4,618 record holders of the Company's common stock at February 22, 2023/February 21, 2024 and 31,063/31,222

Subject to the approval of the Board of Directors and applicable regulatory requirements, the Company expects to continue its policy of paying regular dividends.

– Item 1. Business – Supervision and Regulation of this report.

Issuer Purchases of Equity Securities

The following table sets forth shares of our common stock we repurchased during the quarter ended December 31, 2022 December 31, 2023.

Period	Period	Purchased	Total				Period	Total	Number of Shares Purchased
			Total	Number of Shares Purchased	Maximum Number of Shares that may yet be purchased under the plans or programs	Average Price per Share			
			Number of Shares	Paid Per	Announced Under				
Period	Period	Purchased	Share	Programs	Programs	Period			
October	October	225	\$30.00	—	30,000,000	October		—	—
November	November	396	33.05	—	30,000,000	November		—	—
December	December	1,237	30.79	—	30,000,000	December		856	856
Total	Total	1,858 ^(a)	\$31.28	—		Total		856 ^(b)	\$ 856

(a) On February 28, 2023, the Company announced that its Board of Directors authorized a new share repurchase program (the "2023 Repurchase Program").

(b) The 856 shares purchased in the 4th quarter were withheld by the Company in order to satisfy employee tax obligations for vesting of restricted stock.

Stock Performance Graph

The following performance graph and related information are neither "soliciting material" nor "filed" with the SEC, nor shall such information be incorporated by reference into any filing.

The performance graph compares the cumulative five-year shareholder return on the Company's common stock, assuming an investment of \$100 on December 31, 2017, to the total returns of the Nasdaq OMX Banks Index. The Nasdaq OMX Banks Index contains securities of Nasdaq-listed companies classified according to the Industry Classification for Securities.

Symbol	Total Returns Index For:
 0000947559-23-000005fbms-20221231_g2.jpg	First Bancshares, Inc.
 0000947559-23-000005fbms-20221231_g3.jpg	NASDAQ Composite-Total Returns
 0000947559-23-000005fbms-20221231_g4.jpg	NASDAQ OMX Banks Index

Notes:

- A. The lines represent monthly index levels derived from compounded daily returns that include all dividends.
- B. The indexes are reweighted daily, using the market capitalization on the previous trading day.
- C. If the monthly interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.
- D. The index level for all series was set to \$100.00 on 12/31/2017.

Symbol	Total Returns Index For:
 12.jpg	First Bancshares, Inc.
 22.jpg	NASDAQ Composite-Total Returns
 33.jpg	NASDAQ OMX Banks Index

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following provides a narrative discussion and analysis of The First Bancshares' financial condition as of December 31, 2023 and 2022 and results of operations for the years ended December 31, 2023 and 2022. This discussion and analysis should be read in conjunction with the financial data included in Part II, Item 8, Financial Statements and Supplementary Data included elsewhere in this report.

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our consolidated financial statements, which have liabilities, revenues and expenses. While we base estimates on historical experience, current information and other factors deemed to be relevant, actual results may differ from these. This is the accounting policy related to the allowance for credit losses.

The allowance is based in large measure upon management's evaluation of borrowers' abilities to make loan payments, local and national economic conditions, and other factors. The Company adopted ASU 2016-13, *Financial Instruments – Measurement of Current Expected Credit Losses on Financial Instruments* ("CECL"), which modified the accounting for significant accounting policies of this report.

Assets acquired and liabilities assumed as part of a business combination are generally recorded at their fair value at the date of acquisition. The estimates used in the fair value measurements are based on management's best judgment and are subject to change. The fair value of assets and liabilities is determined by management to make estimates, which are based on all available information and in some cases assumptions with respect to the timing and amount of future cash flows. Policies and Note C, Business Combinations of this report.

Goodwill is assessed for impairment both annually and when events or circumstances occur that make it more likely than not that impairment has occurred. The fair value of a reporting unit is less than its carrying amount using these qualitative factors, the Company compares the fair value of goodwill with its carrying amount. Events or circumstances occur that make it more likely than not that impairment has occurred. Goodwill is discussed more fully under Part II - Item 8, Financial Statements.

Overview

The Company was incorporated on June 23, 1995, and serves as a bank holding company for The First, formerly known as The First, A National Bank. The First has 90116 locations in Mississippi, Alabama, Florida, Georgia and Louisiana. The Company and The First engage in a general commercial and retail banking

The Company's primary source of revenue is interest income and fees, which it earns by lending and investing the funds which are held on deposit. To ensure sufficient liquidity, the Company also maintains a portion of its deposits in cash, government securities, deposits with other financial institutions, and over 90% of the Company's loans and deposits, as well as the profit margin ("interest spread") and fee income which can be generated on these amounts.

Highlights for the year ended December 31, 2022 include:

- Effective January 1, 2023, the Company closed its acquisition of HSBI, parent company of Heritage Bank based in Jonesboro, Georgia. Heritage Bank has approximately \$1.2 billion of assets and twenty four locations. Systems conversion is scheduled for the end of the first quarter of 2023.
- During the fourth quarter, the Company completed the systems conversion related to the acquisition of BBI.

- In the year-over-year comparison, net income available to common shareholders decreased \$1.2 million increased \$12.5 million, or 1.9% 19.9%, from million ended December 31, 2023.
- Net interest income after provision for credit losses was \$172.2 million Excluding the loans acquired from the Heritage Bank acquisition of \$1.159 billion primarily due to interest income earned on a higher volume of loans and securities and increased interest rates. December 31, 2022.
- Non-interest income Past due loans of \$11.7 million to total loans was \$37.0 million 0.23% for the year ended December 31, 2022 December 31, 2023, by a decrease in mortgage income of \$4.5 million December 31, 2022.
- Non-interest expense was \$130.5 million Cost of deposits averaged 109 basis points for the year ended December 31, 2022 December 31, 2023, an increase to the ongoing operation of the acquired Cadence Bank, N.A. ("Cadence") branches (the "Cadence Branches") and \$5.1 million related to the Beach Branches.
- On January 15, 2022, the Bank converted from a national banking association to a Mississippi state-chartered bank and became a member bank of the FDIC.

At December 31, 2022 December 31, 2023, the Company had approximately \$6.462 billion \$7.999 billion in total assets, an increase of \$384.3 million December 31, 2023 from \$3.740 billion at December 31, 2022 from \$2.936 billion at December 31, 2021. Deposits increased to \$6.463 billion at December 31, 2023 from \$676.2 million at December 31, 2021. The acquisition of BBI Heritage Bank during 2022 2023 contributed, at acquisition, \$608.5 million \$1.556 billion, contributed, at acquisition, \$412.9 million, \$40.3 million and \$410.2 million purchase accounting adjustments, in assets, loans, and deposits, respectively.

The First (Bank only) reported net income of \$72.6 million \$81.8 million, \$73.9 million \$72.6 million and \$60.0 million \$73.9 million for the years ended December 31, 2022 December 31, 2023, 2021, 2022, available to common stockholders of \$62.9 million \$75.5 million, \$64.2 million \$62.9 million and \$52.5 million \$64.2 million, respectively. The following discussion and analysis of the Company's financial condition and results of operations for the years ended December 31, 2022 December 31, 2023, 2021, 2022, and 2020 follows.

The following is a summary of the results of operations for The First (Bank only) for the years ended December 31, 2022 December 31, 2023, 2021, 2022, and 2020.

	2022	2021	2020	
(\$ in thousands)				(\$ in thousands)
Interest income	\$ 200,375	\$ 176,735	\$ 179,328	Interest income
Interest expense	15,085	12,306	21,071	Interest expense
Net interest income	185,290	164,429	158,257	Net interest income
Provision for credit losses	5,605	(1,104)	25,151	Provision for credit losses
Net interest income after provision for loan losses	179,685	165,533	133,106	Net interest income after provision for loan losses
Non-interest income	34,288	37,362	40,984	Non-interest income
Non-interest expense	122,373	108,791	100,966	Non-interest expense
Income tax expense	19,033	20,210	13,108	Income tax expense
Net income	\$ 72,567	\$ 73,894	\$ 60,016	Net income

	2022	2021	2020
(\$ in thousands)			
Net interest income:	Net interest income:		
Net interest income of The First	Net interest income of The First	\$185,290	\$164,429
			\$158,257
Net interest income of The First			
Net interest income of The First			
Interest expense	Interest expense		
		(7,474)	(7,365)
			(5,573)
		\$	
		\$177,816	\$157,064
			\$152,684
Net income available to common shareholders:			
Net income available to common shareholders:			
Net income available to common shareholders:	Net income available to common shareholders:		
Net income of The First	Net income of The First	\$ 72,567	\$ 73,894
			\$ 60,016
Net loss of the Company	Net loss of the Company		
		(9,648)	(9,727)
			(7,511)
		\$ 62,919	\$ 64,167
			\$ 52,505
		\$	

Consolidated Net Income

The Company reported consolidated net income available to common stockholders of \$75.5 million for the year ended December 31, 2023, compared

Net interest income was \$249.3 million for the twelve months ended December 31, 2023, an increase of \$71.5 million in year-over-year comparison, pr

Non-interest income was \$46.7 million for the year ended December 31, 2023, an increase of \$9.7 million as compared to the same period ended December 31, 2022.

Non-interest expense was \$184.7 million for the year ended December 31, 2023, an increase of \$54.2 million as compared to the same period ended December 31, 2022. The increase was primarily driven by higher costs associated with the acquisition of Heritage Bank as well as \$5.2 million in expenses associated with the U.S. Treasury awards and increases in FDIC premiums of \$1.7 million and a \$4.9 million

The Company reported consolidated net income available to common stockholders of \$62.9 million for the year ended December 31, 2022, compared

Net interest income increased \$14.0 million for the year ended December 31, 2022 compared to the same time period in year-over-year comparison, 2021.

Non-interest income decreased \$512 thousand for the year ended December 31, 2022 compared to the same time period in year-over-year comparison.

Non-interest expense was \$130.5 million for the year ended December 31, 2022, an increase of \$15.9 million as compared to the same period ended branch operations accounted for the increase in non-interest expense.

The Company reported consolidated net income available to common stockholders of \$64.2 million for the year ended December 31, 2021, compared to \$67.4 million for the year ended December 31, 2020. The Company recorded a bargain purchase gain and loss on sale of land of \$674 thousand, net of tax for the year end December 31, 2021 compared to a bargain purchase loss of \$1.1 million for the year ended December 31, 2020.

Net interest income increased \$4.4 million for the year ended December 31, 2021 as compared to the year ended December 31, 2020, primarily due to the increase in average earning assets. Interchange fee income increased \$2.1 million and the U.S. Treasury Rapid Response Program ("RRP") grant of \$1.4 million, net of tax accrued in 2020. An increase of \$4.6 million in salaries and employee benefits and an increase of \$1.7 million in occupancy expense contributed to the increase.

See Note C – Business Combinations in the accompanying notes to the consolidated financial statements included elsewhere in this report for more information.

Consolidated Net Interest Income

The largest component of net income for the Company is net interest income, which is the difference between the income earned on assets and interest accrued on liabilities, less the cost of interest-bearing liabilities, and the degree of mismatch and the maturity and repricing characteristics of its interest-earning assets and interest-bearing liabilities.

Consolidated net interest income was approximately \$249.3 million for the year ended December 31, 2023, as compared to \$177.8 million for the year ended December 31, 2022, and \$4.935 billion compared to \$3.944 billion for the year 2022. Net interest margin, which is net interest income divided by average earning assets, was 3.59% for the year 2023. Interest earned on assets and interest accrued on liabilities is significantly influenced by market factors, specifically interest rates as set by federal agencies. Average loans comprised 71.4% of average assets.

Consolidated net interest income was approximately \$177.8 million for the year ended December 31, 2022, as compared to \$157.1 million for the year ended December 31, 2021, and \$3.944 billion compared to \$3.435 billion for the year 2021. Net interest margin, which is net interest income divided by average earning assets, was 3.59% for the year 2022. Interest earned on assets and interest accrued on liabilities is significantly influenced by market factors, specifically interest rates as set by federal agencies. Consolidated net interest income was approximately \$157.1 million for the year ended December 31, 2021, as compared to \$152.7 million for the year ended December 31, 2020. Average interest-bearing liabilities for the year 2021 were \$4.548 billion compared to \$3.902 billion for the year 2020. Net interest margin increased to 0.57% for the year 2021 compared to 0.86% for the year 2020. Interest earned on assets and interest accrued on liabilities is significantly influenced by market factors as set by federal agencies.

Average Balances, Income and Expenses, and Rates. The following tables depict, for the periods indicated, certain information related to the average daily balances, income and expenses, and rates of interest for the Company's assets and liabilities. The information has been derived from daily averages.

Years Ended December 31,														
			2022			2021			2020					
		Years Ended December 31,												
(\$ in thousands)	(\$ in thousands)	Average Balance	Income/ Expenses	Yield/ Rate	Average Balance	Income/ Expenses	Yield/ Rate	Average Balance	Income/ Expenses	Yield/ Rate	(\$ in thousands)	Average Balance	Income/ Expenses	
Assets	Assets													
Earning Assets	Earning Assets													
Assets	Assets													
Earning Assets	Earning Assets													
Loans (1)(2)	Loans (1)(2)	\$ 3,302,265	\$ 157,761	4.78 %	\$ 3,019,605	\$ 151,203	5.01 %	\$ 3,020,280	\$ 157,564	5.22 %	\$ 5,036,021	\$ 1,918,575	\$ 294,541	
Loans (1)(2)	Loans (1)(2)													
Securities (4)	Securities (4)	2,023,214	46,305	2.29 %	1,305,262	28,035	2.15 %	917,858	23,747	2.59 %	(4)	47,913	4	
Federal funds sold	Federal funds sold													
and interest bearing	and interest bearing													
deposits with other banks	deposits with other banks													
(3)	(3)	366,465	50	0.01 %	642,042	121	0.02 %	317,848	378	0.12 %	banks (3)	97,183	2,453	

Total earning assets	Total earning assets	5,691,944	204,116	3.59 %	4,966,909	179,359	3.61 %	4,255,986	181,689	4.27 %	Total earning assets	7,051,779	344,907	34
Other Other		584,164			526,877			523,412						
Total assets	Total assets	\$6,276,108			\$5,493,786			\$4,779,398						
Total assets														
Total assets														\$7,918,648
Liabilities	Liabilities													
Liabilities														
Liabilities														
Interest-bearing liabilities	Interest-bearing liabilities													
Interest-bearing liabilities														\$4,934,875
Demand deposits (1)	Demand deposits	1,660,696			1,366,529			1,047,353						\$ 91
Interest-bearing liabilities														
Interest-bearing liabilities														
Demand deposits														
Other liabilities	Other liabilities													
Other liabilities														
Other liabilities	Other liabilities													
Other liabilities														
Other liabilities	Other liabilities	45,065			34,827			34,582						
Stockholders' equity	Stockholders' equity													
Stockholders' equity														
Stockholders' equity	Stockholders' equity	626,816			657,466			607,110						
Stockholders' equity														
Stockholders' equity	Stockholders' equity													
Total liabilities and stockholders' equity														
Total liabilities and stockholders' equity														
Total liabilities and stockholders' equity														
Total liabilities and stockholders' equity														
Total liabilities and stockholders' equity														
Total liabilities and stockholders' equity														
Total liabilities and stockholders' equity														
Total liabilities and stockholders' equity														
Total liabilities and stockholders' equity														
Total liabilities and stockholders' equity														
Total liabilities and stockholders' equity														
Net interest spread														
Net interest spread														
Net interest spread	Net interest spread													
Net interest spread														
Net interest spread	Net interest spread	3.02 %			3.04 %			3.41 %						
Net yield on interest-earning assets	Net yield on interest-earning assets													
Net yield on interest-earning assets														
Net yield on interest-earning assets	Net yield on interest-earning assets	\$181,539	3.19 %		\$159,678	3.21 %		\$155,025	3.64 %					
Net yield on interest-earning assets														
Net yield on interest-earning assets	Net yield on interest-earning assets													
(1) All loans and deposits were made to borrowers or received from depositors in the United States. Includes nonaccrual loans of \$10,690, \$12,591, \$28,013, and \$34,665.														
(2) Includes loan fees of \$7,665, \$7,453, \$17,138, and \$9,899 for the years ended December 31, 2022, December 31, 2023, 2021, 2022, and 2020, respectively.														
(3) Includes Excess Balance Account-Mississippi Account-First National Banker's Bank.														
(4) Fully tax equivalent yield assuming a 25.3% tax rate.														
Analysis of Changes in Net Interest Income. The following table presents the consolidated dollar amount of changes in interest income and interest expense rate.														

		Year Ended December 31, 2022 versus 2021			Year Ended December 31, 2021 versus 2020			Year Ended December 31, 2023 versus 2022		
		Increase (decrease) due to			Increase (decrease) due to			Increase (decrease) due to		
		Year Ended December 31, 2023 versus 2022			Increase (decrease) due to					
(\$ in thousands)	(\$ in thousands)	Volume	Rate	Net	Volume	Rate	Net	(\$ in thousands)		
Earning Assets	Earning Assets									
Loans	Loans									
Loans	Loans	\$14,176	\$(7,595)	\$ 6,581	\$ (35)	\$(6,246)	\$(6,281)			
Securities	Securities									
(1)	(1)	15,436	2,832	18,268	9,949	(5,749)	4,200			
Federal funds	Federal funds									
sold	sold									
and	and									
interest	interest									
bearing	bearing									
deposits	deposits									
with	with									
other	other									
banks	banks	(55)	(37)	(92)	386	(635)	(249)			
Total	Total									
interest	interest									
income	income	29,557	(4,800)	24,757	10,300	(12,630)	(2,330)			
Interest- Bearing Liabilities	Interest- Bearing Liabilities									
Interest- bearing transaction accounts	Interest- bearing transaction accounts	1,278	(745)	533	2,100	(3,746)	(1,646)			
Interest-bearing transaction accounts	Interest-bearing transaction accounts									
Money market accounts	Money market accounts									
and	and									
savings	savings	226	819	1,045	950	(2,757)	(1,807)			
Time deposits	Time deposits	294	(52)	242	(1,267)	(2,836)	(4,103)			
Borrowed funds	Borrowed funds	241	835	1,076	1,251	(678)	573			
Total	Total									
interest expense	interest expense	2,039	857	2,896	3,034	(10,017)	(6,983)			
Net interest income	Net interest income	\$27,518	\$(5,657)	\$21,861	\$7,266	\$(2,613)	\$ 4,653			

(1) Fully tax equivalent yield assuming a 25.3% tax rate.

Interest Sensitivity. The Company monitors and manages the pricing and maturity of its assets and liabilities in order to diminish the potential adverse negative dollar difference between assets and liabilities that are subject to interest rate repricing within a given period of time. The Company also performs securities available-for-sale, replacing an asset or liability at maturity, or adjusting the interest rate during the life of an asset or liability. Managing the amount formulates guidelines regarding asset generation and repricing, funding sources and pricing, and off-balance sheet commitments in order to decrease interest rate risk.

In the third quarter of 2022, the Company ceased the Deposit Reclassification program it implemented at the beginning of 2020. The program reclassifies deposits as of December 31, 2022 December 31, 2023, 2021, 2022, and 2020, 2021. Deposits at December 31, 2021 and 2020 are shown without reclassification for consistency.

December 31, 2022											
		Within Three Months		Through Twelve Months		Within One Year or Year		Greater Than One Year or Nonsensitive			
\$ in thousands											
\$ in thousands		Within	Three	Through	Twelve	Within	One	Greater Than	One Year or Nonsensitive		
		Months		Months		Year			Total		
Assets		Assets									
Earning Assets:											
Earning assets:											
Earning assets:											
Earning assets:											
Loans											
Loans		Loans	\$ 180,128	\$ 247,781	\$ 427,909	\$ 3,350,693	\$ 3,778,602				
Securities		Securities									
(2)	(2)		13,565	58,431	71,996	1,876,589	1,948,585				
Funds	Funds										
sold and	sold and										
other	other		—	78,139	78,139	—	78,139				
Total	Total										
earning	earning										
assets	assets		\$ 193,693	\$ 384,351	\$ 578,044	\$ 5,227,282	\$ 5,805,326				
Liabilities		Liabilities									
Interest-bearing liabilities:											
Interest-bearing liabilities:											
Interest-bearing deposits:											
Interest-bearing deposits:											
NOW accounts (1)											
NOW accounts (1)											
NOW	NOW										
accounts	accounts										
(1)	(1)		\$ —	\$ 1,769,699	\$ 1,769,699	\$ —	\$ 1,769,699				

Money market accounts	Money market accounts	825,813	—	825,813	—	825,813
Savings deposits (1)	Savings deposits (1)	—	542,296	542,296	—	542,296
Time deposits	Time deposits	118,108	440,087	558,195	168,200	726,395
Total interest-bearing deposits	Total interest-bearing deposits	943,921	2,752,082	3,696,003	168,200	\$3,864,203
Borrowed funds (3)	Borrowed funds (3)	130,100	—	130,100	—	130,100
Total interest-bearing liabilities	Total interest-bearing liabilities	1,074,021	2,752,082	3,826,103	168,200	3,994,303
Interest-sensitivity gap per period	Interest-sensitivity gap per period	\$ (880,328)	\$ (2,367,731)	\$ (3,248,059)	\$ 5,059,082	\$ 1,811,023
Cumulative gap at December 31, 2022		\$ (880,328)	\$ (3,248,059)	\$ (3,248,059)	\$ 1,811,023	\$ 1,811,023
Ratio of cumulative gap to total earning assets at December 31, 2022		(15.2)	% (55.9)	% (55.9)	% 31.2	%
Cumulative gap at December 31, 2023						
Ratio of cumulative gap to total earning assets at December 31, 2023						

	Within Three Months
Assets	
Earning Assets:	
Loans	\$
Securities (2)	\$
Funds sold and other	\$
Total earning assets	\$
Liabilities	
Interest-bearing liabilities:	
Interest-bearing deposits:	
NOW accounts (1)	\$
Money market accounts	\$

Savings deposits (1)		
Time deposits		
Total interest-bearing deposits		
Total interest-bearing liabilities		
Interest-sensitivity gap per period	\$	(7)
Cumulative gap at December 31, 2021	\$	(7)
Ratio of cumulative gap to total earning assets at December 31, 2021		
 \$ in thousands		
		Within
		Three
		Months
 Assets		
Earning assets:		
Loans	\$	
Securities (2)		
Funds sold and other		
Total earning assets	\$	
 Liabilities		
Interest-bearing liabilities:		
Interest-bearing deposits:		
NOW accounts (1)	\$	
Money market accounts		
Savings deposits (1)		
Time deposits		
Total interest-bearing deposits		
Borrowed funds (3)		
Total interest-bearing liabilities		1
Interest-sensitivity gap per period	\$	
Cumulative gap at December 31, 2022	\$	
Ratio of cumulative gap to total earning assets at December 31, 2022		
 \$ in thousand		
		Within
		Three
		Months
 Assets		
Earning assets:		
Loans	\$	
Securities (2)		
Funds sold and other		
Total earning assets	\$	
 Liabilities		
Interest-bearing liabilities:		
Interest-bearing deposits:		
NOW accounts (1)	\$	
Money market accounts		
Savings deposits (1)		
Time deposits		

		Within Three Months
Total interest-bearing deposits		
Total interest-bearing liabilities		
Interest-sensitivity gap per period	\$	
Cumulative gap at December 31, 2021	\$	
Ratio of cumulative gap to total earning assets at December 31, 2021		
 Assets		
Earning Assets:		
Loans	\$	
Securities (2)		
Funds sold and other		
Total earning assets	\$	
 Liabilities		
Interest-bearing liabilities:		
Interest-bearing deposits:		
NOW accounts (1)	\$	
Money market accounts		
Savings deposits (1)		
Time deposits		
Total interest-bearing deposits		
Borrowed funds (3)		
Total interest-bearing liabilities		
Interest-sensitivity gap per period	\$	
Cumulative gap at December 31, 2020	\$	
Ratio of cumulative gap to total earning assets at December 31, 2020		

(1) NOW and savings accounts are subject to immediate withdrawal and repricing. These deposits do not tend to immediately react to changes in interest rates rather than the period in which the funds can be withdrawn contractually.

(2) Securities include mortgage backed and other installment paying obligations based upon stated maturity dates.

(3) Does not include subordinated debentures of \$123,386, \$145,027, \$144,592 \$80,678 for the years ended December 31, 2022 December 31, 2023, 2021, 2020.

The Company generally would benefit from increasing market rates of interest when it has an asset-sensitive gap and generally from decreasing market non-maturity deposits by looking at the deposits' behavior rather than their contractual ability to reprice. The cash flows used in the analysis are the projected presents only a static view of the timing of maturities and repricing opportunities, without taking into consideration that changes in interest rates do not affect all interest-sensitive than market-based rates such as those paid on non-core deposits. Accordingly, management believes a liability an asset sensitive-position will also be affected by other significant factors, including changes in the volume and mix of earning assets and interest-bearing liabilities.

The following tables depict, for the periods indicated, certain information related to interest rate sensitivity in net interest income and market value of equity.

December 31, 2023

	Change in Interest Rates
Up 400 bps	
Up 300 bps	
Up 200 bps	
Up 100 bps	
Down 100 bps	
Down 200 bps	
<u>December 31, 2022</u>	
	Change in Interest Rates
Up 400 bps	
Up 300 bps	
Up 200 bps	
Up 100 bps	
Down 100 bps	
Down 200 bps	
<u>December 31, 2021</u>	
	Change in Interest Rates
Up 400 bps	
Up 300 bps	
Up 200 bps	
Up 100 bps	
Down 100 bps	
Down 200 bps	
<u>December 31, 2020</u>	
	Change in Interest Rates
Up 400 bps	
Up 300 bps	
Up 200 bps	
Up 100 bps	
Down 100 bps	
Down 200 bps	
<u>December 31, 2021</u>	
	Change in Interest Rates
Up 400 bps	
Up 300 bps	
Up 200 bps	
Up 100 bps	
Down 100 bps	
Down 200 bps	

Allowance and Provision for Credit Losses

On January 1, 2021, the Company adopted the ASC 326. The FASB issued ASC 326 to replace the incurred loss model for loans and other financial methodology effective January 1, 2021, which replaces its previous allowance for loan losses methodology. The ACL is a valuation account that is deducted from the carrying amount of the loans. The ACL is determined by estimating the specific allowance for individually assessed loans. Loans are charged-off against the allowance when management believes the uncollectibility of a loan balance is probable. The ACL is used to absorb expected credit losses in the loan portfolio.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current current risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environment cond peer data. Management evaluates the adequacy of the ACL quarterly and makes provisions for credit losses based on this evaluation. See Note B – Summary qualitative factors included in the calculation.

At December 31, 2022 December 31, 2023, the ACL was \$38.9 million \$54.0 million, or 1.0% 1.1% of LHF, an increase of \$8.2 million \$15.1 million, or of purchase accounting adjustments, and recorded initial ACL on PCD loans of \$3.2 million related to the HSBI acquisition. In addition, the 2023 provision allowance for credit losses was approximately \$38.9 million, which was 1.0% of LHF. The Company maintains the allowance at a level that management believes unfunded commitments. A \$1.3 million initial allowance was recorded on PCD loans acquired in the BBI merger. At December 31, 2021, the allowance for loan Specifically, identifiable and quantifiable losses are immediately charged-off against the allowance; recoveries are generally recorded only when sufficient cash

The provision for credit losses is a charge to earnings to maintain the allowance for credit losses at a level consistent with management's assessment the year ended December 31, 2022, and a negative \$1.5 million for the year ended December 31, 2021, and the provision for loan losses was \$25.2 million for the year ended December 31, 2020. The provision for 2021 is attributed to the improved macroeconomic outlook and the Company's ACL calculation under ASC 326. The majority of the \$25.2 million provision for 2021 is attributed to the improved macroeconomic outlook and the Company's ACL calculation under ASC 326. The majority of the \$25.2 million provision for 2021 is attributed to the improved macroeconomic outlook and the Company's ACL calculation under ASC 326.

At December 31, 2022 December 31, 2023, management believes the allowance is appropriate and has been derived from consistent application of or could also change, which would affect the level of future provisions for credit losses.

Allowance for Credit Losses on Off Balance Sheet Credit Exposures

On January 1, 2021, the Company adopted ASC 326. The Company estimates expected credit losses over the contractual period in which the Company makes a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on credit exposures in thousands. credit, which is included on the accompanying consolidated balance sheet. The Company's provision for credit losses on OBSC exposures was \$75 thousand for the year ended December 31, 2023 compared to the same period in 2022 was due to the day one provision for unfunded commitments related to the HSBC account.

Non-Performing Assets

A loan is placed on nonaccrual and the accrual of interest discontinued, when based on all available information and events, it displays characteristics nonaccrual status, are loans determined by management to be labelled as "troubled debt restructure" based on regulatory guidance, as well as loans 90 days or

Once these loans are identified, they are evaluated to determine whether the ultimate repayment source will be liquidation of collateral or some future as all expected expenses related to the disposal of the collateral. If there is any impairment, specific allowances for these loans are then accounted for on a | described above.

Total nonaccrual loans at December 31, 2022 December 31, 2023, were \$12.6 million \$10.7 million, a decrease of \$15.4 million \$1.9 million compared were adequately reserved at December 31, 2022. Restructured

Loans not reported as past due or nonaccrual at December 31, 2022 totaled \$14.7 million December 31, 2023. See Note E – Loans in the accompanying notes.

A potential problem loan is one in which management has serious doubts about the borrower's future performance under the terms of the loan contract, characteristics that give management a reason to believe that repayment in full under the contractual terms of the agreement are possible. The level of potential problem loans increased from \$107.1 million and \$154.8 million to \$108.1 million, respectively. The decrease of \$46.8 million during 2022 was largely attributable to payoffs throughout the year.

Years Ended December 31

Years Ended December 31.

		(\$ in thousands)	2022	2021 (1) (\$ in thousands)
Average	Average			
LHFI	LHFI			
outstanding	outstanding	\$3,302,265	\$3,019,605	
Loans	Loans			
outstanding	outstanding			
at year end, at year end,				
including	including			
LHFS	LHFS	\$3,778,630	\$2,967,231	
Total	Total			
nonaccrual	nonaccrual			
loans	loans	\$ 12,591	\$ 28,013	
Total nonaccrual loans				
Total nonaccrual loans				
Beginning balance of				
allowance				
Beginning balance of				
allowance				
Beginning	Beginning			
balance of	balance of			
allowance	allowance	\$ 30,742	\$ 35,820	
Impact of	Impact of			
ASC 326	ASC 326			
adoption on	adoption on			
non-PCD	non-PCD			
loans	loans	—	(718)	
Impact of	Impact of			
ASC 326	ASC 326			
adoption on	adoption on			
PCD loans	PCD loans	—	1,115	
Initial	Initial			
allowance	allowance			
on acquired	on acquired			
PCD loans	PCD loans	1,303	—	
Loans	Loans			
charged-off	charged-off	(1,218)	(6,213)	
Total	Total			
recoveries	recoveries	2,740	2,194	
Net loans	Net loans			
(charged-off)	(charged-off)			
recoveries	recoveries	1,522	(4,019)	
Provision	Provision			
for credit	for credit			
losses (2)	losses (2)	5,350	(1,456)	
Balance at	Balance at			
year end	year end	\$ 38,917	\$ 30,742	
Net charge-offs to	Net charge-offs to			
average	average			
loans	loans	0.05%	0.13%	
Net charge-offs to	Net charge-offs to			
average loans	average loans			

Allowance	Allowance			
as percent	as percent			
of total	of total			
loans	loans	1.03%	1.04%	Allowance as percent of total loans
Nonaccrual	Nonaccrual			
loans as a	loans as a			
percentage	percentage			
of total	of total			
loans	loans	0.33%	0.94%	Nonaccrual loans as a percentage of total loans
Allowance	Allowance			
as a	as a			
multiple of	multiple of			
nonaccrual	nonaccrual			
loans	loans	3.10X	1.10 X	Allowance as a multiple of nonaccrual loans

(1) Effective January 1, 2021, The Company adopted ASC 326 using the modified retrospective approach.

(2) The negative provision of \$1.5 million for credit losses on the consolidated statements of income is net of a \$370 thousand provision for credit mark

At December 31, 2023, allowance as of percent of total loans increased 0.01% to 1.04% when compared to 1.03% at December 31, 2022. The increase is attributed to a \$1.9 million increase in allowance as of percent of total loans. The decrease is attributed to a \$1.9 million decrease in nonaccrual loans mentioned above.

At December 31, 2022, allowance as of percent of total loans decreased 0.01% to 1.03% when compared to 1.04% at December 31, 2021. The decrease is attributed to a \$15.4 million decrease in nonaccrual loans mentioned above.

At December 31, 2022, The following table represents the components of the ACL consisted of for the following (\$ in thousands): years 2023, 2022, and 2021.

Allowance				
(\$ in thousands)		(\$ in thousands)		
Allocated:	Allocated:	2022	2021	Allocated:
Collateral	Collateral			
dependent	dependent			
loans	loans	\$ 5	\$ 6	
Loans	Loans			
collectively	collectively			
evaluated	evaluated	38,912	30,736	
Total	Total	\$38,917	\$30,742	

Loan Loans collectively evaluated are those loans or pools of loans assigned a grade by internal loan review.

The following table represents the activity of the allowance for credit losses for the years 2023, 2022, and 2021 (\$ in thousands): 2021.

Analysis of the Allowance for Credit Losses				
		2022	2021 (1)	
(\$ in thousands)		(\$ in thousands)		
	2023			
Balance at	Balance at			
beginning of	beginning of			
period	period	\$30,742	\$35,820	

Impact of ASC 326 adoption on non-PCD loans	Impact of ASC 326 adoption on non-PCD loans	—	(718)
Impact of ASC 326 adoption on PCD loans	Impact of ASC 326 adoption on PCD loans	—	1,115
Initial allowance on acquired PCD loans	Initial allowance on acquired PCD loans	1,303	—
Loans charged-off:	Loans charged-off:		
Commercial, financial and agriculture	Commercial, financial and agriculture	(259)	(1,662)
Commercial, financial and agriculture	Commercial, financial and agriculture		
Commercial real estate	Commercial real estate	(72)	(3,523)
Consumer real estate	Consumer real estate	(204)	(473)
Consumer installment	Consumer installment	(683)	(555)
Total	Total	(1,218)	(6,213)
Recoveries on loans previously charged-off:	Recoveries on loans previously charged-off:		
Commercial, financial and agriculture	Commercial, financial and agriculture		
Commercial, financial and agriculture	Commercial, financial and agriculture		
Commercial, financial and agriculture	Commercial, financial and agriculture	433	433
Commercial real estate	Commercial real estate	591	888
Consumer real estate	Consumer real estate	1,015	311
Consumer installment	Consumer installment	701	562
Total	Total	2,740	2,194
Net (charge-offs)	Net (charge-offs)		
recoveries	recoveries	1,522	(4,019)
Provision:	Provision:		
Initial provision for acquired non-PCD loans	Initial provision for acquired non-PCD loans	3,855	
Provision for credit losses charged to expense	Provision for credit losses charged to expense	1,495	(1,456)

Initial provision for acquired non-PCD loans	
Initial provision for acquired non-PCD loans	
Provision for credit losses charged to expense (2)	
Balance at end of period	Balance at end of period
	\$38,917
	\$30,742

(1) Effective January 1, 2021, The Company adopted ASC 326 using the modified retrospective approach.

(2) The negative provision of \$1.5 million for credit losses on the consolidated statements of income is net of a \$370 thousand provision for credit mark

The following tables represents how the ACL is allocated to a particular loan type as well as the percentage of the category to total gross loans at December 31, 2022.

	December 31, 2022		December 31, 2021		December 31, 2022 (\$ in thousands)	
	% of loans in each category		% of loans in each category			
	to total gross	Amount loans	to total gross	Amount loans		
Commercial, Commercial, financial and financial and agriculture	\$ 6,349	14.2 %	\$ 4,873	13.4 %	Commercial, financial and agriculture	
Commercial real estate	20,389	56.5 %	17,552	57.0 %	Commercial real estate	
Consumer real estate	11,599	28.1 %	7,889	28.3 %	Consumer real estate	
Consumer installment	580	1.2 %	428	1.3 %	Consumer installment	
Total loans	\$38,917	100 %	\$30,742	100 %	Total loans	

Non-interest Income

The Company's primary sources of non-interest income are mortgage banking operations and service charges on deposit accounts. Other sources of non-interest income include fees from the sale of investment securities.

Non-interest income was \$46.7 million at December 31, 2023, an increase of \$9.7 million or 26.4% compared to December 31, 2022. This increase is primarily due to the sale of available-for-sale securities. Non-interest income was \$37.0 million at December 31, 2022, a decrease of \$512 thousand or 1.4% compared to December 31, 2021.

Non-interest income Expense

Non-interest expense was \$37.5 million at December 31, 2021, a decrease of \$4.4 million or 10.5% compared to December 31, 2020. The decrease is primarily due to a decrease in non-interest income of \$4.4 million, or 41.6% in other income year-over-year comparison. The increase was partially attributable to \$2.7 million in acquisition and charter conversion charges, \$1.7 million in core deposit premiums and a \$4.9 million increase in interchange fees of \$2.1 million core deposit amortization for the year ended December 31, 2023.

Non-interest Expense

Non-interest expense was \$130.5 million for the year ended December 31, 2022, an increase of \$15.9 million, or 13.9% in year-over-year comparison. Beach Bank branch operations accounted for the increase in non-interest expense. Non-interest expense was \$114.6 million for the year ended December 31, 2021.

The following table sets forth the primary components of non-interest expense for the periods indicated (\$ in thousands): indicated.

Non-interest Expense

		Years ended December 31,		
		2022	2021	2020
(\$ in thousands)		(\$ in thousands)		
2023				
Salaries and employee benefits	Salaries and employee benefits	\$ 73,077	\$ 65,856	\$ 61,230
Occupancy	Occupancy	12,854	12,713	11,282
Furniture and equipment	Furniture and equipment	2,981	2,848	2,551
Supplies and printing	Supplies and printing	967	903	925
Professional and consulting fees	Professional and consulting fees	3,558	4,035	3,897
Marketing and public relations	Marketing and public relations	393	615	512
FDIC and OCC assessments	FDIC and OCC assessments	2,122	2,074	1,351
ATM expense	ATM expense	3,873	3,623	3,042
Bank communications	Bank communications	1,904	1,754	2,028
Data processing	Data processing	2,211	1,578	1,137
Acquisition expense/charter conversion	Acquisition conversion	6,410	1,607	3,315
Other	Other	20,133	16,953	15,071
Total	Total	<u>\$130,483</u>	<u>\$114,559</u>	<u>\$106,341</u>

Income Tax Expense

Income tax expense consists of two components. The first is the current tax expense which represents the expected income tax to be paid to tax \$15.8 million for the year ended December 31, 2023, \$15.8 million for the year ended December 31, 2022, and \$16.9 million for the year ended December 31, 2021, respectively. The effective tax rate differs each year primarily due to our investments in bank-qualified municipal securities, bargain purchase gain. The effective tax rate for 2020 includes the \$7.8 million, non-taxable, bargain purchase gain related to the acquisition of Southwest Georgia Bancshares, Inc. and its wholly-owned subsidiary, Southwest Georgia Bancshares, Inc. including increasing the amount of deductible interest under section 163(j), allowing companies to carryback certain net operating losses, and included elsewhere in this report.

Earning Assets

Loans. Loans typically provide higher yields than the other types of earning assets, and thus one of the Company's goals is for loans to be the largest earning assets. Management attempts to control and counterbalance the inherent credit and liquidity risks associated with the higher loan yields without sacrificing the quality of the loan portfolio.

In the context of this discussion, a "real estate mortgage loan" is defined as any loan, other than loans for construction purposes, secured by real estate or other available collateral. This collateral is taken to reinforce the likelihood of the ultimate repayment of the loan and tends to increase the magnitude of the risk elements of its loan portfolio through strategies that diversify the lending mix.

Loans held for sale consist of mortgage loans originated by the Bank and sold into the secondary market. Commitments from investors to purchase the

The following table sets forth the Company's loan portfolio maturing within specified intervals at December 31, 2022 (\$ in thousands): December 31, 2022

	Due in One Year or Less	After One, but Within Five Years	After Five but Within Fifteen Years	After Fifteen Years	Total	
(\$ in thousands)	(\$ in thousands)					
Commercial, Commercial, financial and financial and agricultural agricultural	\$ 92,181	\$ 260,616	\$ 179,998	\$ 3,397	\$ 536,192	
Commercial real estate	198,934	862,146	1,024,254	49,929	2,135,263	
Consumer real estate	123,841	277,998	160,975	496,185	1,058,999	
Consumer installment	6,349	33,863	3,490	1	43,703	
Total	Total	\$421,305	\$1,434,623	\$1,368,717	\$549,512	\$3,774,157
Loans with fixed interest rates:	Loans with fixed interest rates:					
Commercial, financial and agricultural						
Commercial, financial and agricultural						
Commercial, Commercial, financial and financial and agricultural agricultural	\$ 37,848	\$ 213,347	\$ 145,177	\$ 2,739	\$ 399,111	
Commercial real estate	156,309	736,933	703,451	11,783	1,608,476	
Consumer real estate	83,129	189,024	101,379	81,247	454,779	
Consumer installment	5,403	32,472	3,288	1	41,164	
Total	Total	\$282,689	\$1,171,776	\$ 953,295	\$ 95,770	\$2,503,530
Loans with floating interest rates:	Loans with floating interest rates:					
Commercial, financial and agricultural						
Commercial, financial and agricultural						

Commercial, Commercial, financial and financial and agricultural	agricultural	\$ 54,333	\$ 47,269	\$ 34,821	\$ 658	\$ 137,081
Commercial real estate	Commercial real estate	42,625	125,213	320,803	38,146	526,787
Consumer real estate	Consumer real estate	40,712	88,974	59,596	414,938	604,220
Consumer installment	Consumer installment	946	1,391	202	—	2,539
Total	Total	\$138,616	\$ 262,847	\$ 415,422	\$453,742	\$1,270,627

The information presented in the above table is based on the contractual maturities of the individual loans, including loans which may be subject to renewal or extension.

Investment Securities. The investment securities portfolio is a significant component of the Company's total earning assets. Total securities averaged \$1,270.627 million in 2023, down from \$1,370.081 million in 2022, \$1,270.627 million in 2021, and \$1,370.081 million in 2020. At December 31, 2022, December 31, 2023, December 31, 2021, and December 31, 2020, the Company held investments with returns competitive with short-term U.S. Treasury or agency obligations. This objective is particularly important as the Company focuses on growth and diversification of its investment portfolio.

The following table details the weighted-average yield for each range of maturities of securities held-to-maturity using the amortized cost at December 31, 2023.

Within One Year

Securities held-to-maturity

U.S. Treasury

Obligations of U.S. government agencies and sponsored entities

Tax-exempt and taxable obligations of states and municipal subdivisions

Mortgage-backed securities - residential

Mortgage-backed securities - commercial

Corporate obligations

Total held-to-maturity

Within One Year

Securities held-to-maturity

U.S. Treasury

Obligations of U.S. government agencies and sponsored entities

Tax-exempt and taxable obligations of states and municipal subdivisions

Mortgage-backed securities - residential

Mortgage-backed securities - commercial

Corporate obligations

Total held-to-maturity

Mortgage-backed securities are included in maturity categories based on their stated maturity date. Expected maturities may differ from contractual maturities.

Short-Term Investments. Short-term investments, consisting of Federal Funds Sold, funds due from banks and interest-bearing deposits with banks, available for withdrawal on demand, are included in the Company's liquidity. These funds are a primary source of the Company's liquidity and are generally invested in an earning capacity on an overnight basis.

Deposits

Deposits. Average total deposits at December 31, 2023 were \$6.555 billion, an increase of \$1.127 billion, or 20.8% compared to 2022. Average total deposits at December 31, 2022, were \$5.494 billion, an increase of \$1.127 billion, or 20.8% compared to 2021.

At December 31, 2023, total deposits were \$6.463 billion, compared to \$5.494 billion at December 31, 2022, and \$4.631 billion at December 31, 2021. January 2023, deposits totaling \$1.392 billion, an increase net of \$267.6 million, or 5.1%, and \$4.215 billion at December 31, 2020. Deposits of purchase accquired in 2021, deposits totaling \$410.2 million were acquired in 2021 with the acquisition of the Cadence branches. Deposits of \$476.1 million were acquired in 2020 with the acquisition of the Cadence branches.

As of December 31, 2022 December 31, 2023 and 2021, 2022, the Company had estimated uninsured deposits of \$2.076 billion \$2.145 billion and \$2.0

In the third quarter of 2022, the Company ceased the Deposit Reclassification program it implemented at the beginning of 2020. The program reclassifies for the noted periods in the following table. Deposits at December 31, 2021 and 2020 are shown without reclassification for consistency with the current period.

	2022
	Average Balance
Non-interest-bearing accounts	\$ 1,660,301
Interest bearing deposits:	
NOW accounts and other	1,810,575
Money market accounts	831,463
Savings accounts	535,449
Time deposits	590,385
Total interest-bearing deposits	3,767,872
Total deposits	<u><u>\$ 5,428,173</u></u>

(\$ in thousands)	2023
	Average Balance
Non-interest-bearing accounts	\$ 2,012,935
Interest bearing deposits:	
NOW accounts and other	2,017,154
Money market accounts	1,013,701
Savings accounts	606,421
Time deposits	904,629
Total interest-bearing deposits	4,541,905
Total deposits	<u><u>\$ 6,554,840</u></u>

The most significant growth during 2022 2023 compared to 2021 2022 was in NOW accounts, time deposits. The average cost of interest-bearing deposits in 2023 compared to 0.37% during the same time period in 2022. Average cost of total deposits increased 83 basis points to 1.09% at December 31, 2023 compared to 1.01% in 2022. Average cost of interest-bearing deposits and total deposits remained unchanged at December 31, 2022 compared to 2021. The decrease in the average cost of interest-bearing deposits in 2023 compared to 2022 was primarily due to the increase in the average balance of interest-bearing deposits in 2023.

The Company's loan-to-deposit ratio, which excludes mortgage loans held for sale, was 80.0% at December 31, 2023, 68.7% at December 31, 2022, and 70.1% at December 31, 2021. The Company's loan-to-deposit ratio of 80.0% at December 31, 2023, is based on time deposits of \$100,000 or more in 2020, provide a relatively stable funding source for the Company's loan portfolio and other earning assets. The Company's loan-to-deposit ratio of 68.7% at December 31, 2022, is based on time deposits of \$100,000 or more in 2020, provide a relatively stable funding source for the Company's loan portfolio and other earning assets. The Company's loan-to-deposit ratio of 70.1% at December 31, 2021, is based on time deposits of \$100,000 or more in 2020, provide a relatively stable funding source for the Company's loan portfolio and other earning assets.

Management anticipates that a stable base of deposits will be the Company's primary source of funding to meet both its short-term and long-term liquidity needs. The Company's loan-to-deposit ratio, which excludes mortgage loans held for sale, was 80.0% at December 31, 2023, 68.7% at December 31, 2022, and 70.1% at December 31, 2021. The Company's loan-to-deposit ratio of 80.0% at December 31, 2023, is based on time deposits of \$100,000 or more in 2020, provide a relatively stable funding source for the Company's loan portfolio and other earning assets. The Company's loan-to-deposit ratio of 68.7% at December 31, 2022, is based on time deposits of \$100,000 or more in 2020, provide a relatively stable funding source for the Company's loan portfolio and other earning assets. The Company's loan-to-deposit ratio of 70.1% at December 31, 2021, is based on time deposits of \$100,000 or more in 2020, provide a relatively stable funding source for the Company's loan portfolio and other earning assets.

(\$ in thousands)	After					(\$ in thousands)	
	Three		After Six				
	Within	Through	Through	After	Twelve		
Three	Six	Months	Twelve	Months	Total	(\$ in thousands)	

December 31, 2022	\$11,179	\$27,574	\$65,993	\$41,865	\$146,611
December 31, 2023					

Borrowed Funds

Borrowed funds consist of advances from the Federal Home Loan Bank of Dallas ("FHLB"), loans from First Horizon Bank, loans from the Federal Reserve and \$0 at December 31, 2021 and \$110.0 million at December 31, 2020. The advances are collateralized by a blanket lien on the first mortgage loans in 1 respectively. As part of the acquisition of First Florida Bancshares, Inc. ("FFB")

On March 12, 2023, the Company assumed Federal Reserve Board announced the Bank Term Funding Program ("BTFP"), which offers loans to banks

par for collateral purposes. The BTFP offers up to one year fixed-rate term borrowings that are prepayable without penalty.

In 2023, the Bank participated in the amount BTFP and had outstanding debt of \$3.5 million \$390.0 million and \$2.0 million pledged securities with Fir December 28, 2023, bear interest are payable quarterly at rates ranging from 3.80% - 4.10%. In 2021, the Company repaid the two loans acquired 4.69% to 4.1

Subordinated Debentures

On June 30, 2006, the Company issued \$4.1 million of floating rate junior subordinated deferrable interest debentures to The First Bancshares investors. The Company's obligations under the debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company. Interest on the preferred securities is the three month London Interbank Offer three-month term Secured Overnight Financing Rate (LIBOR) ("SOFR") plus 1.65

On July 27, 2007, the Company issued \$6.2 million of floating rate junior subordinated deferrable interest debentures to The First Bancshares, Inc. The Company's obligations under the debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the preferred securities. The three month LIBOR three-month term SOFR plus 1.40% plus a tenor spread adjustment of 0.026161% and is payable quarterly.

In 2018, as a result of the acquisition of FMB Banking Corporation ("FMB" ("FMB"), the Company became the successor to FMB's FMB's obligations in of the common equity of FMB Trust. FMB Trust issued \$6,000,000 \$6.0 million of Trust Preferred Securities to investors. The Company's obligations under the FMB Trust are redeemable by the Company at its option. The preferred securities must be redeemed upon maturity of the debentures in 2033. Interest on the t

On January 1, 2023, as a result of the acquisition of HSBI, the Company became the successor to HSBI's obligations in respect of \$10,310,000 Liberty Trust. Liberty Trust issued \$10,000,000 \$10.0 million of preferred securities to an investor. The Company's obligations under the debentures are redeemable by the Company at its option. The preferred securities must be redeemed upon maturity of the debentures in 2036. Interest on the preferred se

In accordance with the provisions of ASC Topic 810, Consolidation, the Trust 2, Trust 3, EMB Trust, and Liberty Trust are not included in the consolidation.

Subordinated Notes

April 30, 2018, the Company entered into two Subordinated Note Purchase Agreements pursuant to which the Company sold subordinated notes due 2033 (collectively, the "Notes due 2033"). In May of 2023, the Company redeemed all \$2

The Notes due 2033 are not convertible into or exchangeable for any other securities or assets of the Company or any of its subsidiaries. The Notes are obligations of the Company and rank junior in right to payment to the Company's current and future senior indebtedness, and each Note is *pari passu* in right to the term. Thereafter, the interest rate will re-set quarterly to an interest rate per annum equal to a benchmark rate (which is expected to be three-month term floating rate period may be determined based on a rate other than Three-Month Term SOFR. The Company entered into this arrangement is entitled to provide

redeem the Notes due 2033, in whole or in part, on any interest payment date on or after May 1, 2028, and to redeem the Notes due 2033 at

On September 25, 2020, the Company entered into a Subordinated Note Purchase Agreement with certain qualified institutional buyers pursuant to which the Company will issue \$1.1 million in principal amount of 4.25% Subordinated Notes due 2030. The Notes will have a ten-year term, maturing October 1, 2030, and will bear interest at a fixed annual rate of 4.25%, payable semi-annually in arrears, for the first five years in arrears. As provided in the Notes due 2030, under specified conditions the interest rate on the Notes due 2030 during the applicable floating rate period may be increased at any time in whole or in part upon certain other specified events. Deferred issuance costs included in the subordinated debt were \$1.1 million and were amortized over the term of the notes.

The Company had \$145.0 million \$123.4 million of subordinated debt, net of deferred issuance costs \$1.6 million and unamortized fair value mark to subordinated debt was attributable to \$144.7 million, the Company's redemption of \$24.0 million of its Notes due 2028 and the Company's repayment of \$2.0 million net purchase accounting adjustments, of deferred issuance costs \$2.1 million and unamortized fair value mark \$646 thousand, at December 31, 2021. subordinat

Capital

The Federal Reserve Board and bank regulatory agencies require bank holding companies and financial institutions to maintain capital at adequate levels. The federal banking agencies adopted a rule revising the scope of commercial real estate mortgages subject to a 150% risk weight. Under the risk-based standard, a general reserve for loan losses, subject to certain limitations. An institution's total risk-based capital for purposes of its risk-based capital ratio consists of the sum of

Bank holding companies and banks are also required to maintain capital at a minimum level based on total assets, which is known as the leverage minimum regulatory capital ratios as of December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021.

The Federal Reserve and the Federal Deposit Insurance Corporation approved final capital rules in July 2013, that substantially amended the existing capital rules as well as requirements contemplated by the Dodd-Frank Act.

Under the Basel III capital rules, the Company is required to meet certain minimum capital requirements that differ from past capital requirements. The Company is required to maintain a conservation buffer of 2.5% of risk-weighted assets as accumulated other comprehensive income ("AOCI"), however, the Company exercised a one-time irrevocable option to exclude certain components of AOCI from the capital ratio. A bank that does not meet the conservation buffer will be subject to restrictions on certain activities including payment of dividends, stock repurchases, and discretionary bonus payments.

The prompt corrective action rules have been modified to include the common equity Tier 1 capital ratio and to increase the Tier 1 capital ratio requirement to 4.5% of risk-weighted assets, and a 10.0% total capital ratio.

The rules modify the manner in which certain capital elements are determined. The rules make changes to the methods of calculating the risk-weighted assets for certain capital elements, including the treatment of goodwill and other intangible assets in calculating risk-weighted assets, the treatment of finance the acquisition, development or construction of real property, certain exposures or credit that are 90 days past due or are nonaccrual, securitization exposures, and certain other capital elements.

The Company was required to comply with the new capital rules on January 1, 2015, with a measurement date of March 31, 2015. The conservation buffer and Total Risk Based Capital above the minimum regulatory adequate capital ratios but below the capital conservation buffer will face constraints on their ability to pay dividends, make stock repurchases, and make discretionary bonus payments.

Capital Ratios	Capital Ratios	Minimum Capital Required										Adequately Capitalized
		Adequately Capitalized	Well Capitalized	Phased In	The Company December 31,			The First December 31,			Capital Ratios	
					2022	2021	2020	2022	2021	2020		
2023												
Leverage capital:	Leverage capital:	4.0 %	5.0 %	7.0 %	9.3 %	9.2 %	9.2 %	11.1 %	10.8 %	10.4 %	Leverage	4.0
Risk-based capital:	Risk-based capital:											
Common equity:	Common equity:											
Tier 1:	Tier 1:	4.5 %	6.5 %	7.0 %	12.7 %	13.7 %	13.5 %	15.6 %	16.6 %	15.8 %		
Common equity Tier 1												
Common equity Tier 1												
Tier 1:	Tier 1:	6.0 %	8.0 %	8.5 %	13.0 %	14.1 %	14.0 %	15.6 %	16.6 %	15.8 %	Tier 1	6.0
Total:	Total:	8.0 %	10.0 %	10.5 %	16.7 %	18.6 %	19.1 %	16.4 %	17.4 %	16.9 %	Total	8.0

Liquidity and Capital Resources

Liquidity management involves monitoring the Company's sources and uses of funds in order to meet its day-to-day cash flow requirements while max complicated because different balance sheet components are subject to varying degrees of management control. For example, the timing of maturities of the ir

predictable and are not subject to the same degree of control. Asset liquidity is provided by cash and assets which are readily marketable, which can be pledged

The Company's federal funds sold position, which includes funds due from banks and interest-bearing deposits with banks, is typically its primary source. In addition, the Company has available advances from the FHLB. Advances available are generally based upon the amount of qualified first mortgage loans with credit.

As of December 31, 2022 December 31, 2023, the market value of unpledged debt securities plus pledged securities in excess of current pledging requirements from December 31, 2022 compared to December 31, 2021 is primarily due to an increase in acquired deposits. Other forms of balance sheet liquidity included, are more than sufficient to meet the Company's current and anticipated short-term liquidity needs.

The Company's liquidity ratio as of December 31, 2022 December 31, 2023 was 24.7% 17.6%, as compared to internal liquidity policy guidelines of 10%

Loans to Deposits (including FHLB advances)

Net Non-core Funding Dependency Ratio

Fed Funds Purchased / Total Assets

FHLB Advances / Total Assets

FRB Advances / Total Assets

Pledged Securities to Total Securities

Loans to Deposits (including FHLB advances)

Net Non-core Funding Dependency Ratio

Fed Funds Purchased / Total Assets

FHLB Advances / Total Assets

FRB Advances / Total Assets

Pledged Securities to Total Securities

Loans to Deposits (including FHLB advances)

Net Non-core Funding Dependency Ratio

Fed Funds Purchased / Total Assets

FHLB Advances / Total Assets

FRB Advances / Total Assets

Pledged Securities to Total Securities

Continued growth in core deposits and relatively high levels of potentially liquid investments have had a positive impact on our liquidity position in recent

Loans to Deposits (including FHLB advances)

Net Non-core Funding Dependency Ratio

Fed Funds Purchased / Total Assets

FHLB Advances / Total Assets

FRB Advances / Total Assets

Pledged Securities to Total Securities

Loans to Deposits (including FHLB advances)

Net Non-core Funding Dependency Ratio
Fed Funds Purchased / Total Assets
FHLB Advances / Total Assets
FRB Advances / Total Assets
Pledged Securities to Total Securities

Loans to Deposits (including FHLB advances)
Net Non-core Funding Dependency Ratio
Fed Funds Purchased / Total Assets
FHLB Advances / Total Assets
FRB Advances / Total Assets
Pledged Securities to Total Securities

The holding company's primary uses of funds are ordinary operating expenses and stockholder dividends, and its primary source of funds is dividends requirements for the foreseeable future.

Management regularly reviews the liquidity position of the Company and has implemented internal policies which establish guidelines for sources of funding. The Company's liquidity is currently within the range of 4.25% to 4.50%.

On May 7, 2020, the Company announced the renewal of its share repurchase program that previously expired on December 31, 2019. Under the program, the target number of shares and the maximum price (or range of prices) under the program, was determined by management at its discretion and the program expired on December 31, 2020. The Company repurchased 289,302 shares in 2020 pursuant to the program.

On December 16, 2020, the Company announced that its Board of Directors has authorized a share repurchase program (the "2021 Repurchase Program") to, from time to time repurchase up \$30 million of its own common stock in any manner determined appropriate by the Company's management. The actual timing and amount of purchases will depend on a number of factors, including the market price of the Company's common stock, general market and economic conditions, and applicable legal and regulatory requirements. The 2021 Repurchase Program will expire on December 31, 2021.

On February 8, 2022, the Company announced the renewal of the 2021 Repurchase Program that previously expired on December 31, 2021. Under the program, the target number of shares and the maximum price (or range of prices) under the program, was determined by management at its discretion and the program expired on December 31, 2022. The Company repurchased 289,302 shares in 2022 pursuant to the program.

On March 9, 2022, the Company announced that its Board of Directors authorized a new share repurchase program (the "2022 Repurchase Program") for the Company could, but was not required to, from time to time repurchase up \$30 million of shares of its own common stock in any manner determined appropriate by the Company's management, less the amount of prior purchases under the program during the 2021 calendar year. The renewed 2022 Repurchase Program will expire on December 31, 2022.

The Inflation Reduction Act of 2022 signed into law in August 2022 includes a provision for an expiration date excise tax equal to 1% of December 31, 2022, transactions subject to the new excise tax, we do not expect a material impact to our statement of condition or result of operations.

On February 28, 2023, the Company announced that its Board of Directors has authorized a new share repurchase program (the "2023 Repurchase Program") for the Company could, but was not required to, from time to time repurchase up \$50 million of shares of its own common stock in any manner determined appropriate by the Company's management at its discretion and will depend on a number of factors, including the market price of the Company's common stock, general market and economic conditions.

On February 28, 2024, the Company announced that its Board of Directors has authorized a new share repurchase program (the "2024 Repurchase Program") for the Company could, but was not required to, from time to time repurchase up \$50.0 million of shares of its own common stock in any manner determined appropriate by the Company's management at its discretion and will depend on a number of factors, including the market price of the Company's common stock, general market and economic conditions.

Commitments and Contractual Obligations

The following table presents, as of December 31, 2022 December 31, 2023, fixed and determinable contractual obligations to third parties by payment date included in the referenced note to the consolidated financial statements included elsewhere in this Form 10-K.

(\$ in thousands)	(\$ in thousands)	Note Reference	After One		After Three			Total
			But Within		But Within		After Five	
			Within One Year	Three Years	Five Years	Years	After Five	
Deposits without a stated maturity	Deposits without a stated maturity	G	\$4,784,472	\$ —	\$ —	\$ —	\$ —	\$4,784,472
Time deposits	Time deposits	G	558,195	137,853	21,956	8,391	726,395	
Borrowings	Borrowings	H	130,100	—	—	—	—	130,100
Lease obligations	Lease obligations	I	1,561	2,656	1,948	3,563	9,728	
Trust preferred subordinated debentures	Trust preferred subordinated debentures	N	—	—	—	15,904	15,904	
Subordinated note purchase agreement	Subordinated note purchase agreement	N	—	—	—	129,123	129,123	
Total Contractual obligations	Total Contractual obligations		\$5,474,328	\$140,509	\$23,904	\$156,981	\$5,795,722	

Subprime Assets

The Bank does not engage in subprime lending activities targeted towards borrowers in high risk categories.

Accounting Matters

Information on new accounting matters is set forth in Note B – Summary of Significant Accounting Policies in the accompanying notes to the consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk Management

Market risk arises from changes in interest rates, exchange rates, commodity prices and equity prices. The Company does not engage in the trading of earnings and balance sheet exposure to changes in interest rates. The principal objective of interest rate risk management is to manage the financial components of the Company's earnings and balance sheet.

To identify areas of potential exposure to interest rate changes, we utilize commercially available modeling software to perform earnings simulations, management's assumptions on pricing, duration, and optionality for anticipated new volumes. Various rate scenarios consisting of key rate and yield curve projections are shocked (an immediate and parallel change in all base rates, up or down), ramped (an incremental increase or decrease in rates over a specified time period),

We use seven standard interest rate scenarios in conducting our 12-month net interest income simulations: "static," upward shocks of 100, 200, 300 and 400 basis points (bp), downward shocks of 100, 200, 300 and 400 bp, and a 5% shock. As of December 31, 2021, the probability of a 100 bp interest rate shock is less than 5%, the probability of a 200 bp shock is 10%, the probability of a 300 bp shock is 15%, and the probability of a 400 bp shock is 20%.

December 31, 2022		Net Interest Income at Risk – Sensitivity Year 1						
December 31, 2023								
(\$ in thousands)		(\$ in thousands)						
Net Interest Income	Net Interest Income	-200 bp	-100 bp	STATIC	+100 bp	+200 bp	+300 bp	+400 bp
200,403	204,030	201,895	200,146	196,096	188,971	179,057		
Dollar Change	Dollar Change	(1,492)	2,135	(1,749)	(5,799)	(12,924)	(22,838)	

NII @ Risk NII @ Risk

Sensitivity Sensitivity

Year 1 Year 1 (0.7)% 1.1 % (0.9)% (2.9)% (6.4)% (11.3)% NII @ Risk - Sensitivity Year 1

If there were an immediate and sustained downward adjustment of 200 basis points in interest rates, all else being equal, net interest income over the below 200 basis points, due to the fact that certain deposit rates are already relatively low (on NOW accounts and savings accounts, for example), and will likely be lower with no balance sheet growth, the rate-driven variances projected for net interest income in a static growth environment are similar to the current rate and flat rate scenarios does not change materially relative to standard growth projections. However, the benefit we would otherwise experience in rising rates would be lower.

Net interest income would likely decrease by **\$5.8 million** **\$5.4 million**, or 2.9% **(2.3)%**, if interest rates were to increase by 200 basis points relative to a current rate. Loans are currently at rate floors, resulting in a re-pricing lag while base rates are increasing to floored levels, but we believe the Company still would benefit from the increase.

The Company's one-year cumulative GAP ratio was approximately **118.0%** at December 31, 2023, **180.0%** at December 31, 2022, and **164.5%** at December 31, 2021.

In addition to the net interest income simulations shown above, we run stress scenarios modeling the possibility of no balance sheet growth, the potential for lower net interest income. The rate-driven variances projected for net interest income in a static growth environment are similar to the current rate and flat rate scenarios does not change materially relative to standard growth projections. However, the benefit we would otherwise experience in rising rates would be lower.

The economic value (or "fair value") of financial instruments on the Company's balance sheet will also vary under the interest rate scenarios previously described. Different interest rate scenarios are effectively a gauge of the Company's longer-term exposure to interest rate risk. Fair values for financial instruments are estimated using balance sheet accounts at a given point in time, and the measurement can change significantly over time.

The change in economic value under different interest rate scenarios depends on the characteristics of each class of financial instrument, including stated rates, times to maturity, and prepayment options. As a general rule, fixed-rate financial assets become more valuable in declining rate scenarios and less valuable in rising rate scenarios, while economic value simulations, estimated prepayments are factored in for financial instruments with stated maturity dates, and decay rates for non-maturity deposits are based on a base case of current interest rates:

(\$ in thousands)	-200 bp	-100 bp
Market Value of Equity	1,286,790	
Change in EVE from base	(67,573)	
% Change	(5.0)%	
Policy Limits	(20.0)%	

(\$ in thousands)	-200 bp	-100 bp
Market Value of Equity	1,366,982	
Change in EVE from base	(30,182)	
% Change	(2.2)%	
Policy Limits	(20.0)%	

(\$ in thousands)	-200 bp	-100 bp
Market Value of Equity	818,527	
Change in EVE from base	(425,304)	
% Change	(34.2)%	
Policy Limits	(20.0)%	

The tables show that our EVE will generally deteriorate in declining rate scenarios, but should benefit from a parallel shift upward in the yield curve, assuming decay rates for non-maturity deposits, in particular.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

To the Stockholders, Board of Directors and Audit Committee
The First Bancshares, Inc.
Hattiesburg, Mississippi

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of The First Bancshares, Inc. (the "Company") as of **December 31, 2022** **December 31, 2022** **December 31, 2023**, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements refer to the two-year **three-year** period ended **December 31, 2022** **December 31, 2023**, in conformity with accounting principles generally accepted in the United States.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of **December 31, 2022** **December 31, 2023**, in accordance with the Sarbanes-Oxley Act of 2002 and the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Our report dated **March 1, 2023** **February 29, 2024**, expressed an unqualified opinion thereon.

Adoption of New Accounting Standard

As discussed in *Note B* to the consolidated financial statements, the Company changed its method of accounting for the allowance for credit losses in 2021. This change in accounting principle was a critical audit matter.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the rules and regulations of the SEC.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to evaluate the reasonableness of the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter Matters

The critical audit matters communicated below are **matter arising** from the current-period audit of the financial statements that were **communicated** to the audit committee and **management**. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters separately, giving greater prominence to them than to all other audit findings.

Allowance for Credit Losses

The Company's loan portfolio totaled **\$3.78 billion** **\$5.17 billion** as of **December 31, 2022** **December 31, 2023**, and the allowance for credit losses on loans was **credit losses ("ACL")**.

As more fully described in *Notes B, E and Q* to the Company's consolidated financial statements, the Company estimates its exposure to expected credit loss on loans that are unconditionally cancellable by the Company.

The determination of the ACL requires management to exercise significant judgment and consider numerous subjective factors, including determining qualitative and quantitative factors, to determine the appropriate amount for the estimate of the ACL.

We identified the valuation of the ACL as a critical audit matter. Auditing the ACL involved a high degree of subjectivity in evaluating management's estimate: other environmental factors, evaluating the adequacy of specific allowances associated with individually evaluated loans and assessing the appropriateness of the valuation.

The primary procedures we performed as of **December 31, 2022** **December 31, 2023**, to address this critical audit matter included:

- Testing the design and operating effectiveness of controls, including those related to technology, over the allowance for credit losses including:
 - loan data completeness and accuracy,

- classifications of loans by loan segment,
- verification of historical net loss data and calculated net loss rates,
- the establishment of qualitative adjustments,
- credit ratings and risk classification of loans,
- establishment of specific reserves on individually evaluated loans,
- and management's review and disclosure controls over the allowance for credit losses;
- Testing of completeness and accuracy of the information utilized in the allowance for credit losses;
- Testing the allowance for credit losses model's computational accuracy;
- Evaluating the qualitative adjustments, including assessing the basis for the adjustments and the reasonableness of the significant assumptions;
- Testing the loan review function and evaluating the accuracy of loan credit ratings;
- Evaluating the reasonableness of specific allowances on individually evaluated loans;
- Evaluating the overall reasonableness of assumptions used by management considering the past performance of the Company and evaluating trends;
- Evaluating the disclosures in the consolidated financial statements.

Acquisition

As described in *Note C* to the Company's consolidated financial statements, the Company consummated the acquisition of Beach Bancorp, **Heritage Southeast** sheet. As part of the acquisition, management assessed that the acquisition qualified as a business combination and all identifiable assets and liabilities acquired judgment. Management utilized outside vendors to assist with estimating the fair value.

We identified the consummated acquisition and the valuation of acquired assets and assumed liabilities as a critical audit matter. Auditing the acquired assets and assumed liabilities was a critical audit matter.

The primary procedures we performed to address this critical audit matter included:

- Obtained and read the executed Agreement and Plan of Merger documents to gain an understanding of the underlying terms of the consummated acquisition;
- Testing the design and operating effectiveness of controls including:
 - Evaluating the significant assumptions used for valuing significant assets and liabilities assumed;
- Assessed management's application of accounting guidance related to the business combination and management's determination of whether the transaction was a business combination;
- Assessed the completeness and accuracy of management's purchase accounting model, including the balance sheet acquired and related fair value proforma;
- Obtained and evaluated significant outside vendor valuation estimates, and challenging management's review of the appropriateness of the valuations;
- Utilized internal valuation specialists to assist with testing the related fair value estimates;
- Tested the completeness and accuracy of management's calculation of total consideration paid;
- Tested the accuracy of the goodwill calculation resulting from the acquisition, which was the difference between the total consideration paid and the fair value of the net assets acquired;
- Read and evaluated the adequacy of the disclosures made in the notes to the Company's consolidated financial statements.

/s/ FORVIS, LLP (Formerly BKD, LLP)

We have served as the Company's auditor since 2021.

Jackson, Mississippi

March 1, 2023 February 29, 2024

Shareholders and the Board of Directors of The First Bancshares, Inc.

Hattiesburg, Mississippi

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the cash flows for the year ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence presented in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Crowe LLP

We served as the Company's auditor from 2018 to 2021.

Atlanta, Georgia

March 12, 2021

		2022	2021
		2023	2021
ASSETS		ASSETS	
Cash and due from banks			
Cash and due from banks			
Cash and due from banks	Cash and due from banks	\$ 67,176	\$ 115,232
Interest-bearing deposits with banks	Interest-bearing deposits with banks	78,139	804,481
Total cash and cash equivalents	Total cash and cash equivalents	145,315	919,713
Securities available-for-sale, at fair value (amortized cost: \$1,418,337 in 2022; \$1,741,153 in 2021; allowance for credit losses: \$0 in both 2022 and 2021)		1,257,101	1,751,832
Securities held to maturity, net of allowance for credit losses of \$0 (fair value: \$642,097 - 2022; \$0 - 2021)		691,484	—

Securities available-for-sale, at fair value (amortized cost: \$1,164,227 in 2023; \$1,418,337 in 2022; allowance for credit losses: \$0 in both 2023 and 2022)			
Securities held to maturity, net of allowance for credit losses of \$0 (fair value: \$615,944 - 2023; \$642,097 - 2022)			
Other securities	Other securities	33,944	22,226
Total securities	Total securities	1,982,529	1,774,058
Loans held for sale	Loans held for sale	4,443	7,678
Loans, net of ACL of \$38,917 in 2022 and \$30,742 in 2021		3,735,240	2,928,811
Loans, net of ACL of \$54,032 in 2023 and \$38,917 in 2022			
Interest receivable	Interest receivable	27,723	23,256
Premises and equipment	Premises and equipment	143,518	125,959
Operating lease right-of-use assets	Operating lease right-of-use assets	7,620	4,095
Finance lease right-of-use assets	Finance lease right-of-use assets	1,930	2,394
Cash surrender value of life insurance	Cash surrender value of life insurance	95,571	87,420
Goodwill	Goodwill	180,254	156,663
Other real estate owned	Other real estate owned	4,832	2,565
Other assets	Other assets	132,742	44,802
Total assets	Total assets	\$6,461,717	\$6,077,414
LIABILITIES AND STOCKHOLDERS' EQUITY	LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:			
Deposits:			
Deposits:	Deposits:		
Non-interest-bearing	Non-interest-bearing	\$1,630,203	\$1,550,381
Interest-bearing	Interest-bearing	3,864,201	3,676,403
Total deposits	Total deposits	5,494,404	5,226,784
Interest payable	Interest payable	3,324	1,711
Borrowed funds	Borrowed funds	130,100	—
Subordinated debentures	Subordinated debentures	145,027	144,726
Operating lease liabilities	Operating lease liabilities	7,810	4,192
Finance lease liabilities	Finance lease liabilities	1,918	2,094
Allowance for credit losses on off-balance sheet credit exposures	Allowance for credit losses on off-balance sheet credit exposures	1,325	1,070
Other liabilities	Other liabilities	31,146	20,665
Total liabilities	Total liabilities	5,815,054	5,401,242

Stockholders' Equity: Stockholders' Equity:		Stockholders' Equity:	
Common stock, par value \$1 per share:			
40,000,000 shares authorized; 25,275,369 shares issued in 2022, 40,000,000 shares authorized and 21,668,644 shares issued in 2021, respectively	25,275	21,669	
Common stock, par value \$1 per share:			
80,000,000 shares authorized; 32,338,983 shares issued in 2023, 40,000,000 shares authorized, and 25,275,369 shares issued in 2022, respectively			
Additional paid-in capital	Additional paid-in capital	558,833	459,228
Retained earnings	Retained earnings	252,623	206,228
Accumulated other comprehensive income	Accumulated other comprehensive income		
(loss) income	(loss) income	(148,957)	7,978
Treasury stock, at cost (1,249,607 shares - 2022; 649,607 shares - 2021)		(41,111)	(18,931)
Treasury stock, at cost (1,249,607 shares - 2023; 1,249,607 shares - 2022)			
Total stockholders' equity	Total stockholders' equity	646,663	676,172
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$6,461,717	\$6,077,414
YE			
		2022	2021
		2020	
2023			
INTEREST INCOME	INTEREST INCOME		
Interest and fees on loans			
Interest and fees on loans			
Interest and fees on loans	Interest and fees on loans	\$157,768	\$151,203
Interest and dividends on securities:	Interest and dividends on securities:		
Taxable interest and dividends	Taxable interest and dividends	29,656	16,685
Tax-exempt interest	Tax-exempt interest	11,017	7,721
		13,961	6,913

Interest on federal funds sold	—	—	8
Interest on deposits in banks	Interest on deposits in banks	1,952	1,136
Total interest income	Total interest income	200,393	176,745
INTEREST EXPENSE	INTEREST EXPENSE		
INTEREST EXPENSE			
Interest on deposits	Interest on deposits		
Interest on deposits	Interest on deposits	13,978	12,062
Interest on borrowed funds	Interest on borrowed funds	8,599	7,619
Total interest expense	Total interest expense	22,577	19,681
Net interest income	Net interest income	177,816	157,064
Provision for credit losses, LHF1	Provision for credit losses, LHF1	5,350	(1,456)
Provision for credit losses, OBSC	Provision for credit losses, OBSC		
exposures	exposures	255	352
Net interest income after provision for credit losses	Net interest income after provision for credit losses	172,211	158,168
NON-INTEREST INCOME	NON-INTEREST INCOME		
INCOME	INCOME		
NON-INTEREST INCOME			
Service charges on deposit accounts	Service charges on deposit accounts		
Service charges on deposit accounts	Service charges on deposit accounts		
Service charges on deposit accounts	Service charges on deposit accounts	8,668	7,264
Other service charges and fees	Other service charges and fees	1,833	1,508
Interchange fees	Interchange fees	12,702	11,562
Secondary market mortgage income	Secondary market mortgage income	4,303	8,823
Bank owned life insurance income	Bank owned life insurance income	2,101	1,955
BOLI death proceeds	BOLI death proceeds	1,630	—

Gain (loss) on sale of premises	Gain (loss) on sale of premises	(116)	(264)	443
Securities (loss) gain	Securities (loss) gain	(82)	143	281
Gain (loss) on sale of other real estate	Gain (loss) on sale of other real estate	214	(300)	(537)
Government awards/grants	Government awards/grants	873	1,826	968
Bargain purchase gain	Bargain purchase gain	281	1,300	7,835
Other	Other	4,554	3,656	2,925
Total non- interest income	Total non- interest income	36,961	37,473	41,876

NON-INTEREST EXPENSE

NON-INTEREST EXPENSE

Salaries

Salaries

Salaries	Salaries	57,903	53,371	50,853
Employee benefits	Employee benefits	15,174	12,485	10,377
Occupancy	Occupancy	12,854	12,713	11,282
Furniture and equipment	Furniture and equipment	2,981	2,848	2,551
Supplies and printing	Supplies and printing	967	903	925
Professional and consulting fees	Professional and consulting fees	3,558	4,035	3,897
Marketing and public relations	Marketing and public relations	393	615	512
FDIC and OCC assessments	FDIC and OCC assessments	2,122	2,074	1,351
ATM expense	ATM expense	3,873	3,623	3,042
Bank communications	Bank communications	1,904	1,754	2,028
Data processing	Data processing	2,211	1,578	1,137
Acquisition expense/charter conversion	Acquisition expense/charter conversion	6,410	1,607	3,315

Other

Total non- interest expense
Income before income taxes
Income taxes

Other

Total non-interest expense

Income before income taxes

Income taxes

Net income available to common stockholders

Earnings per share:

Basic

Diluted

Continued:

Income before income taxes

Income taxes

Net income available to common stockholders

Earnings per share:

Basic

Diluted

					CONS YE
(\$ in thousands)	(\$ in thousands)	2022	2021	2020	(\$ in thousands)
Net income	Net income	\$ 62,919	\$64,167	\$52,505	
Net income	Net income				
Other comprehensive income (loss):	Other comprehensive income (loss):				
Unrealized holding gain/(loss) arising during the period on available-for-sale securities					
Unrealized holding gain/(loss) arising during the period on available-for-sale securities					
Unrealized holding gain/(loss) arising during the period on available-for-sale securities	Unrealized holding gain/(loss) arising during the period on available-for-sale securities	(173,428)	(23,738)	21,345	
Net unrealized loss at time of transfer on securities available-for-sale transferred to held-to-maturity	Net unrealized loss at time of transfer on securities available-for-sale transferred to held-to-maturity				
		(36,838)	—	—	

Reclassification adjustment for (accretion)	Reclassification adjustment for (accretion)
amortization of unrealized holdings gain/(loss) included in accumulated other comprehensive income from the transfer of securities available-for-sale to held-to-maturity	amortization of unrealized holdings gain/(loss) included in accumulated other comprehensive income from the transfer of securities available-for-sale to held-to-maturity
	97
Reclassification adjustment for loss/ (gains) included in net income	—
Reclassification adjustment for loss/(gains) included in net income	—
Unrealized holding gain/(loss) arising during the period on available-for-sale securities	Unrealized holding gain/(loss) arising during the period on available-for-sale securities
Income tax (expense)	Income tax (expense)
benefit	benefit
Other comprehensive income (loss)	Other comprehensive income (loss)
Comprehensive income (loss)	Comprehensive income (loss)

CONSOL
YE

	Accumulated							
	Common Stock		Additional		Other		Treasury Stock	
	Paid-in	Retained	Comprehensive	Income				
	Shares	Amount	Capital	Earnings	Shares	(Loss)	Amount	Total
Balance, January 1, 2020	18,996,948	\$ 18,997	\$ 409,805	\$ 110,460	\$	10,089	(194,682)	\$ (5,693) \$ 543,658
Net income, 2020	—	—	—	52,505	—	—	—	52,505
Common stock repurchased	—	—	—	—	—	(289,302)	(8,067)	(8,067)
Other comprehensive income	—	—	—	—	15,727	—	—	15,727

Dividend on common stock, \$.42 per common share	—	—	—	(8,724)	—	—	—	(8,724)
Issuance of shares for SWG acquisition	2,546,967	2,547	45,311	—	—	—	—	47,858
Issuance restricted stock grant	78,189	78	(78)	—	—	—	—	—
Restricted stock grant forfeited	(7,421)	(7)	7	—	—	—	—	—
Compensation expense	—	—	2,352	—	—	—	—	2,352
Repurchase of restricted stock for payment of taxes	(15,690)	(16)	(478)	—	—	—	—	(494)
Balance, December 31, 2020	21,598,993	\$ 21,599	\$ 456,919	\$ 154,241	\$ 25,816	(483,984)	\$ (13,760)	\$ 644,815
Common Stock								
Shares								
Balance, January 1, 2021								
Balance, January 1, 2021								
Balance, January 1, 2021								
Net income, 2021	Net income, 2021	—	—	—	64,167	—	64,167	Net income, 2021
Common stock repurchased	Common stock repurchased	—	—	—	—	—	(165,623)	(5,171)
Other comprehensive loss	Other comprehensive loss	—	—	—	(17,838)	—	—	(17,838)
Dividend on common stock, \$.58 per common share	Dividend on common stock, \$.58 per common share	—	—	—	(12,180)	—	—	(12,180)
Issuance restricted stock grant	Issuance restricted stock grant	93,578	94	(94)	—	—	—	—
Restricted stock grant forfeited	Restricted stock grant forfeited	(2,021)	(2)	2	—	—	—	—
Compensation expense	Compensation expense	—	—	3,100	—	—	—	3,100
Repurchase of restricted stock for payment of taxes	Repurchase of restricted stock for payment of taxes	(21,906)	(22)	(699)	—	—	—	(721)
Balance, December 31, 2021	Balance, December 31, 2021	21,668,644	\$ 21,669	\$ 459,228	\$ 206,228	\$ 7,978	(649,607)	\$ (18,931)
Net income, 2022	Net income, 2022	—	—	—	62,919	—	—	62,919
Net income, 2022	Net income, 2022							
Common stock repurchased	Common stock repurchased	—	—	—	—	—	(600,000)	(22,180)
Other comprehensive loss	Other comprehensive loss	—	—	—	(156,935)	—	—	(156,935)
Dividend on common stock, \$.74 per common share	Dividend on common stock, \$.74 per common share	—	—	—	(16,524)	—	—	(16,524)
Issuance of common shares for BBI acquisition	Issuance of common shares for BBI acquisition	3,498,936	3,499	97,970	—	—	—	101,469

Issuance restricted stock grant	Issuance restricted stock grant	129,950	130	(130)	—	—	—	—	—
Restricted stock grant forfeited	Restricted stock grant forfeited	(2,500)	(3)	3	—	—	—	—	—
Compensation expense	Compensation expense	—	—	2,425	—	—	—	—	2,425
Repurchase of restricted stock for payment of taxes	Repurchase of restricted stock for payment of taxes	(19,661)	(20)	(663)	—	—	—	—	(683)
Balance, December 31, 2022	Balance, December 31, 2022	<u>25,275,369</u>	<u>\$ 25,275</u>	<u>\$ 558,833</u>	<u>\$ 252,623</u>	<u>\$ (148,957)</u>	<u>(1,249,607)</u>	<u>\$ (41,111)</u>	<u>\$ 646,663</u>
Net income, 2023									
Net income, 2023									
Net income, 2023									
Other comprehensive income									
Dividend on common stock, \$.90 per common share									
Issuance of common shares for HSBI acquisition									Issuance of common shares for HSBI acquisition
Issuance restricted stock grant									Issuance restricted stock grant
Restricted stock grant forfeited									Restricted stock grant forfeited
Compensation expense									Compensation expense
Repurchase of restricted stock for payment of taxes									
Balance, December 31, 2023									Balance, December 31, 2023
									YE
(\$ in thousands)	(\$ in thousands)	2022	2021	2020	(\$ in thousands)				
CASH FLOWS	CASH FLOWS								
FROM OPERATING ACTIVITIES	FROM OPERATING ACTIVITIES								
Net income	Net income	\$ 62,919	\$ 64,167	\$ 52,505					
Net income									
Net income									

Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:
Depreciation and amortization	
Depreciation and amortization	
Depreciation and amortization	Depreciation and amortization
FHLB stock dividends	FHLB stock dividends
Provision for credit losses	Provision for credit losses
Deferred income taxes	Deferred income taxes
Restricted stock expense	Restricted stock expense
Increase in cash value of life insurance	Increase in cash value of life insurance
Amortization and accretion, net, related to acquisitions	Amortization and accretion, net, related to acquisitions
Bank premises and equipment loss/(gain)	Bank premises and equipment loss/(gain)
Acquisition gain	Acquisition gain
Securities loss (gain)	Securities loss (gain)
Loss on sale/written down of other real estate	Loss on sale/written down of other real estate
Residential loans originated and held for sale	Residential loans originated and held for sale
Proceeds from sale of residential loans held for sale	Proceeds from sale of residential loans held for sale
Changes in: Interest receivable	Changes in: Interest receivable
Interest receivable	
Interest receivable	
Other assets	Other assets
Interest payable	Interest payable
Operating lease liability	Operating lease liability
Other liabilities	Other liabilities
Net cash provided by operating activities	Net cash provided by operating activities
CASH FLOWS FROM INVESTING ACTIVITIES	CASH FLOWS FROM INVESTING ACTIVITIES

CASH FLOWS FROM INVESTING ACTIVITIES					
CASH FLOWS FROM INVESTING ACTIVITIES					
Available-for-sale securities:	Available-for-sale securities:				
Sales	Sales	21,069	—	579	
Maturities, prepayments and calls		197,417	229,091	203,670	
Sales					
Sales					
Maturities, prepayments, and calls					
Purchases	Purchases	(6,500)	(988,536)	(356,755)	
Held-to-maturity securities:	Held-to-maturity securities:				
Maturities, prepayments and calls		474	—	—	
Maturities, prepayments, and calls					
Maturities, prepayments, and calls					
Purchases	Purchases	(602,718)	—	—	
Purchases of other securities	Purchases of other securities	(11,444)	—	(3,056)	
Proceeds from redemption of other securities	Proceeds from redemption of other securities	1,237	5,276	3,407	
Net	Net				
(increase)/decrease in loans	(increase)/decrease in loans	(326,113)	202,194	(131,589)	
Net changes to premises and equipment	Net changes to premises and equipment	(15,522)	(7,125)	(4,398)	
Bank-owned life insurance - death proceeds	Bank-owned life insurance - death proceeds	1,630	—	—	
Purchase of bank owned life insurance	Purchase of bank owned life insurance	—	(11,733)	(5,683)	
Proceeds from sale of other real estate owned	Proceeds from sale of other real estate owned	8,930	4,562	4,036	
Proceeds from sale of land	Proceeds from sale of land	712	—	1,416	
Cash received in excess of cash paid for acquisition	Cash received in excess of cash paid for acquisition	23,939	358,916	29,245	
Net cash used in investing activities		(706,889)	(207,355)	(259,128)	
Net cash provided by (used in) investing activities					

Continued:		Continued:			YE
		2022	2021	2020	
		2023	2023	2023	
CASH FLOWS	CASH FLOWS				
FROM FINANCING	FROM FINANCING				
ACTIVITIES	ACTIVITIES				
Increase/(decrease) in deposits	Increase/(decrease) in deposits	(223,322)	601,575	664,413	
Net change in borrowed funds		105,100	(114,647)	(109,172)	
Increase/(decrease) in deposits					
Increase/(decrease) in deposits					
Proceeds from borrowed funds					Proceeds from borrowed funds
Repayment of borrowed funds					Repayment of borrowed funds
Dividends paid on common stock	Dividends paid on common stock	(16,275)	(11,991)	(8,589)	
Cash paid to repurchase common stock	Cash paid to repurchase common stock	(22,180)	(5,171)	(8,067)	
Repurchase of restricted stock for payment of taxes	Repurchase of restricted stock for payment of taxes	(683)	(721)	(494)	
Principal payment on finance lease liabilities	Principal payment on finance lease liabilities	(176)	(187)	(183)	Principal payment on finance lease liabilities
Issuance of subordinated debt, net		—	—	63,725	
Payment on subordinated debt issuance costs	Payment on subordinated debt issuance costs	—	(59)	—	Payment on subordinated debt issuance costs
Net cash provided by (used in) financing activities		(157,536)	468,799	601,633	
Called/repayment of subordinated debt					Called/repayment of subordinated debt
Net cash (used in) provided by financing activities					Net cash (used in) provided by financing activities
Net change in cash and cash equivalents					
Net change in cash and cash equivalents					
Net change in cash and cash equivalents and cash equivalents	Net change in cash and cash equivalents and cash equivalents	(774,398)	357,159	393,690	
Cash and cash equivalents at beginning of year	Cash and cash equivalents at beginning of year	919,713	562,554	168,864	Cash and cash equivalents at beginning of year
Cash and cash equivalents at end of year	Cash and cash equivalents at end of year	\$ 145,315	\$ 919,713	\$ 562,554	Cash and cash equivalents at end of year
Supplemental disclosures:	Supplemental disclosures:				
Supplemental disclosures:					

Supplemental disclosures:						
Cash paid during the year for:						
Cash paid during the year for:						
Cash paid during the year for:						
Interest	Interest	\$ 16,932	\$ 16,368	\$ 22,476	Interest	
Income taxes, net of refunds	Income taxes, net of refunds	7,194	15,717	13,971	Income taxes, net of refunds	
Non-cash activities:	Non-cash activities:					
Non-cash activities:						
Transfers of loans to other real estate	Transfers of loans to other real estate	2,560	2,143	3,595	Transfers of loans to other real estate	
Transfer of securities available-for-sale to held-to-maturity	Transfer of securities available-for-sale to held-to-maturity	139,598	—	—	Transfer of securities available-for-sale to held-to-maturity	
Issuance of restricted stock grants	Issuance of restricted stock grants	130	94	78	Issuance of restricted stock grants	
Stock issued in connection with SWG acquisition		—	—	47,858		
Stock issued in connection with BBI acquisition	Stock issued in connection with BBI acquisition	101,469	—	—	Stock issued in connection with BBI acquisition	
Stock issued in connection with HSBI acquisition					Stock issued in connection with HSBI acquisition	
Dividends on restricted stock grants	Dividends on restricted stock grants	249	189	135	Dividends on restricted stock grants	
Right-of-use assets obtained in exchange for operating lease liabilities	Right-of-use assets obtained in exchange for operating lease liabilities	2,698	168	3,162	Right-of-use assets obtained in exchange for operating lease liabilities	
Lease liabilities arising from BBI acquisition	Lease liabilities arising from BBI acquisition	3,390	—	—	Lease liabilities arising from BBI acquisition	
Lease liabilities arising from HSBI acquisition					Lease liabilities arising from HSBI acquisition	

NOTE A - NATURE OF BUSINESS

The First Bancshares, Inc. (the "Company") is a bank holding company whose business is primarily conducted by its wholly-owned subsidiary, The First. The Company is regulated by the Federal Reserve Bank. Its subsidiary bank is currently subject to the regulation of the Federal Reserve Bank and the Mississippi Department of Banking and Finance.

On January 15, 2022, the Bank, then named The First, A National Banking Association, converted from a national banking association to a Mississippi state bank. The conversion was expected to have only a minimal impact on the Bank's clients, and deposits will continue to be insured by the Federal Deposit Insurance Corporation up to the applicable insurance limits.

The principal products produced, and services rendered by the Company and are as follows:

Commercial Banking - The Company provides a full range of commercial banking services to corporations and other business customers. Loans are made to these customers. The Company also provides deposit services, including checking, savings and money market accounts and certificate of deposit as well as treasury management services.

Consumer Banking - The Company provides banking services to consumers, including checking, savings, and money market accounts as well as certificates of deposit.

Mortgage Banking - The Company provides residential mortgage banking services, including construction financing, for conventional and government insured loans.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company and the Bank follow accounting principles generally accepted in the United States of America including, where applicable, general practices of the Financial Accounting Standards Board ("FASB") and the American Institute of Certified Public Accountants ("AICPA").

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change include the allowance for credit losses on loans and the fair value of financial instruments.

Debt Securities

Investments in debt securities are accounted for as follows:

Available-for-Sale Securities

Debt securities classified as available-for-sale ("AFS") are those securities that are intended to be held for an indefinite period of time, but not necessarily to maturity. These securities are carried at their estimated fair value, and the net unrealized gain or loss is reported as a component of other comprehensive income. The Company reviews its AFS securities quarterly to determine if any securities in a loss position require a provision for credit losses in accordance with ASC 326, *Measurement of Credit Losses on Financial Instruments*. Any principal to interest payments become 90 days delinquent or if full collection of interest or principal becomes uncertain. Accrued interest for a security period ended December 31, 2021, and December 31, 2020, and December 31, 2021.

Allowance for Credit Losses – Available-for-Sale Securities

On January 1, 2021, the Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* ("ASC 326"), which requires the Company to evaluate whether it intends to sell or is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either of these events occurs, the Company must recognize an impairment loss. If the security's fair value declines below its amortized cost basis, the Company must record an allowance for credit losses. The Company uses a three-tiered approach to evaluate the intent to sell or whether it is more likely than not that the Company will be required to sell the security. The Company also uses a three-tiered approach to evaluate whether any decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than the present value of cash flows expected to be collected from the security and compared to the amortized cost basis of the security. If the present value of cash flows is less than the amortized cost basis, an impairment loss is recognized. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded in the statement of operations as a component of noninterest income. The Company has not recorded any impairment losses on its AFS securities as of December 31, 2021, and December 31, 2020.

Accrued interest receivable is excluded from the estimate of credit losses for securities AFS.

Securities to be Held-to-Maturity

Debt securities classified as held-to-maturity ("HTM") are those securities for which there is a positive intent and ability to hold to maturity. These securities are placed on nonaccrual status at the time any principal to interest payments become 90 days delinquent or if full collection of interest or principal becomes uncertain. The Company has no held-to-maturity securities as of December 31, 2021, and December 31, 2020.

Allowance for Credit Losses – Held-to-Maturity Securities

On January 1, 2021, the Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* ("ASC 326"), which requires the Company to evaluate the expected credit losses on pools of such securities with common risk characteristics, the historical lifetime probability of default and the estimated loss given default.

Expected credit losses on each security in the HTM portfolio that does not share common risk characteristics with any of the identified pools of debt securities is based on the historical lifetime probability of default and the estimated loss given default.

Loss forecasts for HTM debt securities utilize Moody's municipal and corporate database, based on a scenario-conditioned probability of default and the estimated loss given default. Loss forecasts for structured HTM securities utilize VeriBanc's Estimated CAMELS Rating and the Modified Texas Ratio for each piece of underlying collateral and the estimated loss given default. As a result of this evaluation, management determined that the expected credit losses associated with these securities is not significant for the Company.

Accrued interest receivable is excluded from the estimate of credit losses for securities HTM.

Trading Account Securities

Trading account securities are those securities which are held for the purpose of selling them at a profit. There were no trading account securities at December 31, 2023 and 2022.

Equity Securities

Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost. Equity securities without readily determinable fair values as of December 31, 2023 and 2022.

Other Securities

Other securities are carried at cost and are restricted in marketability. Other securities consist of investments in the FHLB, Federal Reserve Bank and First National Bankers' Bankshares, Inc.

Shares of FHLB, Federal Reserve Bank and First National Bankers' Bankshares, Inc. common stock are equity securities that do not have a readily determinable fair value. These securities are carried at cost in the accompanying consolidated balance sheets. Management reviews for impairment based on the ultimate recoverability of the cost basis. No other securities were available for sale at December 31, 2023 and 2022.

Interest Income

Interest income includes amortization of purchase premiums or discounts. Premiums and discounts on securities are amortized on the level-yield method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days past due. Interest accrued but not received is not included in interest income.

Loans Held for Sale (LHFS)

The Bank originates fixed rate single family, residential first mortgage loans on a presold basis. The Bank issues a rate lock commitment to a customer dictated by the secondary investors and are transferred within several weeks of the Bank initially funding the loan. The Bank recognizes certain origination fees and costs. The Bank carries the loans held for sale at the lower of cost or fair value in the aggregate as determined by the outstanding commitments from investors.

Loans Held for Investment (LIFI)

LIFI that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are carried at the principal amount outstanding. Interest income is accrued on these loans. Interest income on purchased loans not deemed purchase credit deteriorated are deferred and amortized as a level yield adjustment over the respective term of the loan.

The new standard under CECL removes the notion of impairment as previously defined under ASC 310-10-35 and replaces it with less prescriptive guidance. Factors considered by management in determining impairment include payment status, collateral values, and the probability of collecting the principal amount.

Loans are generally placed on a nonaccrual status, and the accrual of interest on such loan is discontinued, when principal or interest is past due 90 days. Interest income is recognized based on the principal balance outstanding and the stated rate of the loan and is excluded from the estimate of credit losses. Interest income is accrued on purchased loans not deemed purchase credit deteriorated are deferred and amortized as a level yield adjustment over the respective term of the loan.

Allowance for Credit Losses (ACL)

The ACL represents the estimated losses for financial assets accounted for on an amortized cost basis. Expected losses are calculated using relevant historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for different values, or other relevant factors. Management may selectively apply external market data to subjectively adjust the Company's own loss history including in charged-off against the allowance when management believes the uncollectibility of a loan balance is confirmed and recoveries are credited to the allowance when received.

The ACL is measured on a collective basis when similar risk characteristics exist. Generally, collectively assessed loans are grouped by call code (see table). Each of these segments then flows up into one of the four bands (bands), Commercial, Financial, and Agriculture, Commercial Real Estate, Consumer Real Estate, and Consumer Financial. Construction loans for 1-4 family residential properties with a call code 1A1, and other construction, all land development and other land loans are in the Consumer Real Estate band and 1A2 loans are all defined as part of the Commercial Real Estate Band.

The probability of default ("PD") calculation analyzes the historical loan portfolio over the given lookback period to identify, by segment, loans that have any events previously defined. This information is then used by the model to calculate annual iterative count-based PD rates for each segment. This process is repeated quarterly, from 2009 through the most recent quarter end.

The Company utilizes reasonable and supportable forecasts of future economic conditions when estimating the ACL on loans. The model's calculation is based on the Company's past losses having a high rate of correlation to unemployment, both regionally and nationally. Using this information, along with the most recent data, This data can also be used to predict loan losses at different levels of stress, including a baseline, adverse and severely adverse economic condition. After the

The loss given default ("LGD") calculation is based on actual losses (charge-offs, net recoveries) at a loan level experienced over the entire lookback period. The denominator, whether a loss occurred or not and exposure at default is determined by the loan balance immediately preceding the default event. If there is not used. This index is proprietary to the Company's ACL modeling vendor derived from loss data of other client institutions similar in organization structure to the Company.

The model then uses these inputs in a non-discounted version of discounted cash flow ("DCF") methodology to calculate the quantitative portion of estimated present value using the loan's coupon rate instead of the effective interest rate. On a quarterly basis, the Company uses internal credit portfolio data, such as historical loss rates and migration rates, to determine if any subjective qualitative adjustments are required so that all significant risks are incorporated to form a sufficient basis to estimate credit losses.

ASC 326 requires that a loan be evaluated for losses individually and reserved for separately, if the loan does not share similar risk characteristics to be TDRs or purchased credit deteriorated ("PCD"), are evaluated to determine if they meet the definition of collateral dependent under the new standard. These are 90 days or greater past due and/or have a balance of \$500 thousand or greater, will be individually reviewed to determine if the loan displays similar risk characteristics.

The Company adopted ASU No. 2022-02 effective January 1, 2023. These amendments eliminate the TDR recognition and measurement guidance as

Prior to the adoption of ASU 2022-02, TDRs are loans for which the contractual terms on the loan have been modified and both of the following conditions exist: (i) a concession has been granted to the debtor that relieves the debtor of a significant portion of its contractual obligations and (ii) the creditor has not yet received payment in full according to the modified terms. The Company assesses all loan modifications to determine whether they constitute a TDR.

Purchased Credit Deteriorated Loans

The Company purchases individual loans and groups of loans, some of which have shown evidence of credit deterioration since origination. These PC loans identified as TDR's.nonaccrual. An allowance for credit losses is determined using the same methodology as other loans held for investment. The initial difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan.

Upon adoption of ASC 326, the Company elected to maintain segments of loans that were previously accounted for under ASC 310-30, assessed individually. Loans are only removed from the existing segments if they are written off, paid off, or sold. Upon adoption of ASC 326, the allowance amortized cost basis is the noncredit premium or discount, which will be amortized into interest income over the remaining life of the segment. Changes to the

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation. The depreciation policy is to provide for depreciation over the estimated useful lives. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from equipment are depreciated using the straight-line (or accelerated) method with useful lives ranging from 3 to 10 years.

Other Real Estate Owned

Other real estate owned consists of properties acquired through foreclosure and as held for sale property, are initially recorded at fair value less costs when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through similar legal agreement after acquisition are expensed. Any write-down to fair value required at the time of foreclosure is charged to the allowance for loan credit losses. Subsequent million \$4.8 million, respectively.

Goodwill and Other Intangible Assets

Goodwill arises from business combinations and is determined as the excess of the fair value of the consideration transferred, plus the fair value of an intangible asset with an indefinite useful life. Goodwill is not amortized but is tested for impairment at least annually or more frequently if events and circumstances indicate that the fair value is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying amount, the goodwill is impaired and a loss is recognized in the consolidated financial statements. The Commercial/Retail Bank segment of the Company has goodwill assets with an indefinite life on our balance sheet.

The change in goodwill during the year is as follows (\$ in thousands): follows:

		2022	2021	2020
(\$ in thousands)				(\$ in thousands)
Beginning of year	Beginning of year	\$156,663	\$156,944	\$158,572
Acquired goodwill		23,591	(281)	(1,628)
Acquired goodwill and provisional adjustments				
End of year	of year	\$180,254	\$156,663	\$156,944

Other intangible assets consist of core deposit and acquired customer relationship intangible assets arising from whole bank and branch acquisitions at December 31, 2022 December 31, 2023 and 2021, 2022:

(\$ in thousands)		(\$ in thousands)	
2023			
2023			
2023		Gross Carrying Amount	
Core deposit intangibles			
2022			
2022			
		Gross	Net
		Carrying	Accumulated
2022	2022	Amount	Amortization
Core deposit intangibles		\$55,332	
		\$ (20,696)	
		\$34,636	
2021			
Core deposit intangibles		\$45,541	
		\$ (16,032)	
		<u>\$29,509</u>	
Core deposit intangibles			

The related amortization expense of business combination related intangible assets is as follows:

(\$ in thousands)		(\$ in thousands)
Aggregate amortization expense for the year ended December 31:		
2020		\$4,093
2021		
2021		4,137
2022		4,664
2023		
		Amount
Estimated amortization expense for the year ending December 31:		
2023		\$ 5,189
2024		
2024		5,159
2025		5,144
2026		5,144
2027		4,811

2028		
Thereafter	Thereafter	9,189
Total amortization expense	Total amortization expense	\$34,636

Cash Surrender Value of Life Insurance

The Company invests in bank owned life insurance ("BOLI"). BOLI involves the purchase of life insurance by the Company on a chosen group of employees.

Deferred Financing Costs

Financing costs related to the issuance of junior subordinated debentures are being amortized over the life of the instruments and are included in other expense.

Restricted Stock

The Company accounts for stock-based compensation in accordance with ASC Topic 718, *Compensation - Stock Compensation*. Compensation cost is included in other expense.

Treasury Stock

Common stock shares repurchased are recorded at cost. Cost of shares retired or reissued is determined using the first-in, first-out method.

Income Taxes

The Company and its subsidiary file consolidated income tax returns. The subsidiary provides for income taxes on a separate return basis and remits to the Company.

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently payable plus deferred future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

ASC Topic 740, *Income Taxes*, provides guidance on financial statement recognition and measurement of tax positions taken, or expected to be taken. For the years ended December 31, 2022 December 31, 2023 and 2021, 2022, had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Advertising Costs

Advertising costs are expensed in the period in which they are incurred. Advertising expense for the years ended December 31, 2022 December 31, 2023 and 2021, 2022.

Statements of Cash Flows

Cash and cash equivalents include cash, deposits with other financial institutions with maturities fewer than 90 days, federal funds sold, and collateral for federal funds purchased and repurchase agreements.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the subsidiary bank enters into off-balance sheet financial instruments consisting of commitments to extend credit in financial statements when they are funded.

ACL on Off-Balance Sheet Credit (OBSC) Exposures

Under ASC 326, the Company is required to estimate expected credit losses for OBSC which are not unconditionally cancellable. The Company estimates the ACL on OBSC exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of the amount of credit losses.

Earnings Available to Common Stockholders

Per share amounts are presented in accordance with ASC Topic 260, *Earnings Per Share*. Under ASC Topic 260, two per share amounts are considered for securities that may be converted into common stock, such as outstanding restricted stock. There were no anti-dilutive common stock equivalents excluded in the computation.

The following tables disclose the reconciliation of the numerators and denominators of the basic and diluted computations available to common stockholders.

	Weighted		
	Net	Average	Per
	Income	Shares	Share
December 31, 2022	(Numerator)	(Denominator)	Amount

(\$ in thousands, except per share amount)		
December 31, 2023		
December 31, 2023		
December 31, 2023		
Basic per common share	Basic per common share	
share	share	\$ 62,919 22,023,595 <u>\$2.86</u>
Effect of dilutive shares:	Effect of dilutive shares:	
Restricted Stock	Restricted Stock	— 141,930
Restricted Stock		
Restricted Stock		
		\$
		\$
		\$
		\$
		\$ 62,919 22,165,525 \$2.84
December 31, 2021		
December 31, 2022		
December 31, 2022		
December 31, 2022		
Basic per common share		
Basic per common share		
Basic per common share	Basic per common share	
share	share	\$ 64,167 21,017,189 <u>\$3.05</u>
Effect of dilutive shares:	Effect of dilutive shares:	
Restricted Stock	Restricted Stock	— 149,520
Restricted Stock		
Restricted Stock		
		\$
		\$
		\$
		\$
		\$ 64,167 21,166,709 \$3.03
December 31, 2020		
December 31, 2021		
December 31, 2021		
December 31, 2021		
Basic per common share		
Basic per common share		
Basic per common share	Basic per common share	
share	share	\$ 52,505 20,718,544 \$2.53

Effect of dilutive shares:	Effect of dilutive shares:
Restricted Stock	Restricted Stock
	— 104,106
	<u>\$ 52,505</u> <u>20,822,650</u> <u>\$ 2.52</u>
	\$ =
	\$ =
	\$ =

The diluted per share amounts were computed by applying the treasury stock method.

Mergers and Acquisitions

Business combinations are accounted for under ASC 805, "Business Combinations", using the acquisition method of accounting. The acquisition method involves the Company paying third party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques. Under the acquisition method, the Company incurs costs to effect the combination. Those costs include advisory, legal, accounting, valuation, and other professional or consulting fees. Some other examples of costs to the Company are the costs to issue debt or equity securities received, with one exception. The costs to issue debt or equity securities is recognized in accordance with other applicable GAAP. These acquisition-related costs are expensed as incurred.

Derivative Financial Instruments

The Company enters into interest rate swap agreements primarily to facilitate the risk management strategies of certain commercial customers. The interest rate swaps are recorded at fair value in the consolidated statement of financial condition and are measured at fair value on a recurring basis. All derivative instruments are recorded in the consolidated statement of financial condition at their respective fair values, as components of other assets and other liabilities. The Company enters into interest rate swaps, absent a credit event, that will offset in the financial statements. These swaps are not designated as hedging instruments and are recorded at fair value.

In addition, the Company will enter into risk participation agreements that are derivative financial instruments and are recorded at fair value. These risk participation agreements will be recorded at fair value on a recurring basis. The Company participates out of a portion of the BBI acquisition, credit risk associated with the Bank acquired 33 loans with related interest rate swaps. The swap position executed by the Company is a risk participation agreement with the commercial borrower, for a fee received from the other bank.

Entering into derivative contracts potentially exposes the Company to the risk of counterparties' failure to fulfill their legal obligations, including, but not limited to, non-delivery of the underlying assets or services. The Company assesses the credit risk of its dealer counterparties by regularly monitoring publicly available credit rating information, evaluating the financial condition of the dealer and the quality of the collateral held by the dealer.

The Company records the fair value of its interest rate swap contracts separately within other assets and other liabilities as current accounting rules do not require the Company to record these instruments as derivatives.

Investment in Limited Partnership

The Company invested \$4.4 million in a limited partnership that provides low-income housing. The Company is not the general partner and does not have the right to appoint or remove the general partner. The investment is recorded at cost, net of amortization, using the proportional method and is reported in other assets on the Consolidated Balance Sheets. The Company's maximum exposure to loss is limited to the amount invested.

Reclassifications

Certain reclassifications have been made to the 2021 2022 and 2020 2021 financial statements to conform with the classifications used in 2022, 2023, and 2024.

Accounting Standards

Effect of Recently Adopted Accounting Standards

In November 2021, FASB issued Accounting Standard Update ("ASU") No. 2021-10, *Government Assistance (Topic 832): "Disclosures by Business Entities About Government Assistance Received"*. The ASU requires entities to disclose the nature, amount, timing, and uncertainty of government assistance received. The Company adopted ASU 2021-10 effective January 1, 2022. Adoption of ASU 2021-10 did not have a material impact to the Company's consolidated financial statements.

New Accounting Standards That Have Not Yet Been Adopted

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-04, *Reference Rate Reform (Topic 848)*. The ASU provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships resulting from the reference rate transition period. In December 2022, FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848)*.

"Deferral of the Sunset Date of Topic 848." These amendments extend the period of time preparers can utilize the reference rate reform relief guidance in Topic 848 to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. The Company is assessing adopted ASU 2020-04 and its effective January 1, 2024.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combination (Topic 805): "Accounting for Contract Assets and Contract Liabilities from business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination"* effective January 1, 2023. Adoption of ASU 2021-08 did not have a material impact on the Company's consolidated financial statements.

In March 2022, FASB issued ASU No. 2022-02, *"Financial Instruments – Credit Losses (Topic 326): "Troubled Debt Restructurings and Vintages"* loan. The amendments also enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to leases within the scope of Subtopic 326-20. Gross write-off information must be included in the vintage disclosures required for public business entities in accordance with ASU 2022-02 effective January 1, 2023. Adoption of ASU 2022-02 did not have a material impact on the Company's consolidated financial statements.

In July 2023, FASB issued ASU No. 2023-03, *"Presentation of Financial Statements (Topic 205), Income Statement - Reporting Comprehensive Income (Topic 210), SEC Staff Announcement at the March 24, 2022 Emerging Issues Task Force ("EITF") Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280, SEC Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280 - General"* effective January 1, 2024. Adoption of ASU 2023-03 did not have a material impact on the Company's consolidated financial statements.

New Accounting Standards That Have Not Yet Been Adopted

In March 2023, FASB issued ASU No. 2023-01, *Leases (Topic 842) - "Common Control Arrangements."* This ASU requires entities to determine whether a lease is with a related party. The ASU requires all entities to amortize leasehold improvements associated with common control leases over the useful life to the common control arrangement.

In March 2023, FASB issued ASU No. 2023-02, *Investments - Equity Method and Joint Venture (Topic 323): "Accounting for Investments in Tax Credit Programs"* giving rise to the related income tax credits. This guidance is effective for the Company January 1, 2024, and is not expected to have a material impact on the Company's consolidated financial statements.

In October 2023, FASB issued ASU No. 2023-06, *"Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update"* for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-K becomes effective, with early adoption prohibited.

In November 2023, FASB issued ASU No. 2023-07, *"Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures."* This ASU requires annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reportable segment items category is the difference between segment revenue less the

significant expenses disclosed and each reported measure of segment profit or loss. 3. Require that a public entity provide all annual disclosures about a reportable segment's performance, including the segment's revenue, expenses, assets, and cash flows, and the results of operations for the segment. 4. Require that a public entity provide all annual disclosures about a reportable segment's performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment performance, including the segment's revenue, expenses, assets, and cash flows, and the results of operations for the segment. 5. Require that a public entity disclose the title and position of the chief operating decision maker for each reportable segment. 6. Require that a public entity disclose all the disclosures required by the amendments in the ASU and all existing segment disclosures in Topic 280. This ASU is effective for the Company January 1, 2024, and is not expected to have a material impact on the Company's consolidated financial statements.

In December 2023, FASB issued ASU No. 2023-09, *"Income Taxes (Topic 740): Improvements to Income Tax Disclosures."* This ASU amends requirements for reporting income taxes paid (net of refunds received) and income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes are paid from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign. 2. Income tax expense (or benefit) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign. 2. Income tax expense (or benefit) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign. This ASU is effective for the Company January 1, 2024, and is not expected to have a material impact on the Company's consolidated financial statements.

NOTE C - BUSINESS COMBINATIONS

The Company accounts for its business combinations using the acquisition method. Acquisition accounting requires the total purchase price to be allocated to the assets acquired, which is recorded as goodwill. Core deposit intangibles are a measure of the value of checking, money market and savings deposits acquired with lives of up to 10 years.

Financial assets acquired in a business combination after January 1, 2021, are recorded in accordance with ASC 326. Loans that the Company acquires are recorded at the amount paid. The ACL is determined on a collective basis and is allocated to the individual loans. The sum of the loan's purchase price and the estimated fair value of the loan. Non-PCD loans are acquired that have experienced no or insignificant deterioration in credit quality since origination. The difference between the fair value and the estimated fair value of the loan is recorded as an increase in the ACL.

Acquisitions

Heritage Southeast Bank

On January 1, 2023, the Company completed its acquisition of HSBI, pursuant to an Agreement and Plan of Merger dated July 27, 2022, by and between the Company and HSBI. Under the terms of the HSBI Merger Agreement, each share of HSBI common stock was converted into the right to receive 0.965 of share of Company common stock and \$16 thousand in cash in lieu of fractional shares. The HSBI acquisition provided the opportunity for the Company to expand its operations in Georgia and the Florida panhandle.

In connection with the acquisition of HSBI, the Company recorded approximately \$91.9 million of goodwill, of which \$3.2 million funded the ACL for estimated losses associated with the acquired loans.

Expenses associated with the HSBI acquisition were \$388 thousand and \$4.9 million for the three months and twelve months period ended December 31, 2022, respectively.

The following table summarizes the finalized fair values of the assets acquired and liabilities assumed including the goodwill generated from the transaction.

(\$ in thousands)
Identifiable assets:
Cash and due from banks
Investments
Loans
Core deposit intangible
Personal and real property
Other real estate owned
Bank owned life insurance
Deferred taxes
Interest receivable
Other assets
Total assets
Liabilities and equity:
Deposits
Trust Preferred
Other liabilities
Total liabilities
Net assets acquired
Consideration paid
Goodwill

During the fourth quarter of 2023, the Company finalized its analysis and valuation adjustments have been made to cash and due from banks, other re

Beach Bancorp, Inc.

On August 1, 2022, the Company completed its acquisition of Beach Bancorp, Inc. ("BBI"), BBI, pursuant to an Agreement and Plan of Merger dated A into The First Bank. Under the terms of the BBI Merger Agreement, each share of BBI common stock and each share of BBI preferred stock was converted into Company common stock on the same terms and conditions as applicable to each such BBI option as in effect immediately prior to the effective time, with the n panhandle and enter the Tampa market. The Company paid consideration of approximately \$101.5 million to the former BBI shareholders including 3,498,9 Company's common stock.

In connection with the acquisition of BBI, the Company recorded approximately \$23.3 million \$23.7 million of goodwill and \$9.8 million core deposit int loans acquired from Beach Bank.

Expenses associated with the BBI acquisition were \$3.6 million \$4.0 thousand and \$1.4 million for the three months and twelve months period ended D

The assets acquired and liabilities assumed and consideration paid in the acquisition were recorded at their estimated fair values based on management different from the estimates, accounting guidance provides that an acquirer must recognize adjustments to provisional amounts that are identified during the r the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of changes to the provisional amounts, calculated as from the acquisition.

The following table summarizes the provisional finalized fair values of the assets acquired and liabilities assumed and including the goodwill generated

Purchase price:
Cash and stock
 Total purchase price
Identifiable assets:
Cash
Investments
Loans
Other real estate
Bank owned life insurance
Core deposit intangible
Personal and real property
Deferred tax asset
Other assets
 Total assets
Liabilities and equity:
Deposits
Borrowings
Other liabilities
 Total liabilities
Net assets acquired
Goodwill

(\$ in thousands)
Purchase price:
 Cash and stock
Total purchase price
Identifiable assets:
Cash
Investments
Loans
Other real estate
Bank owned life insurance
Core deposit intangible
Personal and real property
Deferred tax asset
 Other assets
Total assets
Liabilities and equity:
Deposits
Borrowings
 Other liabilities
Total liabilities
Net assets acquired
Goodwill

During the third quarter of 2023, the Company finalized its analysis and valuation adjustments that were made to investments, loans, other real estate,

Cadence Bank Branches

On **December 3, 2021** December 03, 2021, The First completed its acquisition of seven Cadence Bank, N.A. ("Cadence") branches in Northeast Missis

assumed \$410.2 million in deposits, acquired \$40.3 million in loans at fair value, acquired certain assets associated with the Cadence Branches at their book value and reduced costs through economies of scale.

In connection with the acquisition of the Cadence Branches, the Company recorded a \$1.3 million \$1.6 million bargain purchase gain and \$2.9 million gain is considered non-taxable for income taxes purposes. The core deposit intangible will be amortized to expense over 10 years.

Expenses associated with the branch acquisition of the Cadence Branches were \$608 \$81 thousand and \$1.4 million \$189 thousand for the three months been expensed as incurred. The Company also incurred \$370 thousand of provision for credit losses on credit marks from the loans acquired.

The assets acquired and liabilities assumed and consideration paid in the acquisition of the Cadence Branches were recorded at their estimated fair value expected to be materially different from the estimates, accounting guidance provides that an acquirer must recognize adjustments to provisional amounts that are to be recorded in the financial statements, the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of changes to the deferred income tax assets resulting from the acquisition.

The following table summarizes the provisional fair values of the assets acquired and liabilities assumed and the goodwill (bargain purchase gain) generated.

		Measurement		
		As Initially Reported	Period Adjustments	As Adjusted
(\$ in thousands)		(\$ in thousands)		
Identifiable assets:	Identifiable assets:			
Cash and due from banks				
Cash and due from banks				
Cash and due from banks	Cash and due from banks	\$359,916	\$ —	\$359,916
Loans	Loans	40,262	—	40,262
Core deposit intangible	Core deposit intangible	2,890	—	2,890
Personal and real property	Personal and real property	9,675	—	9,675
Other assets	Other assets	135	—	135
Total assets	Total assets	412,878	—	412,878
Liabilities and equity:				
Liabilities and equity:				
Deposits				
Deposits	Deposits	410,171	—	410,171
Other liabilities	Other liabilities	407	(281)	126
Total liabilities	Total liabilities	410,578	(281)	410,297
Net assets acquired	Net assets acquired	2,300	281	2,581
Consideration paid				
Consideration paid	paid	1,000	—	1,000
Bargain purchase gain	Bargain purchase gain	\$ (1,300)	\$ (281)	\$ (1,581)

During the fourth quarter of 2022, the Company finalized its analysis and valuation adjustments have been made to other liabilities since initially recorded.

Supplemental Pro Forma Information

The following table presents certain supplemental pro forma information, for illustrative purposes only, for the years December 31, 2022 December operations had the acquisitions been effective as of this date.

		Pro Forma for the Year		
		Ended		
		December 31,		(\$ in thousands)
		2022	2021	
		(unaudited)	(unaudited)	
	2023			
		(unaudited)		
Net interest	Net interest			
income	income	\$188,480	\$173,630	
Non-interest	Non-interest			
income	income	41,828	43,902	
Total revenue	Total revenue	230,308	217,532	
Income before taxes	Income before taxes	90,619	85,609	

Supplemental pro-forma earnings were adjusted to exclude acquisition costs incurred.

NOTE D - SECURITIES

The following table summarizes the amortized cost, gross unrealized gains, and losses, and estimated fair values of AFS securities and securities HTM.

		December 31, 2022		
		Gross	Gross	
		Amortized	Unrealized	Fair
		Cost	Gains	Losses
	Amortized			
	Cost			
Available-for-sale:	Available-for-sale:			
U.S Treasury		\$ 135,752	\$ —	\$ 11,898
U.S. Treasury				\$ 123,854
U.S. Treasury				
Obligations of U.S. government agencies and sponsored entities	Obligations of U.S. government agencies and sponsored entities	163,054	3	18,688
Tax-exempt and taxable obligations of states and municipal subdivisions	Tax-exempt and taxable obligations of states and municipal subdivisions	519,190	598	61,931
				457,857

Mortgage-backed securities - residential	Mortgage-backed securities - residential	341,272	11	42,041	299,242
Mortgage-backed securities - commercial	Mortgage-backed securities - commercial	215,200	60	24,363	190,897
Corporate obligations	Corporate obligations	43,869	—	2,987	40,882
Other					
Total available-for-sale	Total available-for-sale	<u>\$1,418,337</u>	<u>\$ 672</u>	<u>\$161,908</u>	<u>\$1,257,101</u>
<i>Held-to-maturity:</i>	<i>Held-to-maturity:</i>				
U.S. Treasury					
U.S. Treasury					
U.S. Treasury	U.S. Treasury	\$ 109,631	\$ —	\$ 5,175	\$ 104,456
Obligations of U.S. government agencies and sponsored entities					
Tax-exempt and taxable obligations of states and municipal subdivisions	Tax-exempt and taxable obligations of states and municipal subdivisions	33,789	—	2,153	31,636
Mortgage-backed securities - residential	Mortgage-backed securities - residential	156,119	—	17,479	138,640
Mortgage-backed securities - commercial	Mortgage-backed securities - commercial	134,478	7	13,798	120,687
Corporate obligations	Corporate obligations	10,000	—	1,615	8,385
Total held-to-maturity	Total held-to-maturity	<u>\$ 691,484</u>	<u>\$ 4,532</u>	<u>\$ 53,919</u>	<u>\$ 642,097</u>
(\$ in thousands)					
December 31, 2021					
Gross Amortized Cost					
Gross Unrealized Gains					
Unrealized Losses					
Fair Value					
Amortized Cost					
<i>Available-for-sale:</i>					
U.S Treasury					
U.S. Treasury					

	U.S. Treasury					
	U.S. Treasury					
Obligations of U.S. government agencies and sponsored entities	Obligations of U.S. government agencies and sponsored entities	182,877	1,238	1,094	183,021	
Tax-exempt and taxable obligations of states and municipal subdivisions	Tax-exempt and taxable obligations of states and municipal subdivisions	698,861	12,452	2,811	708,502	
Mortgage- backed securities - residential	Mortgage- backed securities - residential	410,269	4,123	3,425	410,967	
Mortgage- backed securities - commercial	Mortgage- backed securities - commercial	277,353	2,917	2,939	277,331	
Corporate obligations	Corporate obligations	35,904	962	13	36,853	
Total available- for-sale	Total available- for-sale	<u>\$1,741,153</u>	<u>\$21,775</u>	<u>\$11,096</u>	<u>\$1,751,832</u>	
<i>Held-to- maturity:</i>						
U.S. Treasury						
U.S. Treasury						
U.S. Treasury						
Obligations of U.S. government agencies and sponsored entities						
Tax-exempt and taxable obligations of states and municipal subdivisions						
Mortgage- backed securities - residential						
Mortgage- backed securities - commercial						
Corporate obligations						

Total
held-to-
maturity

The Company reassessed classification of certain investments and effective October 2022, the Company transferred \$863 thousand of obligations of I securities. The securities were transferred at their amortized costs basis, net of any remaining unrealized gain or loss reported in accumulated other comprehensive income as a yield adjustment through earnings over the remaining term of the securities. There was no allowance for credit loss associated with the AFS.

ACL on Securities

Securities Available-for-Sale

Quarterly, the Company evaluates if a security has a fair value less than its amortized cost. Once these securities are identified, in order to determine whether a credit loss exists:

- Review the extent to which the fair value is less than the amortized cost and determine if the decline is indicative of credit loss or other factors.
- The securities that violate the credit loss trigger above would be subjected to additional analysis.
- If the Company determines that a credit loss exists, the credit portion of the allowance will be measured using the DCF analysis using the effective interest rate to determine further credit deterioration or improvement.

At December 31, 2022 December 31, 2023 and 2021, the results of the analysis did not identify any securities where the decline was indicative of credit loss.

Accrued interest receivable is excluded from the estimate of credit losses for securities AFS. Accrued interest receivable totaled \$5.2 million and \$6.2 million at December 31, 2022 December 31, 2023.

All AFS securities were current with no securities past due or on nonaccrual as of December 31, 2022 December 31, 2023.

Securities Held to Maturity

At December 31, 2022 December 31, 2023, the potential credit loss exposure was totaled \$205 thousand and \$242 thousand at December 31, 2023. Under default ("LGD") assumptions, the total amount of current expected credit losses was deemed immaterial. Therefore, no reserve was recorded for the years end.

Accrued interest receivable is excluded from the estimate of credit losses for securities held-to-maturity. Accrued interest receivable totaled \$3.6 million at December 31, 2022 December 31, 2023.

At December 31, 2022 December 31, 2023, the Company had no securities held-to-maturity that were past due 30 days or more as to principal or interest.

The Company monitors the credit quality of the debt securities held-to-maturity through the use of credit ratings. The Company monitors the credit ratings quarterly.

(\$ in thousands)

Aaa
Aa1/Aa2/Aa3
A1/A2
BBB
Not rated
Total

(\$ in thousands)

Aaa
Aa1/Aa2/Aa3
A1/A2
BBB
Not rated
Total

The amortized cost and fair value of debt securities are shown by contractual maturity. Expected maturities may differ from contractual maturities if bonds are sold prior to maturity.

(\$ in thousands)	(\$ in thousands)	December 31, 2022	(\$ in thousands)
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<i>Available-for-Sale</i>	<i>Available-for-Sale</i>	<i>Amortized Cost</i>	<i>Fair Value</i>	<i>Available-for-Sale</i>
Within one year	Within one year	\$ 48,959	\$ 47,812	
One to five years	One to five years	264,768	246,806	
Five to ten years	Five to ten years	358,442	314,217	
Beyond ten years	Beyond ten years	189,695	158,126	
Mortgage-backed securities: residential	Mortgage-backed securities: residential	341,273	299,242	
Mortgage-backed securities: commercial	Mortgage-backed securities: commercial	215,200	190,898	
Total	Total	<u>\$1,418,337</u>	<u>\$1,257,101</u>	
<i>Held-to-maturity</i>	<i>Held-to-maturity</i>			
Within one year	Within one year	\$ 20,262	\$ 20,096	
Within one year	Within one year			
One to five years	One to five years	109,905	104,124	
Five to ten years	Five to ten years	47,855	43,459	
Beyond ten years	Beyond ten years	222,865	215,091	
Mortgage-backed securities: residential	Mortgage-backed securities: residential	156,119	138,640	
Mortgage-backed securities: commercial	Mortgage-backed securities: commercial	134,478	120,687	
Total	Total	<u>\$ 691,484</u>	<u>\$ 642,097</u>	

The proceeds from sales and calls of securities and the associated gains and losses are listed below:

<i>(\$ in thousands)</i>	<i>(\$ in thousands)</i>	<i>2022</i>	<i>2021</i>	<i>2020</i>	<i>(\$ in thousands)</i>
Gross gains	Gross gains	\$ 82	\$ 202	\$ 289	
Gross losses	Gross losses	164	59	8	
Realized net (loss) gain	Realized net (loss) gain	<u>\$82</u>	<u>\$143</u>	<u>\$281</u>	

The amortized costs of securities pledged as collateral, to secure public deposits and for other purposes, was **\$1.031 billion** **\$1.095 billion** and **\$889.5 billion**

The following table summarizes securities in an unrealized losses position for which an allowance for credit losses has not been recorded at December 31, 2023. The table provides a detailed breakdown of these securities by type, holding period, and fair value.

		2022						2023						
(\$ in thousands)	(\$ in thousands)	Less than 12 Months		12 Months or Longer		Total		(\$ in thousands)		Fair Value		Unrealized Losses		
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	
Fair Value														
<i>Available-for-sale:</i>														
U.S. Treasury														
U.S. Treasury														
U.S. Treasury	U.S. Treasury	\$ 4,563	\$ 419	\$119,292	\$ 11,479	\$ 123,855	\$ 11,898							
Obligations of U.S. government agencies and sponsored entities	Obligations of U.S. government agencies and sponsored entities													
Tax-exempt and taxable obligations of states and municipal subdivisions	Tax-exempt and taxable obligations of states and municipal subdivisions	34,254	2,293	109,431	16,395	143,685	18,688							
Mortgage-backed securities - residential	Mortgage-backed securities - residential	275,202	31,152	159,508	30,779	434,710	61,931							
Mortgage-backed securities - commercial	Mortgage-backed securities - commercial	76,125	4,970	222,274	37,071	298,399	42,041							
Corporate obligations	Corporate obligations	50,193	3,025	136,062	21,338	186,255	24,363							
Other		35,142	1,995	5,739	992	40,881	2,987							
Total available-for-sale	Total available-for-sale	\$475,479	\$43,854	\$752,306	\$118,054	\$1,227,785	\$161,908							
<i>Held-to-maturity:</i>														
U.S. Treasury														
U.S. Treasury														
U.S. Treasury	U.S. Treasury	\$104,457	\$ 5,175	\$ —	\$ —	\$ 104,457	\$ 5,175							
Obligations of U.S. government agencies and sponsored entities	Obligations of U.S. government agencies and sponsored entities													
31,636	2,153	—	—	31,636	2,153									

Tax-exempt and taxable subdivisions	Tax-exempt and taxable subdivisions	127,628	13,583	15,303	116	142,931	13,699
Mortgage-backed securities - residential	Mortgage-backed securities - residential	138,639	17,479	—	—	138,639	17,479
Mortgage-backed securities - commercial	Mortgage-backed securities - commercial	119,758	13,798	—	—	119,758	13,798
Corporate obligations	Corporate obligations	8,385	1,615	—	—	8,385	1,615
Total held-to-maturity	Total held-to-maturity	<u>\$530,503</u>	<u>\$53,803</u>	<u>\$ 15,303</u>	<u>\$ 116</u>	<u>\$ 545,806</u>	<u>\$ 53,919</u>

2021							
Less than 12 Months							
2022							
Less than 12 Months							
(\$ in thousands)	(\$ in thousands)	Fair Value	Unrealized Losses	(\$ in thousands)	Fair Value	Unrealized Losses	(\$ in thousands)
Available-for-sale:							Fair Value
U.S. Treasury							
U.S. Treasury							
U.S. Treasury	U.S. Treasury	\$130,098	\$ 814	\$ —	\$ —	\$130,098	\$ 814
Obligations of U.S. government agencies and sponsored entities	Obligations of U.S. government agencies and sponsored entities	121,402	933	5,254	161	126,656	1,094
Tax-exempt and taxable obligations of states and municipal subdivisions	Tax-exempt and taxable obligations of states and municipal subdivisions	249,430	2,692	3,692	119	253,122	2,811
Mortgage-backed securities: residential	Mortgage-backed securities: residential	284,183	3,228	8,912	197	293,095	3,425
Mortgage-backed securities: commercial	Mortgage-backed securities: commercial	174,697	2,836	3,038	103	177,735	2,939
Corporate obligations	Corporate obligations	6,692	8	42	5	6,734	13

Total available- for-sale	Total available- for-sale	\$966,502	\$10,511	\$20,938	\$ 585	\$987,440	\$11,096
<i>Held-to- maturity:</i>							
U.S. Treasury							
U.S. Treasury							
U.S. Treasury							
Obligations of U.S. government agencies and sponsored entities							
Tax-exempt and taxable obligations of states and municipal subdivisions							
Mortgage- backed securities - residential							
Mortgage- backed securities - commercial							
Corporate obligations							
Total held-to- maturity							

At December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, the Company's securities portfolio consisted of 1,265 1,125 shown above are due to increases in market rates over the yields available at the time of purchase of the underlying securities and not credit quality. The Co needed at December 31, 2022. The Company did not consider these investments to be other-than-temporarily impaired at December 31, 2021. December 31, 2022.

NOTE E - LOANS

The Company uses four different categories to classify loans in its portfolio based on the underlying collateral securing each loan. The loans grouped estate, consumer installment;

Commercial, financial and agriculture - Commercial, financial and agriculture loans include loans to business entities issued for commercial, industrial business.

Commercial real estate - Commercial real estate loans are grouped as such because repayment is mainly dependent upon either the sale of the characteristics related to these variables.

Consumer real estate - Consumer real estate loans consist primarily of loans secured by 1-4 family residential properties and/or residential lots. This in

Consumer installment - Installment and other loans are all loans issued to individuals that are not for any purpose related to operation of a business, an

The composition of the loan portfolio as of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, is summarized below

(\$ in thousands)	(\$ in thousands)	December 31, 2022	December 31, 2021	(\$ in thousands)
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Loans held for sale		Loans held for sale	
Mortgage loans held for sale		Mortgage loans held for sale	
		\$ 4,443	\$ 7,678
Mortgage loans held for sale			
Mortgage loans held for sale			
Total	Total		
LHFI	LHFI	\$ 4,443	\$ 7,678

Loans held for investment		Loans held for investment	
Commercial, financial and agriculture (1)		\$ 536,192	\$ 397,516
Commercial, financial, and agriculture (1)			
Commercial real estate	Commercial real estate	2,135,263	1,683,698
Consumer real estate	Consumer real estate	1,058,999	838,654
Consumer installment	Consumer installment	43,703	39,685
Total loans	Total loans	3,774,157	2,959,553
Less allowance for credit losses	Less allowance for credit losses	(38,917)	(30,742)
Net LHFI	Net LHFI	\$3,735,240	\$2,928,811

(1) Loan balance includes \$710 thousand and \$41.1 million in PPP loans as of December 31, 2022 December 31, 2023 and 2021

Loans held for sale consist of mortgage loans originated by the Bank and sold into the secondary market. Commitments from investors to purchase the

Accrued interest receivable is not included in the amortized cost basis of the Company's LHFI. At December 31, 2022 December 31, 2023 and 2021 balance sheet.

Nonaccrual and Past Due LHFI

Past due LHFI are loans contractually past due 30 days or more as to principal or interest payments. Generally, the Company will place a delinquent I from earnings as a reduction of reported interest income. No additional interest is accrued on the loan balance until the collection of both principal and interest

The following tables presents the aging of the amortized cost basis in past due loans in addition to those loans classified as nonaccrual including PCD

December 31, 2022

December 31, 2023

(\$ in thousands)	(\$ in thousands)	Past Due						Nonaccrual with No ACL (\$ in thousands)	
		90 Days or More		Total Past Due, Nonaccrual and PCD		Total LHFI and ACL			
		Past Due	and	Past Due, Nonaccrual and PCD	Total LHFI	ACL			
		30 to 89 Days	Accruing	Nonaccrual PCD	and PCD	Total LHFI	ACL	(\$ in thousands)	

Commercial, financial and agriculture (1)	\$ 220	\$ —	\$ 19	\$ —	\$ 239	\$ 536,192	\$ —
Commercial, financial, and agriculture (1)							
Commercial							
real estate	real estate	1,984	—	7,445	1,129	10,558	2,135,263
Consumer	Consumer						4,560
real estate	real estate	3,386	289	2,965	1,032	7,672	1,058,999
Consumer	Consumer						791
installment	installment	173	—	1	—	174	43,703
Total	Total	<u>\$5,763</u>	<u>\$ 289</u>	<u>\$ 10,430</u>	<u>\$2,161</u>	<u>\$ 18,643</u>	<u>\$3,774,157</u>
		<u><u>\$5,763</u></u>	<u><u>\$ 289</u></u>	<u><u>\$ 10,430</u></u>	<u><u>\$2,161</u></u>	<u><u>\$ 18,643</u></u>	<u><u>\$3,774,157</u></u>

(1) Total loan balance includes \$386 thousand in PPP loans as of December 31, 2023.

(\$ in thousands)	Past Due 90		
	Past Due		Days or More and Still Accruing
	30 to 89 Days	Days	Still Accruing
Commercial, financial, and agriculture (1)	\$ 220	\$ —	\$ —
Commercial real estate	1,984	—	—
Consumer real estate	3,386	289	289
Consumer installment	173	—	—
Total	<u>\$5,763</u>	<u>\$ 289</u>	<u>\$ —</u>

(1) Total loan balance includes \$710 thousand in PPP loans as of December 31, 2022.

(\$ in thousands)	Past Due 90		
	Past Due		Days or More and Still Accruing
	30 to 89 Days	Days	Still Accruing
Commercial, financial and agriculture (1)	\$ 246	\$ —	\$ —
Commercial real estate	453	—	—
Consumer real estate	2,140	45	45
Consumer installment	121	—	—
Total	<u>\$2,960</u>	<u>\$ 45</u>	<u>\$ 45</u>

(1) Total loan balance includes \$41.1 million in PPP loans as of December 31, 2021.

Acquired Loans

In connection with the acquisitions of BBI and HSBI, the Company acquired loans both with and without evidence of credit quality deterioration since the following accounting pronouncements: ASC 326, *Financial Instruments - Credit Losses*.

The fair value for acquired loans recorded at the time of acquisition is based upon several factors including the timing and payment of expected cash, the unpaid principal balance of each acquired loan. As it relates to acquired PCD loans, the net premium or net discount is adjusted to reflect the Company's acquired loans not classified as PCD ("non-PCD") loans, the credit loss and yield components of the fair value adjustments are aggregated, and the resulting expense, and therefore, no further adjustments are made to the net premium or net discount for non-PCD loans.

The estimated fair value of the non-PCD loans acquired in the BBI acquisition was \$460.0 million, which is net of a \$8.8 million discount. The gross cor

The estimated fair value of the non-PCD acquired in the HSBI acquisition was \$1.091 billion, which is net of a \$33.7 million discount. The gross contract amount was \$1.125 billion.

The following table shows the carrying amount of loans acquired in the BBI and HSBI acquisition transaction for which there was, at the date of acquisition, a non-credit discount (premium) of \$33.7 million.

(\$ in thousands)

Purchase price of loans at acquisition
Allowance for credit losses at acquisition
Non-credit discount (premium) at acquisition
Par value of acquired loans at acquisition

(\$ in thousands)

Purchase price of loans at acquisition
Allowance for credit losses at acquisition
Non-credit discount (premium) at acquisition
Par value of acquired loans at acquisition

As of December 31, 2022 December 31, 2023 and 2021, the amortized cost of the Company's PCD loans totaled \$24.0 million \$57.8 million and \$24.0 million, respectively.

Impaired LHF1 Loan Modifications

The Company adopted ASU No. 2022-02 effective January 1, 2023. These amendments eliminate the TDR recognition and measurement guidance and require the Company to use the modified terms approach.

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, and other-than-insignificant modifications.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as term extension, is granted. Other-than-insignificant modifications have been made on the same loan within the current reporting period. The combination is at least two of the following: a term extension, principal forgiveness, and other-than-insignificant modifications.

The following table presents the amortized cost basis of loans at December 31, 2023 that were both experiencing financial difficulty and modified during the year. The recorded investment in the loans receivable is also presented below:

(\$ in thousands)

Commercial real estate
Total

The Company has not committed to lend additional amounts to the borrowers included in the previous table.

Debt Restructurings Prior to the adoption Adoption of FASB ASC 326, the Company individually evaluated impaired LHF1. The following table provides a detail of the partial charge-offs recognized on the loans, net of any deferred fees and costs. Recorded investment excludes any insignificant amount of accrued interest recorded.

December 31, 2020

(\$ in thousands)

Recorded Investment

Impaired loans with no related allowance:

Commercial, financial and agriculture	\$
Commercial real estate	
Consumer real estate	
Consumer installment	
Total	\$

Impaired loans with a related allowance:

Commercial, financial and agriculture	\$
Commercial real estate	
Consumer real estate	
Consumer installment	
Total	\$

Total impaired loans:

Commercial, financial and agriculture	\$
---------------------------------------	----

Commercial real estate	
Consumer real estate	
Consumer installment	
Total Impaired Loans	\$

The cash basis interest earned in the chart above is materially the same as the interest recognized during impairment for the year ended December 31, 2020.

The gross interest income that would have been recorded in the period that ended if the nonaccrual loans had been current in accordance with their borrowers in nonaccrual status at December 31, 2020.

Troubled Debt Restructurings ASU 2022-02

If the Company grants a concession to a borrower for economic or legal reasons related to a borrower's financial difficulties that it would not otherwise have granted, the Company must classify the modified debt as a TDR.

As of December 31, 2022, and 2021 and 2020 the Company had TDRs totaling \$21.8 million, and \$24.2 million, and \$27.5 million, respectively. As compared to a related allowance for loan loss of \$4.1 million at December 31, 2020, \$4.3 million, respectively.

The following table presents LHFI by class modified as TDRs that occurred during the twelve months ended December 31, 2022, 2021, and 2020 (\$ in thousands, except for number of loans).

		Outstanding Recorded Outstanding Recorded				Number of Loans
December 31, 2022	December 31, 2022	Number of	Investment	Investment	Interest	
		Loans	Pre- Modification	Post- Modification	Income Recognized	
December 31, 2022	December 31, 2022					
Consumer real estate	Consumer real estate	1	\$ 134	\$ 135	\$ 7	
Total	Total	1	\$ 134	\$ 135	\$ 7	
<hr/>						
December 31, 2021						
Commercial, financial and agriculture						
Commercial real estate						
Consumer real estate						
Consumer installment						
Total						
<hr/>						
December 31, 2020						
Commercial, financial and agriculture						
Commercial real estate						
Commercial, financial, and agriculture						
Commercial, financial, and agriculture						
Commercial, financial, and agriculture						
Commercial real estate						
Consumer real estate						
Consumer installment						
Total						

The TDRs presented above increased the ACL \$22 thousand and \$1.6 million and increased the allowance for loan losses \$127 thousand \$1.6 million.

The following table presents loans by class modified as TDRs for which there was a payment default within twelve months following the modification date.

	2022	2021	2020
(\$ in thousands, except for number of loans)			
(\$ in thousands, except for number of loans)			
Troubled Debt Restructurings			
That Subsequently Defaulted:	That Subsequently Defaulted:	Number of Recorded Investments	Number of Recorded Investments
Commercial real estate	Commercial real estate	— \$ —	— \$ —
Consumer real estate	Consumer real estate	1 134	2 55
Total	Total	<u>1 \$ 134</u>	<u>2 \$ 55</u>
			4 \$ 1,121

The modifications described above included one of the following or a combination of the following: maturity date extensions, interest only payments considered to be in a payment default once it is 30 days contractually past due under the modified terms. The TDRs presented above increased the ACL \$22 t

The following tables represents the Company's TDRs at December 31, 2022 and 2021:

December 31, December 31,		Past Due 90 days			
2022	2022	Current Loans	30- days accruing	Nonaccrual	Total
(\$ in thousands)					
(\$ in thousands)					
Commercial, financial and agriculture		\$ 49	\$ —	\$ —	\$ 49
(\$ in thousands)					
Commercial, financial, and agriculture				Current Loans	Past Due 30-89
Commercial real estate	Commercial real estate	13,561	—	—	6,121 19,682
Consumer real estate	Consumer real estate	1,077	—	—	929 2,006
Consumer installment	Consumer installment	14	—	—	— 14
Total	Total	<u>\$14,701</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,050</u> <u>\$21,751</u>
Allowance for credit losses	Allowance for credit losses	\$ 350	\$ —	\$ —	\$ 491 \$ 841
(\$ in thousands)					
Commercial, financial and agriculture					
				Current Loans	
				\$	

Commercial real estate	
Consumer real estate	
Consumer installment	
Total	\$
Allowance for loan losses	\$

Collateral Dependent Loans

The following table presents the amortized cost basis of collateral dependent individually evaluated loans by class of loans as of **December 31, 2022**

December 31, 2023
(\$ in thousands)
Commercial financial, and agriculture
Commercial real estate
Consumer real estate
Total

December 31, 2022
(\$ in thousands)
Commercial real estate
Consumer real estate
Total

December 31, 2021
(\$ in thousands)
Commercial real estate
Consumer real estate
Total

A loan is collateral dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially

- Commercial, financial and agriculture – Loans within these loan classes are secured by equipment, inventory accounts, and other non-real estate collateral.
- Commercial real estate – Loans within these loan classes are secured by commercial real property.
- Consumer real estate - Loans within these loan classes are secured by consumer real property.

- Consumer installment - Loans within these loan classes are secured by consumer goods, equipment, and non-real estate collateral.

There have been no significant changes to the collateral that secures these financial assets during the period.

Loan Participations

The Company has loan participations, which qualify as participating interest, with other financial institutions. As of December 31, 2023, these loans totaling \$102.5 million had been sold to other financial institutions and \$102.5 million was purchased by the Company. As of December 31, 2021, these loans totaled \$118 million. The Company is the participating interest holder; involving no recourse (other than ordinary representations and warranties) to, or subordination by, any participating interest holder. The Company agrees to the terms of the participation.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as current risk. The Company uses the following definitions for risk ratings:

Pass: Loan classified as pass are deemed to possess average to superior credit quality, requiring no more than normal attention.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral. Deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weak-

These above classifications were the most current available as of December 31, 2022 December 31, 2023, and were generally updated within the prior

The tables below present the amortized cost basis of loans by credit quality indicator and class of loans based on the most recent analysis performed on the portfolio.

(\$ in thousands)		(\$ in thousands)		Term Loans Amortized Cost Basis by Origination Year							
				2022	2021	2020	2019	2018	Prior	Revolving Loans	Total
As of December 31, 2022											
As of December 31, 2023											
As of December 31, 2023											
As of December 31, 2023											2023
Commercial, financial and agriculture:	Commercial, financial and agriculture:										
Risk Rating	Risk Rating										
Pass	Pass										
Pass	Pass	\$ 181,761	\$ 141,174	\$ 55,690	\$ 53,954	\$ 43,441	\$ 52,038	\$ 181	\$ 528,239		
Special mention	Special mention	380	5,188	1,664	—	—	412	—	7,644		
Substandard	Substandard	50	—	—	34	33	192	—	309		
Doubtful	Doubtful	—	—	—	—	—	—	—	—		
Total commercial, financial and agriculture	Total commercial, financial and agriculture	\$ 182,191	\$ 146,362	\$ 57,354	\$ 53,988	\$ 43,474	\$ 52,642	\$ 181	\$ 536,192		
Current period gross write offs											
Commercial real estate:											
Commercial real estate:											
Commercial real estate:	Commercial real estate:										
Risk Rating	Risk Rating										
Pass	Pass										
Pass	Pass	\$ 582,895	\$ 436,661	\$ 305,140	\$ 217,626	\$ 140,682	\$ 368,185	\$ 1,765	\$ 2,052,954		
Special mention	Special mention	672	1,345	3,938	11,643	9,885	16,612	—	44,095		
Substandard	Substandard	50	2,830	908	1,694	4,797	27,935	—	38,214		
Doubtful	Doubtful	—	—	—	—	—	—	—	—		
Total commercial real estate	Total commercial real estate	\$ 583,617	\$ 440,836	\$ 309,986	\$ 230,963	\$ 155,364	\$ 412,732	\$ 1,765	\$ 2,135,263		
Current period gross write offs											
Consumer real estate:											
Consumer real estate:											

Consumer real estate:	Consumer real estate:														
Risk Rating	Risk Rating														
Pass															
Pass															
Pass	Pass	\$ 325,853	\$ 226,355	\$ 136,052	\$ 59,376	\$ 51,515	\$ 129,923	\$ 112,278	\$ 1,041,352						
Special mention	Special mention	—	—	—	—	823	3,846	—	4,669						
Substandard	Substandard	519	554	1,481	648	1,706	6,894	1,176	12,978						
Doubtful	Doubtful	—	—	—	—	—	—	—	—						
Total consumer real estate	Total consumer real estate	\$ 326,372	\$ 226,909	\$ 137,533	\$ 60,024	\$ 54,044	\$ 140,663	\$ 113,454	\$ 1,058,999						
Current period gross write offs															
Consumer installment:															
Consumer installment:															
Consumer installment:	Consumer installment:														
Risk Rating	Risk Rating														
Risk Rating															
Pass															
Pass															
Pass	Pass	\$ 18,925	\$ 11,618	\$ 5,031	\$ 2,078	\$ 832	\$ 1,445	\$ 3,725	\$ 43,654						
Special mention	Special mention	—	—	—	—	—	—	—	—						
Substandard	Substandard	4	13	24	—	3	5	—	49						
Doubtful	Doubtful	—	—	—	—	—	—	—	—						
Total consumer installment	Total consumer installment	\$ 18,929	\$ 11,631	\$ 5,055	\$ 2,078	\$ 835	\$ 1,450	\$ 3,725	\$ 43,703						
Current period gross write offs															
Total	Total														
Total															
Total															
Pass															
Pass															
Pass	Pass	\$1,109,434	\$815,808	\$501,913	\$333,034	\$236,470	\$551,591	\$117,949	\$3,666,199						
Special mention	Special mention	1,052	6,533	5,602	11,643	10,708	20,870	—	56,408						
Substandard	Substandard	623	3,397	2,413	2,376	6,539	35,026	1,176	51,550						
Doubtful	Doubtful	—	—	—	—	—	—	—	—						
Total	Total	\$1,111,109	\$825,738	\$509,928	\$347,053	\$253,717	\$607,487	\$119,125	\$3,774,157						
Current period gross write offs															
(\$ in thousands)		(\$ in thousands)		Term Loans Amortized Cost Basis by Origination Year											
				Revolving Loans											
As of December 31, 2021		2021		2020		2019		2018		2017		Prior		Total	
As of December 31, 2022															
As of December 31, 2022															
As of December 31, 2022															

Commercial, financial and agriculture:	Commercial, financial and agriculture:												
Risk Rating	Risk Rating												
Risk Rating													
Risk Rating													
Pass													
Pass													
Pass	Pass	\$152,798	\$ 60,106	\$ 52,802	\$ 47,988	\$ 22,083	\$ 43,773	\$ 178	\$ 379,728				
Special mention	Special mention	—	255	749	90	481	29	—	1,604				
Substandard	Substandard	—	—	1,398	6,184	360	8,242	—	16,184				
Doubtful	Doubtful	—	—	—	—	—	—	—	—				
Total commercial, financial and agriculture	Total commercial, financial and agriculture	\$152,798	\$ 60,361	\$ 54,949	\$ 54,262	\$ 22,924	\$ 52,044	\$ 178	\$ 397,516				
Commercial real estate:	Commercial real estate:												Commercial real estate:
Risk Rating	Risk Rating												
Pass	Pass	\$402,284	\$313,288	\$207,879	\$177,943	\$134,234	\$332,588	\$ —	\$ 1,568,216				
Pass													
Pass													
Special mention	Special mention	1,326	2,259	1,782	15,076	2,779	15,519	—	38,741				
Substandard	Substandard	3,904	3,189	1,931	17,147	18,814	31,756	—	76,741				
Doubtful	Doubtful	—	—	—	—	—	—	—	—				
Total commercial real estate	Total commercial real estate	\$407,514	\$318,736	\$211,592	\$210,166	\$155,827	\$379,863	\$ —	\$ 1,683,698				
Consumer real estate:	Consumer real estate:												Consumer real estate:
Risk Rating	Risk Rating												
Pass	Pass	\$243,340	\$164,359	\$ 70,465	\$ 66,940	\$ 51,988	\$121,238	\$ 98,444	\$ 816,774				
Pass													
Pass													
Special mention	Special mention	—	—	331	26	1,746	1,949	—	4,052				
Substandard	Substandard	444	532	1,280	3,410	1,288	9,241	1,633	17,828				
Doubtful	Doubtful	—	—	—	—	—	—	—	—				
Total consumer real estate	Total consumer real estate	\$243,784	\$164,891	\$ 72,076	\$ 70,376	\$ 55,022	\$132,428	\$100,077	\$ 838,654				
Consumer installment:	Consumer installment:												
Risk Rating	Risk Rating												
Risk Rating													
Pass													
Pass													
Pass	Pass	\$ 17,980	\$ 9,245	\$ 4,222	\$ 1,645	\$ 1,088	\$ 1,758	\$ 3,697	\$ 39,635				
Special mention	Special mention	—	—	—	—	1	—	—	1				
Substandard	Substandard	—	26	3	5	8	7	—	49				
Doubtful	Doubtful	—	—	—	—	—	—	—	—				
Total consumer installment	Total consumer installment	\$ 17,980	\$ 9,271	\$ 4,225	\$ 1,650	\$ 1,097	\$ 1,765	\$ 3,697	\$ 39,685				

Total	Total									
Pass	Pass	\$816,402	\$546,998	\$335,368	\$294,516	\$209,393	\$499,357	\$102,319	\$2,804,353	
Pass	Pass									
Special mention	Special mention	1,326	2,514	2,862	15,192	5,007	17,497	—	44,398	
Substandard	Substandard	4,348	3,747	4,612	26,746	20,470	49,246	1,633	110,802	
Doubtful	Doubtful	—	—	—	—	—	—	—	—	
Total	Total	<u>\$822,076</u>	<u>\$553,259</u>	<u>\$342,842</u>	<u>\$336,454</u>	<u>\$234,870</u>	<u>\$566,100</u>	<u>\$103,952</u>	<u>\$2,959,553</u>	

Allowance for Credit Losses (ACL)

The ACL is a valuation account that is deducted from loans' amortized cost basis to present the net amount expected to be collected on the loans. It is management's responsibility to maintain a level adequate to absorb expected credit losses inherent in the loan portfolio.

The ACL represents the estimated losses for financial assets accounted for on an amortized cost basis. Expected losses are calculated using relevant historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for different rates, property values, or other relevant factors. Management may selectively apply external market data to subjectively adjust the Company's own loss history. Loans are charged-off against the allowance when management believes the uncollectibility of a loan balance is confirmed and recoveries are credited to the account.

The ACL is measured on a collective basis when similar risk characteristics exist. Generally, collectively assessed loans are grouped by call code (sector). Each of these segments then flows up into one of the four bands (bands), Commercial, Financial, and Agriculture, Commercial Real Estate, Consumer Real Estate methodology. Construction loans for 1-4 family residential properties with a call code 1A1, and other construction, all land development and other land loans in the Consumer Real Estate band and 1A2 loans are all defined as part of the Commercial Real Estate Band.

The PD calculation analyzes the historical loan portfolio over the given lookback period to identify, by segment, loans that have defaulted. A default is defined. This information is then used by the model to calculate annual iterative count-based PD rates for each segment. This process is then repeated for all segments through the most recent quarter end.

The Company utilizes reasonable and supportable forecasts of future economic conditions when estimating the ACL on loans. The model's calculation is based on the Company's past losses having a high rate of correlation to unemployment, both regionally and nationally. Using this information, along with the most recent data, This data can also be used to predict loan losses at different levels of stress, including a baseline, adverse and severely adverse economic condition. After the

The LGD calculation is based on actual losses (charge-offs, net recoveries) at a loan level experienced over the entire lookback period aggregated to the loan level. The model then uses these inputs in a non-discounted version of DCF methodology to calculate the quantitative portion of estimated losses. The model uses the loan's coupon rate instead of the effective interest rate. On a quarterly basis, the Company uses internal credit portfolio data, such as changes in portfolio qualitative adjustments are required so that all significant risks are incorporated to form a sufficient basis to estimate credit losses.

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2022.

		Commercial, Financial and Agriculture
(\$ in thousands)		
Allowance for credit losses:		
Beginning balance		\$
Initial allowance on PCD loans		
Provision for credit losses		
Loans charged-off		
Recoveries		
Total ending allowance balance		\$

	Commercial, Financial and Agriculture
(\$ in thousands)	
Allowance for credit losses:	
Beginning balance	\$
Initial allowance on PCD loans	\$
Provision for credit losses	\$
Loans charged-off	\$
Recoveries	\$
Total ending allowance balance	<u><u>\$</u></u>
(\$ in thousands)	
Allowance for credit losses:	
Beginning balance	\$ 6,214
Impact of ASC 326 adoption on non-PCD loans	\$ (1,319)
Impact of ASC 326 adoption on PCD loans	\$ 166
Provision for credit losses (1)	\$ 1,041
Loans charged-off	\$ (1,662)
Recoveries	\$ 433
Total ending allowance balance	<u><u>\$ 4,873</u></u>

(1) The negative provision of \$1.5 million for credit losses on the consolidated statements of income is net of a \$370 thousand provision for credit market risk.

The Company recorded a \$13.8 million, provision for credit losses for the year ended December 31, 2023, compared to \$5.4 million for the year ended December 31, 2022, representing an increase of \$1.381 billion, or 37.0%. During January 2023, loans totaling \$1.159 billion, net of purchase accounting, were recorded.

acquisition. The initial ACL on PCD loans recorded in March 2023, of \$3.2 million was related to the HSBI acquisition. In addition, the 2023 provision for credit losses associated with day one post-merger accounting provision recorded for non-PCD loans and unfunded commitments and a \$1.3 million initial allowance recorded.

The Company recorded a \$5.4 million, provision for credit losses for the year ended December 31, 2022, compared to \$1.5 million, negative provision for credit losses. A \$1.3 million initial allowance was recorded on PCD loans acquired in the BBI merger. The negative provision for 2021 was composed of a \$1.3 million provision for credit losses and a \$1.3 million negative provision for market risk.

The following table provides the ending balance in the Company's LHFI and the ACL, broken down by portfolio segment as of December 31, 2022.

December 31, 2022	Commercial, Financial and Agriculture					
	Commercial		Consumer		Consumer	
	Agriculture	Real Estate	Real Estate	Installment	Total	
(\$ in thousands)	(\$ in thousands)					
December 31, 2023						
LHFI	LHFI					
LHFI						
Individually evaluated						
Individually evaluated						

Individually evaluated	Individually evaluated	\$ —	\$ 4,560	\$ 998	\$ —	\$ 5,558
Collectively evaluated	Collectively evaluated	536,192	2,130,703	1,058,001	43,703	3,768,599
Total	Total	\$ 536,192	\$ 2,135,263	\$ 1,058,999	\$ 43,703	\$ 3,774,157
Allowance for Allowance for Credit Losses						
Allowance for Credit Losses						
Allowance for Credit Losses						
Individually evaluated	Individually evaluated	\$ —	\$ —	\$ 5	\$ —	\$ 5
Collectively evaluated	Collectively evaluated	6,349	20,389	11,594	580	38,912
Total	Total	\$ 6,349	\$ 20,389	\$ 11,599	\$ 580	\$ 38,917
Commercial, Financial and Consumer Consumer						
December 31, 2021						
(\$ in thousands)						
December 31, 2022						
LHFI	LHFI					
LHFI						
LHFI						
Individually evaluated						
Individually evaluated						
Individually evaluated	Individually evaluated	\$ —	\$ 1,712	\$ 1,858	\$ —	\$ 3,570
Collectively evaluated	Collectively evaluated	397,516	1,681,986	836,796	39,685	2,955,983
Total	Total	\$ 397,516	\$ 1,683,698	\$ 838,654	\$ 39,685	\$ 2,959,553
Allowance for Loan Losses						
Allowance for Credit Losses						
Allowance for Credit Losses						
Allowance for Credit Losses						
Individually evaluated	Individually evaluated	\$ —	\$ 4	\$ 2	\$ —	\$ 6
Collectively evaluated	Collectively evaluated	4,873	17,548	7,887	428	30,736
Total	Total	\$ 4,873	\$ 17,552	\$ 7,889	\$ 428	\$ 30,742

NOTE F - PREMISES AND EQUIPMENT

Premises and equipment owned and utilized in the operations of the Company are stated at cost, less accumulated depreciation and amortization as follows:

(\$ in thousands)	(\$ in thousands)	2022	2021	(\$ in thousands)
Premises:	Premises:			
Land	Land	\$ 40,846	\$ 37,939	

Land				
Land				
Buildings and improvements	Buildings and improvements	100,830	89,165	
Equipment	Equipment	32,486	28,978	
Construction in progress	Construction in progress	6,447	1,357	
		180,609	157,439	
		218,069		
Less accumulated depreciation and amortization	Less accumulated depreciation and amortization	37,091	31,480	
Total	Total	\$143,518	\$125,959	

The amounts charged to operating expense for depreciation were \$7.4 million, \$5.7 million, and \$5.4 million in 2023, 2022 and \$4.9 million in 2021.

NOTE G - DEPOSITS

Time deposits that meet or exceed the FDIC Insurance limit of \$250,000 at December 31, 2022 December 31, 2023 and 2021, 2022, were \$146.6 million.

At December 31, 2022 December 31, 2023, the scheduled maturities of time deposits included in interest-bearing deposits were as follows (\$ in thousands)

(\$ in thousands)	Year	Year	Amount
	2023		\$558,195
	Year		
	Year		
	2024	2024	119,361
	2025	2025	18,492
	2026	2026	12,699
	2027	2027	9,257
	2028		
	Thereafter	Thereafter	8,391
	Total	Total	\$726,395

NOTE H - BORROWED FUNDS

At December 31, 2022 December 31, 2023 and 2021, 2022, borrowed funds consisted of the following (\$ following):

(\$ in thousands)
Bank Term Funding Program
FHLB advances
Total

On March 12, 2023, the Federal Reserve Board announced the Bank Term Funding Program ("BTFP"), which offers loans to banks with a term up to 12 months for collateral purposes. The BTFP offers up to one year fixed-rate term borrowings that are prepayable without penalty.

In 2023, the Bank participated in thousands):

FHLB advances

Total

the BTFP and had outstanding debt of \$390.0 million, pledged securities totaling a fair value for \$362.4 million at December 31, 2023. The securities have an interest rate of 4.83% and are set to mature one year from their issuance date.

In 2022, each advance from the FHLB was payable at its maturity date, with a prepayment penalty for fixed rate advances. Interest was payable monthly on the advances. Advances due to the FHLB were collateralized by \$3.651 billion in loans. Based on this collateral and holdings of FHLB securities, the Company believes that the advances are fully recoverable.

Payments over the next five years are as follows (\$ in thousands): follows:

2023	\$ in thousands
2024	
2024	
2024	2024
2025	2025
2026	2026
2027	2027
2028	

NOTE I – LEASE OBLIGATIONS

The Company enters into leases in the normal course of business primarily for financial centers, back office operations locations and business travel.

The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain that it will exercise those options. Short-term leases are not recognized on the Company's balance sheet.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are measured at fair value at lease commencement.

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not readily determinable.

The following table details balance sheet information, as well as weighted-average lease terms and discount rates, related to leases at December 31, 2023.

	December 31, 2022	December 31, 2021
(\$ in thousands)		
Right-of-use assets:	Right-of-use assets:	
Operating leases		
Operating leases		
Operating leases	Operating leases	\$ 7,620 \$ 4,095
Finance leases, net of accumulated depreciation	Finance leases, net of accumulated depreciation	
Total right-of-use assets	Total right-of-use assets	\$ 9,550 \$ 6,489
Lease liabilities:		
Lease liabilities:		
Lease liabilities:	Lease liabilities:	
Lease liabilities:		

Operating lease	Operating lease	\$ 7,810	\$ 4,192
Finance lease	Finance lease	1,918	2,094
Total lease liabilities	Total lease liabilities	\$ 9,728	\$ 6,286
Weighted average remaining lease term	Weighted average remaining lease term		
Weighted average remaining lease term	Operating leases		
Operating leases			

Operating leases	Operating leases	7.5	4.0
Finance leases	Finance leases	8.9	9.9
		years	years
			Finance leases
Weighted average discount rate	Weighted average discount rate		
Weighted average discount rate	Operating leases		
Operating leases			

The table below summarizes our net lease costs (\$ in thousands): costs.

		December 31,		
		2022	2021	2020
(\$ in thousands)		(\$ in thousands)		
	2023			
Operating lease cost	Operating lease cost	\$1,464	\$1,657	\$1,763
Finance lease cost:	Finance lease cost:			
Interest on lease liabilities	Interest on lease liabilities	44	7	7
Interest on lease liabilities	Interest on lease liabilities			
Amortization of right-of-use	Amortization of right-of-use	464	263	183
Net lease cost	Net lease cost	\$1,972	\$1,927	\$1,953

The table below summarizes the maturity of remaining lease liabilities at December 31, 2022 (\$ in thousands): December 31, 2023.

(\$ in thousands)	(\$ in thousands)
-------------------	-------------------

		Operating Leases	
		December 31, 2022	
		Operating Leases	Finance Leases
2023		\$ 1,418	\$ 220
2024			
2024			
2024	2024	1,240	220
2025	2025	1,104	220
2026	2026	887	222
2027	2027	696	252
2028			
Thereafter	Thereafter	2,751	986
Total lease payments	Total lease payments	8,096	2,120
Less: Interest	Less: Interest	(286)	(202)
Present value of lease liabilities	Present value of lease liabilities	\$ 7,810	\$ 1,918

NOTE J - REGULATORY MATTERS

On January 15, 2022, The First, A National Banking Association, a subsidiary of the Company, converted from a national banking association to a Missouri state bank.

The Company and its subsidiary bank are subject to regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and its subsidiary bank must meet specific capital guidelines that regulators about components, risk weightings, and other related factors.

To ensure capital adequacy, quantitative measures have been established by regulators, and these require the Company and its subsidiary bank to maintain minimum capital ratios.

Management believes, as of December 31, 2022 December 31, 2023, that the Company met all capital adequacy requirements to which they are subject. The Company maintains capital ratios above the minimum required by regulators. The Company's Tier 1 capital ratio is 6.5%, and has a Tier 1 leverage capital ratio of 5% or more.

The actual capital amounts and ratios, excluding unrealized losses, at December 31, 2022 December 31, 2023 and 2021 2022 are presented in the following table.

December 31, 2022	Company		Subsidiary		
	(Consolidated)	The First			
(\$ in thousands)					
December 31, 2023					
December 31, 2023					
December 31, 2023					
Amount					
	Amount	Ratio	Amount	Ratio	
Total risk-based Total risk-based					
Total risk- based	Total risk- based	\$ 753,708	16.7 %	\$ 739,616	16.4 %
				\$ 892,310	

Common equity	Common equity						
Tier 1 risk-based	Tier 1 risk-based	570,660	12.7 %	701,099	15.6 %	Common equity Tier 1	
Tier 1 leverage	Tier 1 leverage	586,068	13.0 %	701,099	15.6 %	Tier 1 risk-based	
December 31, 2021		Amount	Ratio	Amount	Ratio		
December 31, 2022							
December 31, 2022							
December 31, 2022							
Total risk-based	Total risk-based	\$ 662,658	18.6 %	\$618,472	17.4 %	Total risk-based	\$
Common equity	Common equity						
Tier 1 risk-based	Tier 1 risk-based	488,290	13.7 %	588,334	16.6 %	Common equity Tier 1	
Tier 1 leverage	Tier 1 leverage	503,644	14.1 %	588,334	16.6 %	Tier 1 risk-based	
Tier 1 leverage	Tier 1 leverage	503,644	9.2 %	588,334	10.8 %	Tier 1 leverage	
The minimum amounts of capital and ratios, not including Accumulated Other Comprehensive Income, as established by banking regulators at December 31, 2023.							
		Company	Subsidiary				
December 31, 2022		(Consolidated)	The First				
(\$ in thousands)							
December 31, 2023							
December 31, 2023							
December 31, 2023							
Amount							
		Amount	Ratio	Amount	Ratio		
Total risk-based							
Total risk-based							
Total risk-based	Total risk-based	\$ 360,597	8.0 %	\$360,071	8.0 %	\$	475,1
Common equity	Common equity						
Tier 1 risk-based	Tier 1 risk-based	202,836	4.5 %	202,540	4.5 %	Common equity Tier 1	
Tier 1 leverage	Tier 1 leverage	270,447	6.0 %	270,053	6.0 %	Tier 1 risk-based	
Tier 1 leverage	Tier 1 leverage	180,298	4.0 %	180,035	4.0 %	Tier 1 leverage	
December 31, 2021		Amount	Ratio	Amount	Ratio		
December 31, 2022							
December 31, 2022							
December 31, 2022							
Total risk-based	Total risk-based	\$285,049	8.0 %	\$284,209	8.0 %	Total risk-based	

Common equity	Common equity							
Tier 1	Tier 1	160,340	4.5 %	159,868	4.5 %	Common equity Tier 1		
Tier 1 risk-based	Tier 1 based	213,787	6.0 %	213,157	6.0 %	Tier 1 risk-based		
Tier 1 leverage	Tier 1 leverage	142,524	4.0 %	142,105	4.0 %	Tier 1 leverage		

The principal sources of funds to the Company to pay dividends are the dividends received from the Bank. Consequently, dividends are dependent upon the Company's regulatory capital is below the level of regulatory minimums plus the applicable capital conservation buffer. Federal and state banking laws and regulations limit the amount of dividends that may be paid by the Company. The Bank had available \$172.0 million \$147.3 million net income for that year combined with its retained net income of the preceding two years. In 2022, 2023, the Bank had available \$172.0 million \$147.3 million

NOTE K - INCOME TAXES

The components of income tax expense are as follows (\$ in thousands): follows:

		Years Ended December 31,				
		2022	2021	2020		
(\$ in thousands)		(\$ in thousands)				
2023						
Current:	Current:					
Federal						
Federal						
Federal	Federal	\$12,071	\$12,546	\$11,270		
State	State	2,759	2,630	2,308		
Deferred	Deferred	940	1,739	(3,015)		
Total	Total					
income	income					
tax	tax					
expense	expense	\$15,770	\$16,915	\$10,563		

The Company's income tax expense differs from the amounts computed by applying the federal income tax statutory rates to income before income tax:

		Years Ended December 31,					
		2022	2021	2020			
(\$ in thousands)		(\$ in thousands)					
2023							
Amount							
Income taxes	Income taxes						
at statutory rate	at statutory rate	\$16,525	21 %	\$17,027	21 %	\$13,244	21 %
Tax-exempt income, net	Tax-exempt income, net	(2,369)	(3)%	(1,692)	(2)%	(1,868)	(2)%
Bargain purchase gain		—	— %	—	— %	(1,645)	(3)%
Nondeductible expenses	Nondeductible expenses	391	— %	29	— %	188	— %
State income tax, net of federal tax effect	State income tax, net of federal tax effect	2,251	3 %	2,299	3 %	1,600	3 %
Federal tax credits, net	Federal tax credits, net	(715)	(1)%	(715)	(1)%	(715)	(1)%
Federal tax credits, net							

Other, net	Other, net	(313)	— %	(33)	— %	(241)	(1)%	Other, net
		\$15,770	17 %	\$16,915	17 %	\$10,563	17 %	
<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>								
		\$						

The components of deferred income taxes included in the consolidated financial statements were as follows (\$ in thousands): follows:

		December 31,			
		2022		2021	
(\$ in thousands)		(\$ in thousands)			
		2023			
Deferred tax assets:	Deferred tax assets:				
Allowance for loan losses		\$ 9,581		\$ 7,566	
Allowance for credit losses					
Allowance for credit losses					
Allowance for credit losses					
Net operating loss carryover	Net operating loss carryover	24,531		2,109	
Nonaccrual loan interest	Nonaccrual loan interest	600		1,447	
Other real estate	Other real estate	894		247	
Deferred compensation	Deferred compensation	1,205		1,267	
Loan purchase accounting	Loan purchase accounting	2,554		966	
Unrealized loss on available-for-sale securities	Unrealized loss on available-for-sale securities	48,738		—	
Lease liability	Lease liability	2,395		1,547	
Other	Other	3,299		2,421	
		93,797		17,570	
		95,876			
Deferred tax liabilities:	Deferred tax liabilities:				Deferred tax liabilities:
Unrealized gain on available-for-sale securities		—		(2,702)	
Securities	Securities	(627)		(778)	
Premises and equipment	Premises and equipment	(6,588)		(7,637)	
Core deposit intangible	Core deposit intangible	(7,628)		(6,255)	
Goodwill	Goodwill	(2,388)		(2,121)	
Right-of-use asset	Right-of-use asset	(2,517)		(1,702)	
Other	Other	(596)		(485)	
		(20,344)		(21,680)	
		(31,712)			
Net deferred tax asset/(liability), included in other assets/(liabilities)	Net deferred tax asset/(liability), included in other assets/(liabilities)	\$73,453		\$(4,110)	

With the acquisition of Baldwin Bancshares, Inc. in 2013, BCB Holding Company, Inc. in 2014, Gulf Coast Community Bank in 2017, Sunshine Financial in 2018, and the acquisition of First Financial Bank in 2019, the Company expects to fully utilize the net operating losses remain available to the Company and begin to expire in 2026. The Company expects to fully utilize the net operating losses.

The Company follows the guidance of ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the final interim periods, disclosure, and transition. As of December 31, 2022 December 31, 2023, the Company had no uncertain tax

positions that it believes should be recognized in the financial statements. The tax years still subject to examination by taxing authorities are years subsequent

NOTE L - EMPLOYEE BENEFITS

The Company and the Bank provide a deferred compensation arrangement (401k plan) whereby employees contribute a percentage of their compensation and \$990 thousand in 2020.²⁰²¹

The Company sponsors an Employee Stock Ownership Plan (ESOP) for employees who have completed one year of service for the Company and are valued at \$183 thousand of Company common stock and had no debt obligation. All shares held by the plan were considered outstanding for net income in 2021.

In 2014, the Company established a Supplemental Executive Retirement Plan ("SERP") for three active key executives. During 2016, the Company established a defined benefit pension plan for its employees. The costs of such benefits, assuming a retirement date at age 65, are accrued by the Company and included in other liabilities in the Consolidated Balance Sheet. The SERP accrued benefit was \$1,000 thousand for 2022, **\$945 thousand** for 2021 and \$676 thousand for 2020 for future benefits payable under the SERP. The SERP is an unfunded plan and is not included in the Company's defined benefit pension plan.

Upon the acquisition of Iberville Bank, Southwest Banc Shares, Inc., FMB Banking Corporation, and SWG, the Bank assumed deferred compensation of \$353 thousand, \$273 thousand, respectively. Deferred compensation expense totaled \$21 thousand, \$46 thousand, \$190 thousand, \$112 thousand, and \$19 thousand, respectively.

NOTE M - STOCK PLANS

In 2007, the Company adopted the 2007 Stock Incentive Plan. The 2007 Plan provided for the issuance of up to 315,000 shares of Company Common stock, at a price per share not less than the fair market value per share, for a total of 615,000 shares. In 2021, the Company adopted an amendment to the 2007 Stock Incentive Plan which provided for the issuance of up to 315,000 shares or treasury shares. Total shares issuable under the plan are 384,955 239,964 at year-end 2022, 2023, and 129,950 167,173 and 93,578 129,950 shares.

A summary of changes in the Company's nonvested shares for the year follows:

				Weighted- Average	Grant- Date	
Nonvested shares	Nonvested shares	Shares	Fair Value	Nonvested shares		
Nonvested at January 1, 2022		314,310	\$ 30.58			
Nonvested at January 1, 2023						
Granted	Granted	129,950		Granted		
Vested	Vested	(77,704)		Vested		
Forfeited	Forfeited	(2,500)		Forfeited		
Nonvested at December 31, 2022	364,056	\$ 31.88				
Nonvested at December 31, 2023						

As of December 31, 2022 December 31, 2023, there was \$6.6 million \$8.5 million of total unrecognized compensation cost related to nonvested shares.

(approximately 5 years). The total fair value of shares vested during the years ended December 31, 2022 December 31, 2023, 2022 and 2021 and 2020 was \$

Compensation cost in the amount of \$2.3 million was recognized for the year ended December 31, 2023, \$2.4 million was recognized for the year ended December 31, 2022, and \$2.2 million was recognized for the year ended December 31, 2021. The restricted stock awards under the 2007 Plan are subject to restrictions as to the vesting period. The restricted stock award becomes 100% vested on the earliest of 1) the vesting period provided for in the award agreement, 2) the date the award is held by the Company and only paid if and when the grants are vested. The 2007 Plan also contains a double trigger change-in-control provision pursuant to which awards held by employees that are terminated by the Company or are transferred into the shares of the new company).

In 2022, as part of the BBI acquisition, the Company assumed outstanding options previously granted by BBI under the BBI 2018 Stock Option Plan ("I")

options, the Company reserved for issuance 310,427 shares of common stock to be issued upon exercise of such options. These options had a weighted aver-

NOTE N - SUBORDINATED DEBT

Debentures

On June 30, 2006, the Company issued \$4.1 million of floating rate junior subordinated deferrable interest debentures to The First Bancshares, issued \$4,000,000 of Trust Preferred Securities to investors. The Company's obligations under the debentures and related documents, taken together, must be redeemed upon maturity of the debentures in 2036. Interest on the preferred securities is the three month London Interbank Offer Rate plus three-month preferred securities.

On July 27, 2007, the Company issued \$6.2 million of floating rate junior subordinated deferrable interest debentures to The First Bancsh investors. The Company's obligations under the debentures and related documents, taken together, constitute a full and unconditional guarantee by the Comp. Interest on the preferred securities is the three month LIBOR three-month term SOFR plus 1.40% plus a tenor spread adjustment of 0.026161% and is payable

In 2018, as the result of the acquisition of FMB Banking Corporation ("FMB"), the Company became the successor to FMB's obligations in common equity of FMB Trust. FMB Trust issued \$6,000,000 \$6.0 million of Trust Preferred Securities to investors. The Company's obligations under the debt are redeemable by the Company at its option. The preferred securities must be redeemed upon maturity of the debentures in 2033. Interest on the preferred securities is

On January 1, 2023, as a result of the acquisition of HSBI, the Company became the successor to HSBI's obligations in respect of \$10.3 million of sub-issued \$10.0 million of preferred securities to an investor. The Company's obligations under the debentures and related documents, taken together, constitute:

Liberty Trust's obligations under the preferred securities. The preferred securities issued by the Liberty Trust are redeemable by the Company at its option. The quarterly

In accordance with the provisions of ASC Topic 810, Consolidation, the Trust 2, Trust 3, EMB Trust, and EMB Liberty Trust are not included in the cons.

Notes

On April 30, 2018, The Company entered into two Subordinated Note Purchase Agreements pursuant to which the Company sold and issued \$24.0 million due 2033 (collectively (the "Notes due 2033"). In May of 2023, the "Notes"), Company redeemed all \$24.0 million of the outstanding 5.875% fixed-to-floating rate notes.

The Notes due 2033 are not convertible into or exchangeable for any other securities or assets of the Company or any of its subsidiaries. The Notes are obligations of the Company and rank junior in right to payment to the Company's current and future senior indebtedness, and each Note is *pari passu* in right to the term. Thereafter, the interest rate will re-set quarterly to an interest rate per annum equal to a benchmark rate (which is expected to be three-month term floating rate period may be determined based on a rate other than Three-Month Term SOFR. The Company is entitled to redeem the Notes due 2033, in whole or in part, at any time and from time to time, at the option of the Company, at a price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest thereon, if any, plus a premium of 1.00%.

On September 25, 2020, The Company entered into a Subordinated Note Purchase Agreement with certain qualified institutional buyers pursuant to which the Company will issue a ten-year term, maturing October 1, 2030, and will bear interest at a fixed annual rate of 4.25%, payable semi-annually in arrears, for the first five years of the term, and thereafter, **arrears**. As provided in the Notes due 2030, under specified conditions the interest rate on the Notes due 2030 during the applicable floating rate period will be the three-month LIBOR rate plus 3.25%.

Notes due 2030, in whole or in part, on any interest payment date on or after October 1, 2025, and to redeem the Notes due 2030 at any time in whole upon ce-

The Company had \$145.0 million \$123.4 million of subordinated debt, net of deferred issuance costs \$1.6 million and unamortized fair value mark \$2. debt was attributable to \$144.7 million, the Company's redemption of \$24.0 million of its Notes due 2028 and the Company's repayment of \$2.0 million of its N accounting adjustments, of deferred issuance costs \$2.1 million and unamortized fair value mark \$646 thousand, at December 31, 2021 subordinated debt tha

NOTE Q - TREASURY STOCK

Shares held in treasury totaled 1,249,607 at December 31, 2023, 1,249,607 at December 31, 2022, and 649,607 at December 31, 2021 and 483,984 at December 31, 2020.

On May 7, 2020, the Company announced the renewal of its share repurchase program that previously expired on December 31, 2019. Under the purchases, the target number of shares and the maximum price (or range of prices) under the program, was determined by management at its discretion and program expired on December 31, 2020. The Company repurchased 289,302 shares in 2020 pursuant to the program.

On December 16, 2020, the Company announced that its Board of Directors has authorized a share repurchase program (the "2021 Repurchase Program"), from time to time repurchase up \$30 million of its own common stock in any manner determined appropriate by the Company's management. The actual timing and amount of shares repurchased will depend on a variety of factors, including the market price of the Company's common stock, general market and economic conditions, and applicable legal and regulatory requirements. The 2021 Repurchase Program is valid through December 16, 2021.

On February 8, 2022, the Company announced the renewal of the 2021 Repurchase Program that previously expired on December 31, 2021. Under the Company's management, less the amount of prior purchases under the program during the 2021 calendar year. The renewed 2021 Repurchase Program the first quarter of 2022.

On March 9, 2022, the Company announced that its Board of Directors authorized a new share repurchase program (the “2022 Repurchase Program” Company could, but was not required to, from time to time repurchase up **\$30 million** \$30.0 million of shares of its own common stock in any manner determined at its discretion and will depend on a number of factors, including the market price of the Company’s common stock, general market and economic

The Inflation Reduction Act of 2022 signed into law in August 2022 includes a provision for an expiration date excise tax equal to 1% of December 31, transactions subject to the new excise tax, we do not expect a material impact to our statement of condition or result of operations.

On February 28, 2023, the Company announced that its Board of Directors has authorized a new share repurchase program (the "2023 Repurchase Program"). Under the 2023 Repurchase Program, the Company may, but is not required to, from time to time repurchase up to \$50 million of shares of its own common stock in any manner management at its discretion and will depend on a number of factors, including the market price of the Company's common stock, general market and economic conditions.

On February 28, 2024, the Company announced that its Board of Directors has authorized a new share repurchase program (the "2024 Repurchase Program" may, but is not required to, from time to time repurchase up \$50.0 million of shares of its own common stock in any manner determined appropriate by the Company. The timing and amount of purchases will depend on a number of factors, including the market price of the Company's common stock, general market and economic conditions, and applicable legal requirements.

NOTE P - RELATED PARTY TRANSACTIONS

In the normal course of business, the Bank makes loans to its directors and executive officers and to companies in which they have a significant ownership interest. The aggregate principal amount of loans to executive officers, and their affiliates during the year ended December 31, 2022, December 31, 2023, is summarized as follows (\$ in thousands): follows:

(\$ in thousands)

Loans outstanding at beginning of year

Advances/new loans

Removed/payments

Loans outstanding at end of year

Deposits from principal officers, directors, and their affiliates at year-end 2023 and 2022 were \$15.6 million and 2021 were \$16.8 million and \$14.8 million, respectively.

NOTE Q - COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS OF CREDIT RISK

In the normal course of business, there are outstanding various commitments and contingent liabilities, such as guarantees, commitments to extend credit to the customer. 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 for lending activities. Because these instruments have fixed maturity dates and because a number expire without being drawn upon, they generally do not represent transactions anticipated.

The contractual amounts of financial instruments with off-balance-sheet risk at year-end were as follows:

		2022		2021			
		2023					
(\$ in thousands)		Fixed	Variable	Fixed	Variable	(\$ in thousands)	
		Rate	Rate	Rate	Rate		
Commitments	Commitments						
to make	to make						
loans	loans	\$43,227	\$15,758	\$80,760	\$23,946		
Unused lines	Unused lines						
of credit	of credit	243,043	404,025	213,332	309,791		
Standby	Standby						
letters of	letters of						
credit	credit	4.260	9.909	2.586	9.737		

Commitments to make loans are generally made for periods of 90 days or less. The fixed rate loan commitments have interest rates ranging from 1.0%

ALLOWANCE FOR CREDIT LOSSES ("ACL") ON OFF BALANCE SHEET CREDIT ("OBSC") EXPOSURES

The Company adopted ASC 326, effective January 1, 2021, which requires the Company to estimate expected credit losses for OBSC exposures which sheet for the years ended December 31, 2022 December 31, 2023 and 2021 2022. The ACL on OBSC exposures is adjusted as a provision for credit loss exp-

Changes in the ACL on QRSC exposures were as follows for the presented periods:

(\$ in thousands)	(\$ in thousands)	2022	2021	(\$ in thousands)
Balance at beginning of period	Balance at beginning of period	\$1,070	\$ —	Balance at beginning of period
Adoption of ASU 326	Adoption of ASU 326	—	718	Adoption of ASU 326
Credit loss expense related to OBSC exposures	Credit loss expense related to OBSC exposures	255	352	Credit loss expense related to OBSC exposures
Balance at end of period	Balance at end of period	<u>\$1,325</u>	<u>\$1,070</u>	Balance at end of period

Adjustments to the ACL on OBSC exposures are recorded to provision for credit losses OBSC exposures. The Company recorded \$750 thousand, \$2 for the year ended December 31, 2023 compared to the same period in 2022 was due to the day one provision for unfunded commitments related to the HSBI

No credit loss estimate is reported for OBSC exposures that are unconditionally cancellable by the Company or for undrawn amounts under such arra

The Company currently has 87 full service 110 full-service banking and financial service offices, one motor bank facility and two five loan producer 2022 December 31, 2023, management does not consider there to be any significant credit concentrations within the loan portfolio. Although the

Bank's loan portfolio, as well as existing commitments, reflects the diversity of its primary market area, a substantial portion of a borrower's ability to repay a lo

In the normal course of business, the Company and its subsidiary are subject to pending and threatened legal actions. Although the Company is not a in the aggregate, will not have a material adverse effect on the Company's consolidated financial statements.

NOTE R - FAIR VALUES OF ASSETS AND LIABILITIES

The Company follows the guidance of ASC Topic 820, *Fair Value Measurements and Disclosures*, that which establishes a framework for measuring fa

The guidance defines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between value.

In accordance with the guidance, the Company groups its financial assets and financial liabilities measured at fair value in three levels, based on the m

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained fro

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing service are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pri

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate

Cash and Cash Equivalents – For such short-term instruments, the carrying amount is a reasonable estimate of fair value.

Debt Securities - The fair value of available-for-sale securities is determined by various valuation methodologies. Where quoted market prices are av Level 2 securities include obligations of U.S. government corporations and agencies, obligations of states and political subdivisions, mortgage-backed prices of similar securities are not available, fair values are calculated using the discounted cash flow or other market indicators (Level 3).

Loans – The fair value of loans was estimated by discounting the expected future cash flows using the current interest rates at which similar loans wo cash flows, adjusted for estimated prepayments and as a result of the adoption of ASU 2016-01, which also included credit risk and other market facto

Loans Held for Sale - Loans held for sale are carried at the lower of cost or fair value in the aggregate as determined by the outstanding commitment

Interest Rate Swaps - The Company offers interest rate swaps to certain commercial loan customers to allow them to hedge the risk of rising interest bank. These back-to-back agreements are intended to offset each other and allow the Company to originate a variable rate loan, while providing the bank participates in, a portion of the credit risk associated with the interest rate swap position with the commercial borrower, for a fee received from the other observable nature participating bank. RPAs are derivative financial instruments recorded at fair value. Although we have determined that a majority of the credit risk associated with our risk participation agreements utilize Level 3 inputs.

Accrued Interest Receivable - The carrying amount of accrued interest receivable approximates fair value and is classified as level 2 for accrued interest.

Deposits - The fair values of demand deposits are, as required by ASC Topic 825, equal to the carrying value of such deposits. Demand deposits include the carrying value of these deposits. Discounted cash flows have been used to value fixed rate term deposits and variable rate term deposits repricing after the deposit matures.

Short-Term Borrowings - The carrying value of any federal funds purchased and other short-term borrowings approximates their fair values.

FHLB and Other Borrowings - The fair value of the fixed rate borrowings is estimated using discounted cash flows, based on current incremental borrowing rates.

Subordinated Debentures - Fair values are determined based on the current market value of like instruments of a similar maturity and structure.

Accrued Interest Payable - The carrying amount of accrued interest payable approximates fair value resulting in a Level 2 classification.

Off-Balance Sheet Instruments - Fair values of off-balance sheet financial instruments are based on fees charged to enter into similar agreements. No fair value has been assigned.

The following table presents the Company's securities that are measured at fair value on a recurring basis and the level within the hierarchy in which the fair value is determined.

December 31, 2022		Fair Value Measurements				
December 31, 2023		December 31, 2023				
(\$ in thousands)	(\$ in thousands)	Quoted Prices in Active Markets	Significant For Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	(\$ in thousands)
		Fair Value	(Level 1)	(Level 2)	(Level 3)	
Assets:	Assets:					
Available-for-sale	Available-for-sale					
Available-for-sale						
U.S. Treasury						
U.S. Treasury						
U.S. Treasury	U.S. Treasury	\$ 123,854	\$123,854	\$ —	\$ —	
Obligations of U.S. government agencies and sponsored entities	Obligations of U.S. government agencies and sponsored entities	144,369	—	144,369	—	
Municipal securities	Municipal securities	457,857	—	442,740	15,117	
Mortgage-backed Securities	Mortgage-backed Securities	490,139	—	490,139	—	
Corporate obligations	Corporate obligations	40,882	—	40,851	31	
Other						

Total investment securities available-for-sale	Total investment securities available-for-sale	\$1,257,101	\$123,854	\$1,118,099	\$ 15,148
Loans held for sale	Loans held for sale	4,443	—	4,443	—
Interest rate swaps	Interest rate swaps	\$ 12,825	\$ —	\$ 12,825	\$ —
Liabilities:	Liabilities:				
Interest rate swaps	Interest rate swaps	\$ 12,825	\$ —	\$ 12,825	\$ —
Interest rate swaps	Interest rate swaps				
December 31, 2021	Fair Value Measurements				
December 31, 2022		December 31, 2022			
(\$ in thousands)	(\$ in thousands)	Quoted Prices in Active Markets	Significant For Identical Assets	Significant Observable Inputs	(\$ in thousands)
		Active Markets	For Identical Assets	Significant Observable Inputs	
		For Identical Assets	For Identical Assets	Significant Observable Inputs	
		Fair Value	(Level 1)	(Level 2)	(Level 3)
Assets:	Assets:				
Available-for-sale	Available-for-sale				
Available-for-sale	Available-for-sale				
U.S. Treasury	U.S. Treasury	\$ 135,158	\$135,158	\$ —	\$ —
U.S. Treasury	U.S. Treasury	\$ 135,158	\$135,158	\$ —	\$ —
Obligations of U.S. government agencies and sponsored entities	Obligations of U.S. government agencies and sponsored entities	183,021	—	183,021	—
Municipal securities	Municipal securities	708,502	—	688,379	20,123
Mortgage-backed securities	Mortgage-backed securities	688,298	—	688,298	—
Corporate obligations	Corporate obligations	36,853	—	36,810	43
Total investment securities available-for-sale	Total investment securities available-for-sale	\$1,751,832	\$135,158	\$1,596,508	\$ 20,166
Loans held for sale	Loans held for sale	\$ 7,678	\$ —	\$ 7,678	\$ —
Interest rate swaps	Interest rate swaps				
Liabilities:	Liabilities:				
Interest rate swaps	Interest rate swaps				

Interest rate swaps
Interest rate swaps

The following is a reconciliation of activity for assets measured at fair value based on significant unobservable (Level 3) information:

(\$ in thousands)

Balance, January 1

Paydowns

Gain included in income

Unrealized (loss) included in comprehensive income

Balance, December 31

Municipal Securities

Bank-Issued

Trust

Preferred

Securities

(\$ in thousands)	(\$ in thousands)	2022	2021	(\$ in thousands)
Balance, January 1	Balance, January 1	\$20,123	\$20,126	
Purchases		—	6,019	
Maturities, calls and paydowns		(2,328)	(5,457)	
Unrealized (loss) gain included in comprehensive income		(2,678)	(565)	
Paydowns		—	—	
Balance, December 31	Balance, December 31	\$ 15,117	\$ 20,123	

(\$ in thousands)

Balance, January 1

Maturities, calls and paydowns

Transfer from level 2 to level 3

Unrealized (loss) gain included in comprehensive income

Balance, December 31

(\$ in thousands)

Balance, January 1

RPA-in

RPA-out

Balance at December 31

The following methods and assumptions were used to estimate the fair values of the Company's assets measured at fair value on a recurring basis at

(\$ in thousands)		
Bank-Issued Trust Preferred Securities		
December 31, 2023		\$
December 31, 2022		\$
Municipal Securities		
December 31, 2023		\$
December 31, 2022		\$
Interest Rate Swaps - Risk Participations		Fair Va
December 31, 2021		\$
Municipal Securities		
December 31, 2022		\$
December 31, 2021		\$
Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a non-recurring basis and recognized		
Collateral Dependent Loans		
Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured for impairment. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments, if any, result in a Level 3 classification of the inputs for determining fair value. The Company adjusts the appraisal for cost associated with litigation knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment.		
Other Real Estate Owned		
Other real estate owned consists of properties obtained through foreclosure. The adjustment at the time of foreclosure is recorded through the allowance for doubtful accounts for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals, which are updated quarterly. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data. Developments, such as changes in market conditions from the time of valuation and anticipated sales values considering plans for disposition, which could impact the hierarchy since assumptions are used that may not be observable in the market. Due to the subjective nature of establishing the fair value when the asset is disposed through other income. Operating costs associated with the assets after acquisition are also recorded as non-interest expense. Gains and losses on the disposition of assets are recorded as non-interest expense. The fair value of other real estate owned is \$4.8 million \$8.3 million. Other real estate owned is classified within Level 3 of the fair value hierarchy.		
The following table presents the fair value measurement of assets and liabilities measured at fair value on a nonrecurring basis and the level within the fair value hierarchy.		
Fair Value Measurements Using		
Fair Value Measurements Using		

		Quoted Prices in Active Markets			Significant For Identical Inputs			Significant Other Observable Inputs			Unobservable Inputs			Fair Value	
		(\$ in thousands)	(\$ in thousands)	Fair Value	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	(\$ in thousands)							
December 31, 2022															
December 31, 2023															
Collateral dependent loans															
Collateral dependent loans															
Collateral dependent dependent dependent loans	loans	loans	\$5,552	\$ —	\$ —	\$ 5,552									
Other real estate owned	Other real estate owned		4,832	—	—	4,832									
December 31, 2021															
December 31, 2022															
December 31, 2022															
Collateral dependent loans															
Collateral dependent loans															
Collateral dependent dependent dependent loans	loans	loans	\$3,564	\$ —	\$ —	\$ 3,564									
Other real estate owned	Other real estate owned		2,565	—	—	2,565									
Estimated fair values for the Company's financial instruments are as follows, as of the dated noted:															
December 31, 2023															
(\$ in thousands)															
Financial Instruments:															
Assets:															
Cash and cash equivalents														\$	
Securities available-for-sale															
Securities held-to-maturity															
Loans held for sale															
Loans, net															
Accrued interest receivable															

Interest rate swaps

Liabilities:

Non-interest-bearing deposits

\$

Interest-bearing deposits

Subordinated debentures

FHLB and other borrowings

Accrued interest payable

Interest rate swaps

December 31, 2022

(\$ in thousands)

**Carrying
Amount**

Financial Instruments:

Assets:

Cash and cash equivalents

\$

Securities available-for-sale

Securities held-to-maturity

Loans held for sale

Loans, net

Accrued interest receivable

Interest rate swaps

Liabilities:

Non-interest-bearing deposits

\$

Interest-bearing deposits

Subordinated debentures

FHLB and other borrowings

Accrued interest payable

Interest rate swaps

December 31, 2021

(\$ in thousands)

**Carrying
Amount**

Financial Instruments:

Assets:

Cash and cash equivalents

\$

Securities available-for-sale

Loans held for sale

Loans, net

Accrued interest receivable

Liabilities:

Non-interest-bearing deposits

\$

Interest-bearing deposits

Subordinated debentures

Accrued interest payable

NOTE S - REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers within the scope of ASC 606 is recognized within non-interest income. The guidance does not change the Company's revenue streams accounted for under ASC 606 is as follows:

Service Charges on Deposit Accounts: The Company earns fees from deposit customers for transaction-based, account maintenance, and overdraft services. The Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month based on the customer's account balance.

Interchange Income: The Company earns interchange fees from debit and credit card holder transaction conducted through various payment networks. Interchange fees are earned when the Company processes a transaction on behalf of a merchant.

Gains/Losses on Sales of OREO: The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which is determined based on whether the collectability of the transaction prices is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is present.

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within non-interest income. The following table presents the revenue by operating segments for the year ended December 31, 2022.

(\$ in thousands)		Year Ended December 31, 2022						(\$ in thousands)	
(\$ in thousands)		Revenue by Operating Segments		Commercial/ Retail Bank		Mortgage Banking Division		Holding Company	Revenue
(\$ in thousands)		Non-interest income	Non-interest income	Commercial/ Retail Bank	Commercial/ Retail Bank	Mortgage Banking Division	Holding Company	Total	
Non-interest income	Non-interest income								
Service charges on deposits	Service charges on deposits								
Overdraft fees	Overdraft fees								
Overdraft fees	Overdraft fees	\$ 4,023	\$ 93	\$ —	\$ 4,116				
Other	Other	8,679	—	—	—	8,679			
Interchange income	Interchange income	12,702	—	—	—	12,702			
Investment brokerage fees	Investment brokerage fees	1,566	—	—	—	1,566			
Net gains on OREO	Net gains on OREO	214	—	—	—	214			
Net losses on sales of securities (1)	Net losses on sales of securities (1)	(82)	—	—	—	(82)			
Gain on acquisition		281	—	—	—	281			
Loss on premises and equipment		(116)	—	—	—	(116)			
Gain on premises and equipment									
Gain on sale of loans									
Other	Other	2,724	4,210	2,667	9,601				
Total non-interest income	Total non-interest income	<u>\$ 29,991</u>	<u>\$ 4,303</u>	<u>\$ 2,667</u>	<u>\$ 36,961</u>				

(\$ in thousands)													
Revenue by Operating Segments													
Non-interest income													
Service charges on deposits													
Overdraft fees													
Other													
Interchange income													
Investment brokerage fees													
Net gains on OREO													
Net losses on sales of securities (1)													
Gain on acquisition (1)													
Loss on premises and equipment													
Other													
Total non-interest income													
Revenue by Operating Segments													
(\$ in thousands)													
Non-interest income													
Service charges on deposits													
Overdraft fees													
Other													
Interchange income													
Investment brokerage fees													
Net (losses) on OREO													
Net gains on sales of securities (1)													
Gain on acquisition													
Loss on premises and equipment													
Other													
Total non-interest income													
Year Ended December 31, 2020													
(\$ in thousands)		Commercial/ Retail Bank	Mortgage Banking Division	Holding Company	Total	(\$ in thousands)							
Revenue by Operating Segments		Revenue by Operating Segments	Commercial/ Retail Bank	Mortgage Banking Division	Holding Company								
(\$ in thousands)		Bank	Bank	Division	Company								
Non-interest income		Non-interest income		Mortgage									
Service charges on deposits		Service charges on deposits		Banking									
Overdraft fees		Overdraft fees		Division									
Other		Company		Holding									
Interchange income													
Investment brokerage fees													
Net (losses) on OREO													
Net gains on sales of securities (1)													
Gain on acquisition													
Loss on premises and equipment													
Other													
Total non-interest income													

Other	Other	3,993	2	—	3,995
Interchange income	Interchange income	9,433	—	—	9,433
Investment brokerage fees	Investment brokerage fees	932	—	—	932
Net gains (losses) on OREO		(537)	—	—	(537)
Net (losses) on OREO					
Net gains on sales of securities (1)	Net gains on sales of securities (1)	281	—	—	281
Gain on acquisition		7,835	—	—	7,835
Gain on premises and equipment		443	—	—	443
Gain on acquisition (1)					
Loss on premises and equipment					
Other	Other	4,940	10,444	892	16,276
Total non-interest income	Total non-interest income	\$ 30,538	\$10,446	\$ 892	\$41,876

(1) Not within scope of ASC 606.

NOTE T - PARENT COMPANY FINANCIAL INFORMATION

The balance sheets, statements of income and cash flows for The First Bancshares, Inc. (parent company only) follows:

December 31,							
December 31,				(\$ in thousands)			
(\$ in thousands)	(\$ in thousands)	2022	2021	(\$ in thousands)			
Assets: Assets:							
Cash and cash equivalents							
Cash and cash equivalents							
Cash and cash equivalents							
Cash and cash equivalents							
Investment in subsidiary bank	Investment in subsidiary bank	778,885	776,215				
Investments in statutory trusts	Investments in statutory trusts	496	496				
Bank owned life insurance	Bank owned life insurance	333	3,818				
Other	Other	3,962	6,187				
		\$793,519	\$821,447				
		\$					

Liabilities and Stockholders' Equity:		Liabilities and Stockholders' Equity:		Liabilities and Stockholders' Equity:	
Subordinated debentures	Subordinated debentures	\$145,027	\$144,726		
Borrowed funds		—	—		
Other	Other	1,830	549		
Stockholders' equity	Stockholders' equity	646,663	676,172		
		\$793,519	\$821,447		
		\$			
Years Ended December 31,					
Years Ended December 31,					
(\$ in thousands)	(\$ in thousands)	2022	2021	2020	(\$ in thousands)
Income: Income:					
Interest and dividends	Interest and dividends	\$ 17	\$ 10	\$ 20	
Interest and dividends					
Interest and dividends					
Dividend income	Dividend income	16,000	—	18,526	
Other	Other	2,667	111	892	
		18,684	121	19,438	
		72,019			
Expenses: Expenses:					Expenses:
Interest on borrowed funds	Interest on borrowed funds	7,492	7,375	5,593	
Legal and professional	Legal and professional	593	941	1,014	
Other	Other	7,498	4,828	4,361	
		15,583	13,144	10,968	
		15,372			
Income (loss) before income taxes and equity in undistributed income of subsidiary	Income (loss) before income taxes and equity in undistributed income of subsidiary	3,101	(13,023)	8,470	
Income tax benefit	Income tax benefit	3,263	3,295	2,545	
Income (loss) before equity in undistributed income of subsidiary	Income (loss) before equity in undistributed income of subsidiary	6,364	(9,728)	11,015	
Equity in undistributed income of subsidiary	Equity in undistributed income of subsidiary	56,555	73,895	41,490	
Net income	Net income	\$62,919	\$64,167	\$52,505	

Years Ended December 31,					
Years Ended December 31,					
(\$ in thousands)	(\$ in thousands)	2022	2021	2020	(\$ in thousands)
Cash flows from operating activities:					
Net income	Net income	\$62,919	\$64,167	\$52,505	
Net income	Net income				
Net income	Adjustments to reconcile net income to net cash used in operating activities:				
Adjustments to reconcile net income to net cash used in operating activities:	Equity in undistributed income of Subsidiary				
Equity in undistributed income of Subsidiary	Equity in undistributed income of Subsidiary	(56,555)	(73,895)	(41,490)	
Restricted stock expense	Restricted stock expense	2,425	3,100	2,352	
Other, net	Other, net	6,255	(3,343)	329	
Net cash (used in) provided by operating activities		15,044	(9,970)	13,696	
Net cash provided by (used in) operating activities	Cash flows from investing activities:				
Cash flows from investing activities:	Cash flows from investing activities:				
Investment in bank	Investment in bank				
Investment in bank	Investment in bank	(1,300)	—	—	
Other, net	Other, net	290	—	1,726	
Net cash (used in) provided by investing activities		(1,010)	—	1,726	

Net cash (used in) investing activities	
Cash flows from financing activities:	
Cash flows from financing activities:	
Cash flows from financing activities:	
Dividends paid on common stock	
Dividends paid on common stock	
Dividends paid on common stock	Dividends paid on common stock
on common stock	(16,275) (11,991) (8,589)
Repurchase of restricted stock	Repurchase of restricted stock for payment of taxes
for payment of taxes	(683) (721) (494)
Common stock repurchased	Common stock repurchased
Common stock repurchased	(22,180) (5,171) (8,067)
Repayment of borrowed funds	Repayment of borrowed funds
Repayment of borrowed funds	— (4,647) (707)
Issuance of subordinated debt	— — 63,725
Called/repayment of subordinated debt	
Other, net	Other, net
Other, net	216 — —
Net cash (used in) provided by financing activities	(38,922) (22,530) 45,868
Net cash (used in) financing activities	
Net (decrease) increase in cash and cash equivalents	(24,888) (32,500) 61,290
Net increase (decrease) in cash and cash equivalents	
Net increase (decrease) in cash and cash equivalents	
Net increase (decrease) in cash and cash equivalents	
Cash and cash equivalents at beginning of year	Cash and cash equivalents at beginning of year
beginning of year	34,731 67,231 5,941
Cash and cash equivalents at end of year	Cash and cash equivalents at end of year
of year	\$ 9,843 \$34,731 \$67,231
Cash and cash equivalents at end of year	
Cash and cash equivalents at end of year	

NOTE U - OPERATING SEGMENTS

The Company is considered to have three principal business segments in 2023, 2022, 2021, and 2020, 2021, the Commercial/Retail Bank, the Mortgage Division, and the Holding Company.

Year Ended December 31, 2022

		Commercial/	Mortgage			
(\$ in thousands)	(\$ in thousands)	Retail	Banking	Holding	Total	(\$ in thousands)
		Bank	Division	Company		
Commercial/						
Retail						
Bank						
Interest income	Interest income	\$ 199,937	\$ 439	\$ 17	\$ 200,393	
Interest expense	Interest expense	14,979	106	7,492	22,577	
Net interest income	Net interest income					
(loss)	(loss)	184,958	333	(7,475)	177,816	
Provision (credit) for credit losses	Provision (credit) for credit losses	5,605	—	—	5,605	
Net interest income	Net interest income					
(loss)	(loss)					
after provision for loan losses	after provision for loan losses					
Non-interest income	Non-interest income	179,353	333	(7,475)	172,211	
Non-interest expense	Non-interest expense	29,991	4,303	2,667	36,961	
Income (loss) before income taxes	Income (loss) before income taxes	116,899	5,493	8,091	130,483	
Income tax (benefit) expense	Income tax (benefit) expense	92,445	(857)	(12,899)	78,689	
Income tax (benefit) expense	Income tax (benefit) expense	19,250	(217)	(3,263)	15,770	
Net income (loss)	Net income (loss)	\$ 73,195	\$ (640)	\$ (9,636)	\$ 62,919	
Total Assets	Total Assets	\$6,428,889	\$18,194	\$14,634	\$6,461,717	
Total Assets						
Net Loans	Net Loans	3,734,659	5,024	—	3,739,683	

Year Ended December 31, 2021

		Commercial/ Mortgage				
(\$ in thousands)	(\$ in thousands)	Retail Bank	Banking Division	Holding Company	Total	(\$ in thousands)
Commercial/						
Retail						
Bank						
Interest income	Interest income	\$ 176,153	\$ 582	\$ 10	\$ 176,745	
Interest expense	Interest expense	12,166	140	7,375	19,681	
Net interest income	Net interest income					
(loss)	(loss)	163,987	442	(7,365)	157,064	
Provision for loan losses	Provision for loan losses	(1,104)	—	—	(1,104)	
Net interest income	Net interest income					
(loss)	(loss)					
after provision for loan losses	after provision for loan losses					
165,091	442	(7,365)	158,168			
Non-interest income	Non-interest income	28,539	8,823	111	37,473	
Non-interest expense	Non-interest expense	103,430	5,361	5,768	114,559	
Income taxes	Income taxes	90,200	3,904	(13,022)	81,082	
Income tax expense	Income tax expense	19,222	988	(3,295)	16,915	
Net income	Net income					
(loss)	(loss)	\$ 70,978	\$ 2,916	\$ (9,727)	\$ 64,167	
Total Assets	Total Assets	\$6,015,664	\$16,519	\$45,231	\$6,077,414	
Total Assets						
Net Loans	Net Loans	2,929,995	6,494	—	2,936,489	
Year Ended December 31, 2020						
		Commercial/ Mortgage				
(\$ in thousands)	(\$ in thousands)	Retail Bank	Banking Division	Holding Company	Total	(\$ in thousands)

		Commercial/ Retail Bank			
Interest	Interest				
income	income	\$ 178,462	\$ 866	\$ 20	\$ 179,348
Interest	Interest				
expense	expense	20,801	270	5,593	26,664
Net	Net				
interest	interest				
income	income				
(loss)	(loss)	157,661	596	(5,573)	152,684
Provision	Provision				
(credit)	(credit)				
for loan	for loan				
losses	losses	25,076	75	—	25,151
Net	Net				
interest	interest				
income	income				
(loss)	(loss)				
after	after				
provision	provision				
for loan	for loan				
losses	losses	132,585	521	(5,573)	127,533
Non-	Non-				
interest	interest				
income	income	30,538	10,446	892	41,876
Non-	Non-				
interest	interest				
expense	expense	95,370	5,596	5,375	106,341
Income	Income				
(loss)	(loss)				
before	before				
income	income				
taxes	taxes	67,753	5,371	(10,056)	63,068
Income	Income				
tax	tax				
(benefit)	(benefit)				
expense	expense	11,749	1,359	(2,545)	10,563
Net	Net				
income	income				
(loss)	(loss)	\$ 56,004	\$ 4,012	\$ (7,511)	\$ 52,505
Total	Total				
Assets	Assets	\$5,044,647	\$33,525	\$74,588	\$5,152,760
Total Assets					
Total Assets					
Net	Net				
Loans	Loans	3,099,675	9,615	—	3,109,290

NOTE V - SUMMARY OF QUARTERLY RESULTS OF OPERATIONS AND PER SHARE AMOUNTS (UNAUDITED)

(\$ in thousands, except per share amounts)	(\$ in thousands, except per share amounts)	March 31	June 30	Sept. 30	Dec. 31	(\$ in thousands, except per share amounts)

2023					
Total interest income					
Total interest income					
Total interest income					
Total interest expense					
Net interest income					
Provision for credit losses					
Net interest income after provision for credit losses					
Total non-interest income					
Total non-interest expense					
Income tax expense					
Net income available to common stockholders					
Per common share:					
Net income, basic					
Net income, basic					
Net income, basic					
Net income, diluted					
Cash dividends declared					
2022	2022				
2022					
2022					
Total interest income					
Total interest income					
Total interest income					
Total interest income					
Interest income	Interest income	\$42,741	\$45,847	\$53,874	\$57,931
Total interest expense	Total interest expense	4,102	3,746	4,726	10,003
Net interest income	Net interest income	\$38,639	\$42,101	\$49,148	\$47,928
Provision for credit losses	Provision for credit losses	—	600	4,300	705

Net interest income	Net interest income				
after provision for credit losses	after provision for credit losses				
	38,639	41,501	44,848	47,223	
Total non-interest income	Total non-interest income				
	11,157	8,664	9,022	8,118	
Total non-interest expense	Total non-interest expense				
	28,590	30,955	35,903	35,035	
Income tax expense	Income tax expense				
	4,377	3,457	3,924	4,012	
Net income available to common stockholders	Net income available to common stockholders				
	\$16,829	\$15,753	\$14,043	\$16,294	
Per common share:	Per common share:				Per common share:
Net income, basic	Net income, basic				
	\$ 0.81	\$ 0.77	\$ 0.61	\$ 0.68	
Net income, diluted	Net income, diluted				
	0.81	0.76	0.61	0.67	
Cash dividends declared	Cash dividends declared				
	0.17	0.18	0.19	0.20	
2021	2021				
Total interest income		\$45,187	\$43,238	\$44,435	\$43,885
Total interest expense		5,958	5,188	4,407	4,128
Net interest income		\$39,229	\$38,050	\$40,028	\$39,757
Provision for credit losses		—	—	—	(1,104)
Net interest income after provision for credit losses		39,229	38,050	40,028	40,861
Total non-interest income		9,472	8,822	9,586	9,593
Total non-interest expense		27,264	27,452	29,053	30,790
Income tax expense		4,793	3,820	4,429	3,873
Net income available to common stockholders		\$16,644	\$15,600	\$16,132	\$15,791
Per common share:					
Net income, basic		\$ 0.79	\$ 0.74	\$ 0.77	\$ 0.75
Net income, diluted		0.79	0.74	0.76	0.75
Cash dividends declared		0.13	0.14	0.15	0.16
2020					
2021					
2021					
Total interest income	Total interest income				
	\$41,598	\$45,799	\$46,338	\$45,613	

Total	Total				
interest	interest				
expense	expense	7,533	6,619	6,365	6,147
Net interest	Net interest				
income	income	\$34,065	\$39,180	\$39,973	\$39,466
Provision for	Provision for				
loan losses	loan losses	7,102	7,606	6,921	3,522
Net interest	Net interest				
income	income				
after	after				
provision	provision				
for loan	for loan				
losses	losses	26,963	31,574	33,052	35,944
Total non-	Total non-				
interest	interest				
income	income	6,474	15,680	8,794	10,928
Total non-	Total non-				
interest	interest				
expense	expense	23,439	28,070	26,936	27,896
Income tax	Income tax				
expense	expense	1,687	2,241	2,993	3,642
Net income	Net income				
available to	available to				
common	common				
stockholders	stockholders	\$ 8,311	\$ 16,943	\$ 11,917	\$ 15,334
Per	Per				
common	common				
share:	share:				
Net	Net				
income,	income,				
basic	basic	\$ 0.44	\$ 0.79	\$ 0.56	\$ 0.72
Net income, basic					
Net income, basic					
Net	Net				
income,	income,				
diluted	diluted	0.44	0.79	0.55	0.72
Cash	Cash				
dividends	dividends				
declared	declared	0.10	0.10	0.10	0.12

NOTE W - DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into interest rate swap agreements primarily to facilitate the risk management strategies of certain commercial customers. The in and expenses. **expenses and risk participation.** All derivative instruments are recorded in the consolidated statement of financial condition at their respective fair

Under a back-to-back interest rate swap program, the Company enters into an interest rate swap with the customer and another offsetting swap with a other assets and other liabilities. The change in fair value is recognized in the income statement as other income and fees. As part

Risk participation agreements are derivative financial instruments and are recorded at fair value. These derivatives are not designated as hedges acquisition, credit risk associated with the Bank acquired 33 loans with related interest rate swaps. swap position executed with the commercial borrower, for a commercial borrower, for a fee received from the other bank. The Company has two risk participation-in swaps and one risk participation-out swap at December

The following table provides outstanding interest rate swaps at December 31, 2023 and December 31, 2022.

(\$ in thousands)

Notional amount

Weighted average pay rate

Weighted average receive rate

Weighted average maturity in years

(\$ in thousands)

Notional amount

Weighted average pay rate

Weighted average receive rate

Weighted average maturity in years

The following table provides the fair value of interest rate swap contracts at December 31, 2023 and December 31, 2022 included in other assets and other liabilities.

(\$ in thousands)	(\$ in thousands)	December 31, 2022	(\$ in thousands)	December 31, 2023
Derivative Assets	Derivative Liabilities			
Interest rate swap contracts	Interest rate swap contracts			
Derivative Assets	Derivative Liabilities			
Interest rate swap contracts	Interest rate swap contracts	\$12,825	12,825	

The Company also enters into a collateral agreement with the counterparty requiring the Company to post cash or cash equivalent collateral to mitigate the risk of non-performance by the counterparty. The Company posts cash and cash equivalents as "restricted cash". The Company also receives a swap spread to compensate it for the credit exposure it takes on. For the year ended December 31, 2023 and December 31, 2022, net swap spread income included in other income was \$1.3 million and \$193 thousand, respectively.

Entering into derivative contracts potentially exposes the Company to the risk of counterparties' failure to fulfill their legal obligations, including, but not limited to, non-delivery of the underlying assets or services. The risk of non-delivery is much smaller. The Company assesses the credit risk of its dealer counterparties by regularly monitoring publicly available credit rating information, evaluating the financial stability of the dealer and the quality of the collateral posted by the dealer.

The Company records the fair value of its interest rate swap contracts separately within other assets and other liabilities as current accounting rules do not require the Company to record these contracts as derivatives.

NOTE X – SUBSEQUENT EVENTS/OTHER

Heritage Southeast Bank

On January 1, 2023, the Company completed the acquisition of HSBI, and immediately thereafter merged with and into the Company. The Company paid approximately \$16 thousand in cash in lieu of fractional shares. At December 31, 2022, HSBI had approximately \$1.579 billion in assets, \$1.191 billion in loans and \$1.191 billion in deposits. The Company is in the early stages of reviewing the estimated fair values and evaluating the assumed tax positions of the HSBI acquisition. The Company expects to finalize its analysis of the HSBI acquisition in the first quarter of 2023.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, under the supervision of and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the disclosure controls and procedures as of December 31, 2023. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in the Company's reports filed or furnished under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities Exchange Act, and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. There were no significant changes in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act) during the period covered by this report.

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act) and for the assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. In connection with this assessment, management has conducted an evaluation of the disclosure controls and procedures as of December 31, 2023. Based on this evaluation, management has concluded that the Company's disclosure controls and procedures were effective as of December 31, 2023.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed and operated, can provide only reasonable assurance that the objectives of the control system are met. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or because of the degree of compliance with the policies or procedures.

The Company's management, under the supervision of and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an assessment of the Company's internal control over financial reporting as of December 31, 2022 in accordance with the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on that assessment, our management believes that, as of December 31, 2022, the Company's internal control over financial reporting was effective.

As permitted by SEC guidance, management has excluded the operations of the BBI HSB| acquisition from the scope of management's report on internal control over financial reporting. BBI HSB| represents 9.4% of total consolidated assets.

This Annual Report on Form 10-K contains an audit report of FORVIS, LLP, our independent registered public accounting firm, regarding internal control over financial reporting. The audit report is included in Part II, Item 8 - Financial Statements and Supplementary Data of this report.

To the Stockholders, Board of Directors and Audit Committee
The First Bancshares, Inc.
Hattiesburg, Mississippi

Opinion on the Internal Control over Financial Reporting

We have audited The First Bancshares, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework: (2013) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements as of December 31, 2022 December 31, 2023, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting as of December 31, 2022 December 31, 2023.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are presented fairly, in all material respects, and are in accordance with applicable financial reporting frameworks. We evaluate the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances.

As described in *Management's Annual Report on Internal Control over Financial Reporting*, the scope of management's assessment of internal control over financial reporting did not include the operations of Beach Bancorp, *Heritage Southeast Bancorporation*, Inc. from the scope of our audit of internal control over financial reporting. Beach Bancorp, *Heritage Southeast Bancorporation*, Inc. is not subject to audit by us.

Definitions and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements that: (1) maintains records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the assets of the company.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Is/ FORVIS, LLP (Formerly BKD, LLP)

Jackson, Mississippi

March 1, 2023 February 29, 2024

ITEM 9B. OTHER INFORMATION

Not applicable. SERP Amendments

On November 16, 2023, the Board approved amendments to the Supplemental Executive Retirement Plan Agreement dated January 1, 2020 with Mr. Cole. The 2020 Cole SERP Amendment and the 2021 Lowery SERP Amendment were executed on February 26, 2024. The material terms of the agreements are summarized below.

Mr. Cole's 2020 SERP, as amended. Mr. Cole's 2020 SERP, as amended, provides for a lifetime benefit equal to 50% of "compensation" (as defined in the SERP) paid by the Bank (except in the case of Mr. Cole's death, in which case the death benefit will be paid in a lump sum).

- If Mr. Cole separates from service prior to age 65, other than by reason of his death or a termination for cause other than in connection with a change in control, he will receive 100% of the "change in control benefit" (as defined in the SERP).
- If Mr. Cole separates from service following a change in control prior to age 65, then he will receive 100% of the "change in control benefit" (as defined in the SERP).
- In the event of Mr. Cole's death, his beneficiary will receive a lump sum payment equal to 50% of Mr. Cole's compensation multiplied by a factor of 1.25.

Ms. Lowery's 2021 SERP. Ms. Lowery's 2021 SERP, as amended, provides for a lifetime benefit equal to 50% of "compensation" (as defined in the SERP) paid by the Bank (except in the case of Ms. Lowery's death, in which case the death benefit will be paid in a lump sum).

- If Ms. Lowery separates from service prior to age 65, other than by reason of her death or a termination for cause other than in connection with
- If Ms. Lowery separates from service following a change in control prior to age 65, then she will receive 100% of the "change in control benefit"
- In the event of Ms. Lowery's death, her beneficiary will receive a lump sum payment equal to 50% of Ms. Lowery's compensation multiplied by

On November 16, 2023, the Board also approved amendments to the Supplemental Executive Retirement Plan Agreement dated May 15, 2014 with provided under each agreement. The 2014 Cole SERP Amendment and the 2014 Lowery SERP Amendment were executed on February 26, 2024.

The summary provided herein is qualified in its entirety by reference to the full text of the 2020 Cole SERP Amendment, the 2021 Lowery SERP Amendment and the 2023 Lowery SERP Amendment.

Rule 10b5-1 Trading Arrangements

During the quarter ended December 31, 2023, none of the Company's directors or executive officers adopted or terminated any contract, instruction or

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Information required by this item is set forth in our definitive proxy materials regarding our Annual Meeting of Shareholders to be held [May 25, 2023](#) May 25, 2023.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is set forth in our definitive proxy materials regarding our Annual Meeting of Shareholders to be held [May 25, 2023](#) May 25, 2023.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is set forth in our definitive proxy materials regarding our Annual Meeting of Shareholders to be held [May 25, 2023](#) May 25, 2023.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this item is set forth in our definitive proxy materials regarding our Annual Meeting of Shareholders to be held [May 25, 2023](#) May 25, 2023.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is set forth in our definitive proxy materials regarding our Annual Meeting of Shareholders to be held [May 25, 2023](#) May 25, 2023.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Report:

1. The following consolidated financial statements of The First Bancshares, Inc. and subsidiaries are incorporated as part of this Report under Item 8 – Financial Statements:

[Consolidated balance sheets – December 31, 2022](#) [December 31, 2023](#) and [2021](#) [2022](#)

[Consolidated statements of income – Years ended December 31, 2022](#) [December 31, 2023, 2021, 2022, and 2020](#) [2021](#)

[Consolidated statements of other comprehensive income \(loss\) – Years ended December 31, 2022](#) [December 31, 2023, 2021, 2022, and 2020](#) [2021](#)

[Consolidated statements of changes in stockholders' equity – Years ended December 31, 2022](#) [December 31, 2023, 2021, 2022, and 2020](#) [2021](#)

[Consolidated statements of cash flows – Years ended December 31, 2022](#) [December 31, 2023, 2021, 2022, and 2020](#) [2021](#)

[Notes to consolidated financial statements – December 31, 2022](#) [December 31, 2023, 2021, 2022, and 2020](#) [2021](#)

2. Consolidated Financial Statement Schedules:

All schedules have been omitted, as the required information is either inapplicable or included in the Notes to Consolidated Financial Statements.

3. Exhibits required to be filed by Item 601 of Regulation S-K, by Item 15(b) are listed below.

(b) Exhibits:

All other financial statements and schedules are omitted as the required information is inapplicable or the required information is presented in the consolidated

(a) 3. Exhibits:

Exhibit No.

2.1	Agreement and Plan of Merger, dated October 12, 2016, by and among The First Bancshares, Inc., The First, A National Bank and Trust Company, and A. Wilbert's Sons, Inc.
2.2	Stock Purchase Agreement, dated October 12, 2016, by and between The First Bancshares, Inc. and A. Wilbert's Sons, Inc.
2.3	Agreement and Plan of Merger by and between The First Bancshares, Inc. and Southwest Banc Shares, Inc., dated October 12, 2016.
2.4 2.3	Agreement and Plan of Merger by and between The First Bancshares, Inc. and Sunshine Financial, Inc., dated December 18, 2019.
2.5 2.4	Agreement and Plan of Merger by and between The First Bancshares, Inc. and FMB Banking Corporation, dated July 22, 2019.
2.6 2.5	Agreement and Plan of Merger by and between The First Bancshares, Inc. and FPB Financial Corp., dated November 12, 2019.
2.7	Agreement and Plan of Merger by and between The First Bancshares, Inc. and First Florida Bancshares, Inc., dated July 22, 2019 (incorporated herein by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 8-K filed on July 23, 2019).
2.8 2.6	Agreement and Plan of Merger by and between The First Bancshares, Inc. and Southwest Georgia Financial Corp., dated December 18, 2019 (incorporated herein by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 8-K filed on December 18, 2019).

2.9	Agreement and Plan of Merger, dated as of April 26, 2022, by and between The First Bancshares, Inc. and Beacon Financial Corporation
2.10	Agreement and Plan of Merger, dated as of July 27, 2022, by and between The First Bancshares, Inc. and Heritage Financial Corporation
3.1	Amended and Restated Articles of Incorporation of The First Bancshares, Inc. (incorporated herein by reference to Exhibit 3.1)
3.2	Amendment to Amended and Restated Articles of Incorporation of The First Bancshares, Inc. (incorporated herein by reference to Exhibit 3.2)
3.3	Amendment to Amended and Restated Articles of Incorporation of The First Bancshares, Inc. (incorporated herein by reference to Exhibit 3.3)
3.4	Amended and Restated Bylaws of The First Bancshares, Inc., effective as of March 17, 2016 (incorporated herein by reference to Exhibit 3.4)
3.4.3.5	Amendment No. 1 to the Amended and Restated Bylaws of The First Bancshares, Inc. effective as of May 7, 2020 (incorporated herein by reference to Exhibit 3.5)
4.1	Form of Certificate of Common Stock (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-1, filed on April 13, 2018)
4.2	Form of Global Subordinated Note for The First Bancshares, Inc. 5.875% Fixed-to-Floating Rate Subordinated Notes D
4.3	Form of Global Subordinated Note for The First Bancshares, Inc. 6.4% Fixed-to-Floating Rate Subordinated Notes D
4.4	Indenture by and between The First Bancshares, Inc. and U.S. Bank National Association, dated September 25, 2022
4.5	Form of Global Subordinated Note for The First Bancshares, Inc. 4.25% Fixed-to-Floating Rate Subordinated Notes I
4.6	Description of Securities* Securities.
10.1	Note Purchase Agreement between the Company and the several purchasers of the Subordinated Notes, dated April 1, 2016
10.2	Subordinated Note Purchase Agreement between the Company and the several purchasers of the Subordinated Notes, dated December 5, 2016
10.3	Loan Agreement, dated as of December 5, 2016, by and between the Company, as Borrower, and First Tennessee Bank, N.A.
10.4	Employment Agreement dated May 31, 2011, between The First, A National Banking Association, and M. Ray Cole, Jr.
10.5	Amendment to Employment Agreement dated January 16, 2020, between The First, A National Banking Association, and M. Ray Cole, Jr.
10.6	Employment Agreement, dated as of October 17, 2019, by and between The First, A National Banking Association and M. Ray Cole, Jr.
10.7	Amendment to Employment Agreement dated January 16, 2020, between The First, A National Banking Association, and M. Ray Cole, Jr.
10.8	The First Bancshares, Inc. 2007 Stock Incentive Plan (incorporated herein by reference to Exhibit 4.3 to The First Bancshares, Inc. Form S-1, filed on April 13, 2018)
10.9	Amendment to 2007 Stock Incentive Plan effective May 28, 2015 (incorporated herein by reference to Exhibit 10.6 to the Form 10-K for the fiscal year ended December 31, 2015)
10.10	Supplemental Executive Retirement Agreement between The First, A National Banking Association and M. Ray Cole, Jr.
10.11	Amendment to Supplemental Executive Retirement Agreement dated February 26, 2024 between The First Bank and M. Ray Cole, Jr.
10.12	Supplemental Executive Retirement Agreement effective January 1, 2020 between The First, A National Banking Association and M. Ray Cole, Jr.
10.13	Amendment to Supplemental Executive Retirement Agreement dated February 26, 2024 between The First Bank and M. Ray Cole, Jr.
10.12 10.14	Supplemental Executive Retirement Agreement between The First, A National Banking Association and Donna T. Lohr
10.15	Amendment to Supplemental Executive Retirement Agreement dated February 26, 2024 between The First Bank and Donna T. Lohr
10.13 10.16	Supplemental Executive Retirement Agreement between The First, A National Banking Association and Donna T. Lohr
10.17	Amendment to Supplemental Executive Retirement Agreement dated February 26, 2024 between The First Bank and Donna T. Lohr
10.14 10.18	Form of Supplemental Executive Retirement Agreements for Executives of The First, A National Banking Association
10.15 10.19	Form of Stock Incentive Agreement for Restricted Stock Award pursuant to The First Bancshares, Inc. 2007 Stock Incentive Plan
10.16 10.20	Amendment to Stock Incentive Agreement for Outstanding Shares of Restricted Stock, dated as of October 15, 2019
10.17 10.21	Subordinated Note Purchase Agreement between The First Bancshares, Inc. and the several purchasers of the Subordinated Notes, dated as of December 5, 2016

10.18	10.22	Registration Rights Agreement between The First Bancshares, Inc. and the several purchasers of the Subordinated I
10.19	10.23	Beach Community Bank 2018 Stock Option Plan (incorporated by reference to Exhibit 99.1 of The First Bancshares'
21.1		Subsidiaries of The First Bancshares, Inc.*
23.1		Consent of FORVIS, LLP (Formerly BKD, LLP).†
23.2		Consent of Crowe LLP.*
31.1		Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.*
31.2		Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer.*
32.1		Section 1350 Certifications.**
97.1		Clawback Policy.*
101.INS		XBRL Instance Document
101.SCH		XBRL Taxonomy Extension Schema Document.
101.CAL		XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF		XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB		XBRL Taxonomy Extension Label Linkbase Document.
101.PRE		XBRL Taxonomy Extension Presentation Linkbase Document.
104		Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.

**Furnished herewith.

+ Denotes management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto on

Date: March 1, 2023 February 29, 2024

Date: March 1, 2023 February 29, 2024

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints M. Ray (Hoppy) C or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all e perform each and every act and thing requisite and necessary to be done, as fully as to all intents and purposes as each of the undersigned might or could do

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURES	CAPACITIES
/s/ E. Ricky Gibson	Director
/s/ David W. Bomboy	Director
/s/ Jonathan A. Levy	Director
/s/ Charles R. Lightsey	Director
/s/ Fred McMurry	Director
/s/ Thomas E. Mitchell	Director
/s/ Renee Moore	Director
/s/ Ted E. Parker	Lead Director
/s/ J. Douglas Seidenburg	Director
/s/ Andrew D. Stetelman	Director
/s/ Valencia M. Williamson	Director
/s/ M. Ray (Hoppy) Cole, Jr.	CEO, President of the Board (Principal Financial Officer)
/s/ Donna T. (Dee Dee) Lowery	Executive VP (Principal Financial Officer)

SU

THIS SECOND AMENDMENT (the "Amendment") is adopted this 1st day of January 2024, by and between The First Bank, formerly The First, A National Bank and Trust Company, and the Executive.

The Bank and the Executive are parties to a certain Supplemental Executive Retirement Plan Agreement dated May 15, 2014 (as amended, the "Agreement"), which is now provided to the Executive under another agreement.

Now, therefore, the Bank and the Executive agree as follows:

Article 2, Table C, shall be removed in its entirety and the Bank will have no further death benefit obligation to the Executive or the Beneficiary under the Agreement.

The Bank and the Executive intend that the Agreement and this Amendment comply with the provisions of Code Section 409A to prevent the inclusion of any provision that affects such intent, and the neither the Bank nor the Executive shall take any action that would be inconsistent therewith.

IN WITNESS WHEREOF, the Executive and a duly authorized representative of the Bank have signed this Amendment.

SIGNATURESExecutive

SU

THIS FIRST AMENDMENT (the "Amendment") is adopted this 1st day of January 2024, by and between The First Bank, formerly The First, A National

The Bank and the Executive are parties to a certain Supplemental Executive Retirement Plan Agreement dated January 1, 2020 (the "Agreement"). Th

Now, therefore, the Bank and the Executive agree as follows:

Article 2, Table A, shall be amended to read as follows:

/s/ E. Ricky Gibson Distribution Event	Benefit
<p style="margin: 0;">/s/ Rodney D. Bennett Separation from Service after age 65</p>	<p style="margin: 0;">Annual Benefit equal to (i) 50% of Compensation less than the 2014 SERP</p>

/s/ David W. Bomboy

/s/ Jonathan A. Levy

/s/ Charles R. Lightsey

/s/ Fred McMurry

/s/ Thomas E. Mitchell

/s/ Renee Moore

/s/ Ted E. Parker

/s/ J. Douglas Seidenburg

/s/ Andrew D. Stetelman

/s/ M. Ray (Hoppy) Cole, Jr.

Article 2, Table B, shall be amended to read as follows:

the Board (Principal Executive Officer)	/s/ Donna T. (Dee Dee) Lowery Distribution Event	Benefit
	Separation from Service prior to age 65, other than following a Change in Control	Annual Benefit Equal to the Ear
	Separation from Service (i) prior to age 65 and (ii) following a Change in Control	Annual Benefit equal to the Cha

The following description summarizes the terms of our common stock and preferred stock but does not purport to be complete, and it is qualified in its entirety by reference to the Amended and Restated Bylaws, as amended, are incorporated by reference as exhibits to our Annual Report on Form 10-K for the year ended December 31, 2022 of which a copy is filed herewith.

Common Stock

Authorized. The Company has 40,000,000 shares of authorized common stock, \$1.00 par value. As of February 22, 2023, there were 31,063,780 shares of common stock issued and outstanding.

Voting Rights; Cumulative Voting. Pursuant to the Mississippi Business Corporation Act ("MBCA") and the Amended and Restated Bylaws of the Company, each share of common stock is entitled to one vote. The Amended and Restated Bylaws provides that unless otherwise required by MBCA or the articles of incorporation, all classes or series of Company shares entitled to vote shall have the same voting rights.

Classified Board of Directors. Under Article 10 of the Amended and Restated Articles of Incorporation of the Company, as amended, the board of directors consists of ten directors. At present there are a total of ten directors divided as follows: three Class I directors, four Class II directors, and three Class III directors. The terms of the directors are three years, expiring at the 2022 Annual Shareholders' Meeting.

Dividends. The Company is a legal entity separate and distinct from The First. There are various restrictions that limit the ability of The First to finance, pay dividends, or make other distributions to its shareholders. These restrictions include the extension of credit to the bank holding company or any of its subsidiaries, on investments in the stock or other securities thereof and on the taking of such stock as collateral for loans, on sales of property, or furnishing of services.

The principal source of funds from which the Company pays cash dividends are the dividends received from its bank subsidiary, The First. Consequently, dividends paid by The First are limited by the same restrictions that limit the ability of The First to pay dividends to its shareholders.

Federal and state banking laws and regulations restrict the amount of dividends and loans a bank may make to its parent company. The Company and The First are subject to such restrictions. The Federal Reserve Board, as the primary federal banking regulatory authority, may prohibit the payment of dividends where it has determined that the payment of dividends would be an unsafe or unsound practice. Banks and their holding companies should generally pay dividends only out of current operating earnings. Further, under Mississippi law, The First must obtain the prior written consent of the Mississippi Department of Banking and Insurance before paying dividends.

Preemptive Rights; Liquidation. The Company's common stock does not carry any preemptive rights enabling a holder to subscribe for or receive shares of common stock or other securities in proportion to the number of shares held by the holder. The Company's preferred stock, if any such shares are outstanding, carries preemptive rights to receive dividends and payments to holders of the Company's preferred stock, if any such shares are outstanding. There are no redemption or sinking fund provisions applicable to the Company's preferred stock.

Preferred Stock *The following Table C shall be added to Article 2, immediately following Table B:*

Distribution Event	Benefit
Death Prior to Separation from Service	50% of Projected Compensation multiplied by 17, plus the benefit amount shown
Separation from Service after age 65 followed by Executive's death	50% of Compensation multiplied by 17, plus the benefit amount shown
Death (i) after Separation from Service prior to age 65, other than a Separation from Service following a Change in Control and (ii) before age 82	50% of Projected Compensation multiplied by 17, less the sum of payments previously made under SERP
Death (i) after Separation from Service prior to age 65 and following a Change in Control and (ii) before age 82	50% of Projected Compensation multiplied by 17, less the sum of payments previously made under SERP

Under *The following Sections shall be added to the terms of Agreement immediately following Section 3.9:*

3.10 "Bank's Death Proceeds" means (i) the total death benefits received by the Bank on life insurance policies on the life of the Company's America Split Dollar Insurance Agreement between the Executive and the Bank dated September 15, 2005.

3.11 "Change in Control Benefit" means (i) 50% of Incorporation, Projected Compensation less (ii) \$164,110 until the Company has authorized Execu

3.12 "Compensation" means the issuance average of up the highest three (3) amounts of base salary and bonus paid to 10,000,000 shares of pre- incorporation, which is effective without shareholder action, Bank in accordance with the appropriate provisions any year of the MBCA. The Amended and Re- applicable to each series of preferred stock. The issuance of preferred stock and the determination of the terms of preferred stock by the board, while providing

Anti-Takeover Provisions

Supermajority Voting Requirements; Business Combinations or Control Share Acquisition. The MBCA states that in the absence of a greater requirement in the Restated Articles of Incorporation of the Company do not provide for a greater than majority vote on such a transaction.

The Amended and Restated Articles of Incorporation of the Company include a "control share acquisition" provision requiring any person who plans to acquire directors (excluding any director who is proposing or who is a member of a group proposing a control share acquisition) in order to vote the control shares. If a

Any person who proposes to make or has made a control share acquisition may deliver a statement to the Company describing the person's background and the expenses of this meeting. If no request is made, the voting rights to be accorded the shares acquired in the control share acquisition shall be presented to shares acquired in a control share acquisition are not subject to redemption after an acquiring person's statement has been filed unless the shares are not acc

Removal of Directors. Article 11 of the Amended and Restated Articles of Incorporation of the Company provide that no director of the Company may be removed further that removal action may only be taken at a shareholders' meeting for which notice of the removal action has been given. A removed director's successor

Vacancies in the Board of Directors. Under the Company's Amended and Restated Bylaws, any vacancy may be filled for the unexpired term by the affirmative voting group shall be entitled to fill the vacancy; *provided further*, that if the vacant office was held by a director elected by a particular voting group, the other

Amendment of the Articles of Incorporation or Bylaws. Under the MBCA, the board of directors has the power to amend or repeal the bylaws of a Mississippi c by the board of directors, except with regard to the provisions establishing the Executive's employment.

number3.13 "Early Termination Benefit" means (i) 50% of directors and process for removal of directors, which may only be amended Projected C
Vested Percentage thereafter.

3.14 "Projected Annualized 2014 SERP Benefit" means the projected annuitized benefit from the 2014 SERP. This projected benefit is the annual l
outstanding shares entitled to more than 80% Separation from Service, from the date of Separation from Service until the completion of the votes eligible assun

3.15 "Projected Compensation" means Compensation increased by five percent (5%) annually from Separation from Service, Change in Control or th

3.16 "2014 SERP" means the Supplemental Executive Retirement Plan Agreement between the Bank and the Executive dated May 15, 2014, as am

3.17 "Vested Percentage" means 1.205% per completed month of service from the Effective Date of the Agreement and continuing until a Separation

*The Bank and the Executive intend that the Agreement and this Amendment comply with the provisions of Code Section 409A to prevent the inclusion
manner that affects such intent, and the alteration, amendment, or repeal. neither the Bank nor the Executive shall take any action that would be inconsistent th*

IN WITNESS WHEREOF, the Executive and a duly authorized representative of the Bank have signed this Amendment.

Executive

Under the MBCA, amendments to the articles of incorporation that result in dissenters' rights require the affirmative vote of a majority of the outstanding shares

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Date of Separation from Service
January 1, 2024 to January 31, 2024
February 1, 2024 to February 29 2024
March 1, 2024 to March 31, 2024
April 1, 2024 to April 30, 2024
May 1, 2024 to May 31, 2024
June 1, 2024 to June 30, 2024
July 1, 2024 to July 31, 2024
August 1, 2024 to August 31, 2024
September 1, 2024 to September 30, 2024
October 1, 2024 to October 31, 2024
November 1, 2024 to November 30, 2024
December 1, 2024 to December 31, 2024
January 1, 2025 to January 31, 2025
February 1, 2025 to February 28, 2025
March 1, 2025 to March 31, 2025
April 1, 2025 to April 30, 2025
May 1, 2025 to May 31, 2025
June 1, 2025 to June 30, 2025
July 1, 2025 to July 31, 2025
August 1, 2025 to August 31, 2025
September 1, 2025 to September 30, 2025
October 1, 2025 to October 31, 2025
November 1, 2025 to November 30, 2025
December 1, 2025 to December 31, 2025
January 1, 2026 to January 31, 2026
February 1, 2026 to February 28, 2026
March 1, 2026 to March 31, 2026
April 1, 2026 to April 30, 2026
May 1, 2026 to May 31, 2026
June 1, 2026 to June 30, 2026
July 1, 2026 to July 31, 2026
August 1, 2026 to August 31, 2026
September 1, 2026 to September 30, 2026
October 1, 2026 to October 31, 2026
November 1, 2026 to November 14, 2026
On or After November 15, 2026

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Executive's age at death
64 or younger
65 or 66
67 or 68
69 or 70
71 or 72
73 or 74
75 or 76
77 or 78
79 or 80
81 or older

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Special Meetings THIS SECOND AMENDMENT (the "Amendment") is adopted this 1st day of Shareholders, January 2024, by and between The First B

The Bank and the Company's Amended Executive are parties to a certain Supplemental Executive Retirement Plan Agreement dated May 19, 2014 (i the Agreement to remove the Agreement's death benefit which is now provided to the Executive under another agreement.

Now, therefore, the Bank and the Executive agree as follows:

Article 2, Table C, shall be removed in its entirety and the Bank will have no further death benefit obligation to the Executive or the Beneficiary under the Agreement.

The Bank and the Executive intend that the Agreement and this Amendment comply with the provisions of Code Section 409A to prevent the inclusion that affects such intent, and the neither the Bank nor the Executive shall take any action that would be inconsistent therewith.

IN WITNESS WHEREOF, the Executive and a duly authorized representative of the shareholders, for any purpose or purposes, may be called by the on an issue. Such a request must state the purpose or purposes of the proposed special meeting. Bank have signed this Amendment.

Executive

Shareholder Proposals THIS FIRST AMENDMENT (the "Amendment") is adopted this 1st day of January 2024, by and Nominations. between The First
The Bank and the Executive are parties to a certain Supplemental Executive Retirement Plan Agreement dated January 1, 2021 (the "Agreement"). Th

Now, therefore, the Bank and the Executive agree as follows:

Article 2, Table A, shall be amended to read as follows:

Distribution Event	Benefit
Separation from Service after age 65	Annual Benefit equal to (i) 50% of Compensation 2014 SER

Article 2, Table B, shall be amended to read as follows:

Distribution Event	Benefit
Separation from Service prior to age 65, other than following a Change in Control	Annual Benefit Equal to the Ear
Separation from Service (i) prior to age 65 and (ii) following a Change in Control	Annual Benefit equal to the Cha

The following Table C shall be added to Article 2, immediately following Table B:

Distribution Event	Benefit
Death Prior to Separation from Service	50% of Projected Compensation
Separation from Service after age 65 followed by Executive's death	50% of Compensation multiplied by 21, less the sum of payments previously made under (i) this Agreement and (ii) the SERP
Death (i) after Separation from Service prior to age 65, other than a Separation from Service following a Change in Control and (ii) before age 82	50% of Projected Compensation multiplied by the lesser of (i) 21 or (ii) the sum of payments previously made under the SERP
Death (i) after Separation from Service prior to age 65 and following a Change in Control and (ii) before age 82	50% of Projected Compensation multiplied by 21, less the sum of payments previously made under (i) this Agreement and (ii) the SERP
<i>Notwithstanding any of the foregoing, the death benefit under</i>	

The following Sections shall be added to the Agreement immediately following Section 3.9:

3.10 *The Company's Amended and Restated Bylaws provide procedures that must be followed to properly nominate candidates for election as directors. A shareholder proposal to require that cash surrender value of directors, may be made by any shareholder by delivering written notice to the corporate secretary of the Company not less than 50 days prior to the date of the meeting at which the directors are to be elected.* The Company has entered into a Supplemental Executive Retirement Plan Agreement between the Executive and the Bank dated September 15, 2005.

3.11 *provided that "Change in Control Benefit" means (i) 50% of Projected Compensation less (ii) \$89,140 until the Company has mailed Executive related documentation to the shareholder, and (iii) the lesser of (i) the projected annualized benefit from the 2014 SERP or (ii) \$89,140.*

3.12 *"Compensation" means the first notice average of the meeting highest three (3) amounts of base salary and bonus paid to the Executive by the Company during the three (3) year period preceding the date of Separation from Service.*

3.13 *"Early Termination Benefit" means (i) 50% of Projected Compensation multiplied by the Vested Percentage less (ii) the Projected Annualized 2014 SERP Benefit.*

3.14 *"Projected Annualized 2014 SERP Benefit" means the projected annuitized benefit from the 2014 SERP. This projected benefit is the annual benefit to be paid to the Executive, commencing at age 65, in monthly installments, starting at age 65, and continuing until the time of Separation from Service, from the date of Separation from Service until the completion of the assumed 180 monthly installments beginning at age 65.*

3.15 *"Projected Compensation" means Compensation increased by five percent (5%) annually from Separation from Service, Change in Control or the time of Separation from Service.*

3.16 *"2014 SERP" means the Supplemental Executive Retirement Plan Agreement between the Bank and the Executive dated May 19, 2014, as amended.*

3.17 *"Vested Percentage" means .7752% per completed month of service from the Effective Date of the Agreement and continuing until a Separation from Service.*

The Bank and the Executive intend that the Agreement and this Amendment comply with the provisions of Code Section 409A to prevent the inclusion of any provision that would be subject to Code Section 409A if included in the Agreement or this Amendment. The Company has not given notice to the shareholder that the Agreement or this Amendment, or any provision of the Agreement or this Amendment, is governed in a manner that affects such intent, and the Company has not given such notice, shareholder nominations must neither the Bank nor the Executive be included in the shareholder nominations.

IN WITNESS WHEREOF, the earlier of (i) the date that notice Executive and a duly authorized representative of the date of the meeting was first mailed to the shareholder, or (ii) the date that the shareholder received notice of the nomination or proposal and the person nominated, the Bank have signed this Amendment.

Limitations on Directors' and Officers' Liability. Article 7 of the Amended and Restated Articles of Incorporation of the Company provides that no director of the Company shall be liable for damages to the Company for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law; under Section 79-4-8.33 of the MBCA; or for

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Date of Separation from Service
January 1, 2024 to January 31, 2024
February 1, 2024 to February 29 2024
March 1, 2024 to March 31, 2024
April 1, 2024 to April 30, 2024
May 1, 2024 to May 31, 2024
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February 1, 2027 to February 28, 2027
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May 1, 2027 to May 31, 2027

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May 1, 2031 to May 31, 2031
June 1, 2031 to June 30, 2031
July 1, 2031 to July 31, 2031
August 1, 2031 to August 31, 2031
September 1, 2031 to September 7, 2031
On or After September 8, 2031

Conse

We consent to the incorporation by reference in the Registration Statement on Form S-3 (Registration No. 333-220491, 333-248425 and No. 333-248425) 333 financial statements of the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, and for each of the years in the two-year three-year period audit of the internal control over financial reporting of the Company as of December 31, 2022 December 31, 2023, which report is included in this annual report

Is/ FORVIS, LLP (Formerly BKD, LLP)

Jackson, Mississippi
March 1, 2023

CONSE

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-220491 and No. 333-248425) and Form S-8 (No. 333-171 December 31, 2020 appearing in this Annual Report on Form 10-K of The First Bancshares, Inc. for the year ended December 31, 2022.

/s/ Crowe LLP

Atlanta, Georgia

March 1, 2023 February 29, 2024

I, M. Ray (Hoppy) Cole, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of The First Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, in this report, not misleading;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14) and we have:

 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those controls and procedures as required; and
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report;
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (as defined in Exchange Act Rules 13a-15(b)) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's audited financial statements:

 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to file timely and accurate reports under the Exchange Act;
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2023 February 29, 2024

I, Donna T. (Dee Dee) Lowery, certify that:

1. I have reviewed this annual report on Form 10-K of The First Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement not misleading in light of the circumstances in which such statement was made.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition and results of operations of the registrant as of, and for, the periods presented.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14) and we have:

 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information required to be disclosed by the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Exchange Act rules and forms.
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of such controls and procedures, as of a date no later than the end of the period covered by this report, based on the evaluation as of such date.
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's audited financial statements the following conclusions about the effectiveness of the registrant's internal control over financial reporting as of the end of the period covered by those financial statements:

 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data.
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **March 1, 2023** **February 29, 2024**

In connection with the Annual Report on Form 10-K of The First Bancshares, Inc. (the "Company") for the year ending **December 31, 2022** **December 31, 2023** pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and the information contained in this report.

Date: **March 1, 2023** **February 29, 2024**

In connection with the Annual Report on Form 10-K of The First Bancshares, Inc. (the "Company") for the year ending **December 31, 2022** **December 31, 2023** pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that information contained in this report.

Date: **March 1, 2023** **February 29, 2024**

1.0 General

1.1 The First Bancshares, Inc. (the "Company") has adopted this Incentive Compensation Recovery Policy (the "Policy") in accordance with Section 303 of the Sarbanes-Oxley Act of 1934, as amended (the "Exchange Act"). To the extent this Policy is in any manner deemed inconsistent with such listing standards, the listing standards shall govern.

1.2 Each Executive Officer (as defined herein) shall be required to sign and return to the Company the Acknowledgement Form attached hereto.

1.3 The effective date of this Policy is October 2, 2023 (the "Effective Date").

2.0 Definitions

The following words and phrases shall have the following meanings for purposes of this Policy:

2.1 **Accounting Restatement.** An "Accounting Restatement" means any accounting restatement due to the material noncompliance of the Company with generally accepted accounting principles or rules or regulations of the SEC to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "Big R" restatement) or to correct an error in the current period (a "little r" restatement).

2.2 **Board.** The "Board" means the Board of Directors of the Company.

2.3 **Compensation Committee.** The "Compensation Committee" means the Compensation Committee of the Board.

2.4 **Erroneously Awarded Compensation.** "Erroneously Awarded Compensation" is the amount of Incentive-Based Compensation that is determined based on the restated amounts, computed without regard to any taxes paid. For Incentive-Based Compensation based on a restated amount, the amount of Erroneously Awarded Compensation is determined by performing a mathematical recalculation directly from the information in an Accounting Restatement: (i) the amount shall be based on a reasonable estimate of the amount of Incentive-Based Compensation that was Received; and (ii) the Company shall maintain documentation of the determination of that reasonable estimate.

2.5 **Executive Officer.** "Executive Officer" means the current or former officers identified as executive officers by the Company in the reports required by Section 16 of the Exchange Act.

2.6	<u>Financial Reporting Measure.</u> A "Financial Reporting Measure" is any measure that is determined and presented in accordance with part from such measure. Stock price and TSR (and any measures that are derived wholly or in part from stock price or TSR) in financial statements or included in a filing with the SEC.
2.7	<u>Incentive-Based Compensation.</u> The term "Incentive-Based Compensation" means any compensation that is granted, earned, or paid to an employee, director, or consultant, or any other person, in the form of cash, stock, or other equity-based compensation, or any combination thereof, including a list of examples of Incentive-Based Compensation.
2.8	<u>Received.</u> Incentive-Based Compensation is deemed "Received" in the Company's fiscal period during which the Financial Reporting Period for such compensation occurs, or in the following fiscal period if the compensation is paid or delivered in the following fiscal period. Incentive-Based Compensation occurs after the end of that period.
2.9	<u>SEC.</u> "SEC" means the United States Securities and Exchange Commission.
3.0	Statement of Policy
3.1	In the event that the Company is required to prepare an Accounting Restatement, the Company will recover reasonably promptly the amounts set forth below:
	<ul style="list-style-type: none"> i. After beginning service as an Executive Officer; ii. Who served as an Executive Officer at any time during the performance period for that Incentive-Based Compensation; iii. While the Company has a listed class of securities listed on Nasdaq; and iv. During the three completed fiscal years immediately preceding the date that the Company is required to prepare the Accounting Restatement, and for the three completed fiscal years immediately following those three completed fiscal years. For purposes of this Policy, a transition period between the last day of the Company's fiscal year and the first day of the next fiscal year is deemed a completed fiscal year.
3.2	Notwithstanding the foregoing, this Policy shall only apply to Incentive-Based Compensation Received on or after the Effective Date.
3.3	The Company's obligation to recover Erroneously Awarded Compensation pursuant to this Policy is not dependent on when the relevant compensation was received.
3.4	For purposes of determining the relevant recovery period under this Policy, the date that the Company is required to prepare an Accounting Restatement is the date that the Board of Directors or a committee of the Board of Directors, or a committee of the Board of Directors authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company has committed a material accounting error that requires the Company to prepare an Accounting Restatement.

4.0	Certain Exceptions
4.1	The Company must recover Erroneously Awarded Compensation in compliance with this Policy except to the extent that the compensation committee, a majority of the independent directors serving on the Board, has determined that recovery would be impracticable.
	<ul style="list-style-type: none"> i. The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered. Before enforcement, the Company shall make a reasonable attempt to recover such Erroneously Awarded Compensation, document the attempt and the reason for failing to recover the amount. ii. Recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that recovery would be impracticable, the Company shall obtain an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such a violation. iii. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees, to violate the rules of the plan.
5.0	No Indemnification
5.1	The Company shall not indemnify any Executive Officer or former Executive Officer against the loss of Erroneously Awarded Compensation.
6.0	Public Disclosures
6.1	The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the U.S. Federal securities laws.
7.0	Application to Other Persons
7.1	In addition to the Executive Officers and former Executive Officers, this Policy shall apply to any other employee of the Company ("Other Covered Person").
7.2	Unless otherwise determined by the Compensation Committee or the Board, this Policy shall apply to an Other Covered Person as follows:
7.3	The Compensation Committee or the Board may, in its discretion, limit recovery of Erroneously Awarded Compensation from an Other Covered Person's fraud, willful misconduct or gross negligence.

7.4	In addition, the Compensation Committee or the Board shall have discretion as to (i) whether to seek to recover Erroneously Awarded Compensation from an Other Covered Person, and (ii) the method of recovering any such Erroneously Awarded Compensation from an Other Covered Person, including whether the assertion of a claim may violate applicable law or prejudice the interests of the Company or its stockholders.
8.0	Interpretation; Enforcement
8.1	The Compensation Committee shall have full authority to interpret and enforce this Policy to the fullest extent permitted by law.
8.2	The Compensation Committee shall determine, in its sole discretion, the appropriate means to seek recovery of any Erroneously Awarded Compensation, including (i) recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards; (ii) offset of outstanding vested or unvested equity awards; or (v) taking any other remedial and recovery action permitted by law, as determined by the Compensation Committee.
8.3	The Compensation Committee shall determine the repayment schedule for any Erroneously Awarded Compensation in a manner consistent with any applicable legal guidance, by the SEC, judicial opinion or otherwise. The determination with respect to "reasonably prompt" shall describe what repayment schedules satisfies this requirement.
8.4	To the extent an Executive Officer, former Executive Officer or Other Covered Person refuses to pay to the Company any Erroneously Awarded Compensation, the Compensation Committee or the Board may enforce such person's obligation to make payment by withholding unpaid or future compensation.
8.5	Any determination by the Compensation Committee or the Board with respect to this Policy shall be final, conclusive, and binding on the Company and the Compensation Committee.
9.0	Non-Exclusivity
9.1	Nothing in this Policy shall be viewed as limiting the right of the Company or the Compensation Committee to pursue recoulement or clawback under any other plan, award, policy or agreement, including, without limitation, Section 304 of the Sarbanes-Oxley Act of 2002.
10.0	Policy Controls
10.1	If the requirement to recover Erroneously Awarded Compensation is triggered under this Policy, then, in the event of any actual conflict between this Policy and any other plan, award, policy or agreement, this Policy shall be controlling and determinative; provided that, if such other plan, award, policy or agreement contains a provision that the policy or agreement shall apply to the amount in excess of the amount subject to clawback under this Policy, then such provision shall apply.
11.0	Amendment
11.1	The Compensation Committee may amend this Policy, provided that any such amendment does not cause this Policy to violate applicable law.

Examples of compensation that constitutes Incentive-Based Compensation for purposes of this Policy include, but are not limited to, the following:

- Non-equity incentive plan awards earned based wholly or in part on satisfying a Financial Reporting Measure performance goal.
- Bonuses paid from a "bonus pool," the size of which is determined based wholly or in part on satisfying a Financial Reporting Measure performance goal.
- Other cash awards based wholly or in part on satisfying a Financial Reporting Measure performance goal.
- Restricted stock, restricted stock units, performance share units, stock options, and stock appreciation rights that are granted or become vested based wholly or in part on satisfying a Financial Reporting Measure performance goal.
- Proceeds received upon the sale of shares acquired through an incentive plan that were granted or vested based wholly or in part on satisfying a Financial Reporting Measure performance goal.

Examples of compensation that does not constitute Incentive-Based Compensation for purposes of this Policy include the following:

- Salary or salary increases for which the increase is not contingent upon achieving any Financial Reporting Measure performance goal.
- Bonuses paid solely at the discretion of the Compensation Committee or Board that are not paid from a bonus pool, the size of which is determined based on subjective standards.
- Bonuses paid solely upon satisfying one or more subjective standards (e.g., demonstrated leadership) and/or completion of a specified employment period.
- Non-equity incentive plan awards earned solely upon satisfying one or more strategic measures (e.g., consummating a merger or divestiture) or other non-financial performance goals.
- Equity awards for which the grant is not contingent upon achieving any Financial Reporting Measure performance goal and vesting is contingent upon the grantee's continued employment.

ACKNOWLEDGMENT

By my signature below, I acknowledge and agree that:

- I have received and reviewed The First Bancshares, Inc. Incentive Compensation Recovery Policy (the "Policy") and am fully bound by and subject to its terms.
- I will abide by all of the terms of the Policy during and after my employment with the Company, including, without limitation, by promptly repaying or returning any amounts received under the Policy.

Signature:

Name (printed):

Date:

If you have specific questions regarding this Policy please contact [●]

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TV DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

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