TheFirst

2023 ANNUAL REPORT

TABLE OF CONTENTS

LETTER FROM THE PRESIDENT & CEO 3

2023 HIGHLIGHTS 6

FINANCIAL RESULTS 7

SHAREHOLDER VALUE 10

COMMUNITY INVOLVEMENT 11

EMPLOYEES & LEADERSHIP TEAM 13

DIRECTORS & CORPORATE OFFICERS

ADVISORY BOARD

LETTER FROM THE PRESIDENT & CEO

M. Ray "Hoppy" Cole Jr.

Since our founding in 1996, The First has aspired to be a bank that supports the communities it serves by building sustainable, long-term relationships with clients in those communities. Our strategy for accomplishing this vision has been to grow our franchise and build shareholder value by expanding into markets with above-average demographic profiles for income and population growth.

Now, over 28 years later, that dream has grown to a nearly $8 billion asset, multi-state financial institution with operations spanning Mississippi, Louisiana, Alabama, Florida and Georgia. To achieve our strategic vision for growth, we have grown both organically and by opening new markets through acquiring banks and attracting talented local community bankers.

Over the years, our focus has remained steadfast on continuing to maintain public confidence by managing a safe and sound bank, meeting the financial needs of our customers with quality financial products and services, and investing in the communities we serve by fostering economic growth with particular emphasis on the underserved markets within our franchise area.

Our bank periodically examines our operational efficiency to ensure we are operating as efficiently and cost effectively as possible. In our company's history, we have had several inflection points when we have focused internally to ensure our support areas were properly structured in terms of processes, procedures, technology and staffing to manage the next strategic growth goal. These inflection points have occurred at $500 million, $1 billion, $5 billion and now at nearly $8 billion as we begin to prepare for future growth in asset size.

Our growth has been disciplined and methodical based on the company's execution of a strategic plan adopted by our Board of Directors in 2009. Our long-term strategic vision is to build a regional community bank with a size and scale that will compete effectively in the Southern United States. Our plan is to continue to grow our franchise, deliver exceptional service to our clients, deliver above-average returns to our shareholders and foster a culture of compliance throughout the company.

LETTER FROM THE PRESIDENT & CEO

Over the last few years, we have upgraded the accounting, internal audit, enterprise risk, compliance, BSA and credit administration areas of our business. The goal was to build the infrastructure to support a bank of larger asset size, and we feel strongly that our company is well-positioned to continue building a regional franchise across the South.

Although 2023 was a challenging operating environment, I am proud of the way our team members performed to ensure we increased profitability and prepared our bank for future growth. I expect nothing less from their performance in 2024 as we continue our vision of growing the regional franchise, diversifying our specialized lines of business, maintaining operational efficiency and building the organizational structure for a regional bank with robust programs.

As a result of these efforts and our focus on maintaining a positive customer experience, The First received a five-star, superior rating from Bauer Financial in 2023. Bauer Financial compiles financial data for U.S. banks from call report data as reported to federal regulators. The independent organization uses the same strict barometer to rate all banks and credit unions and makes those ratings available to all individuals for free on its website.

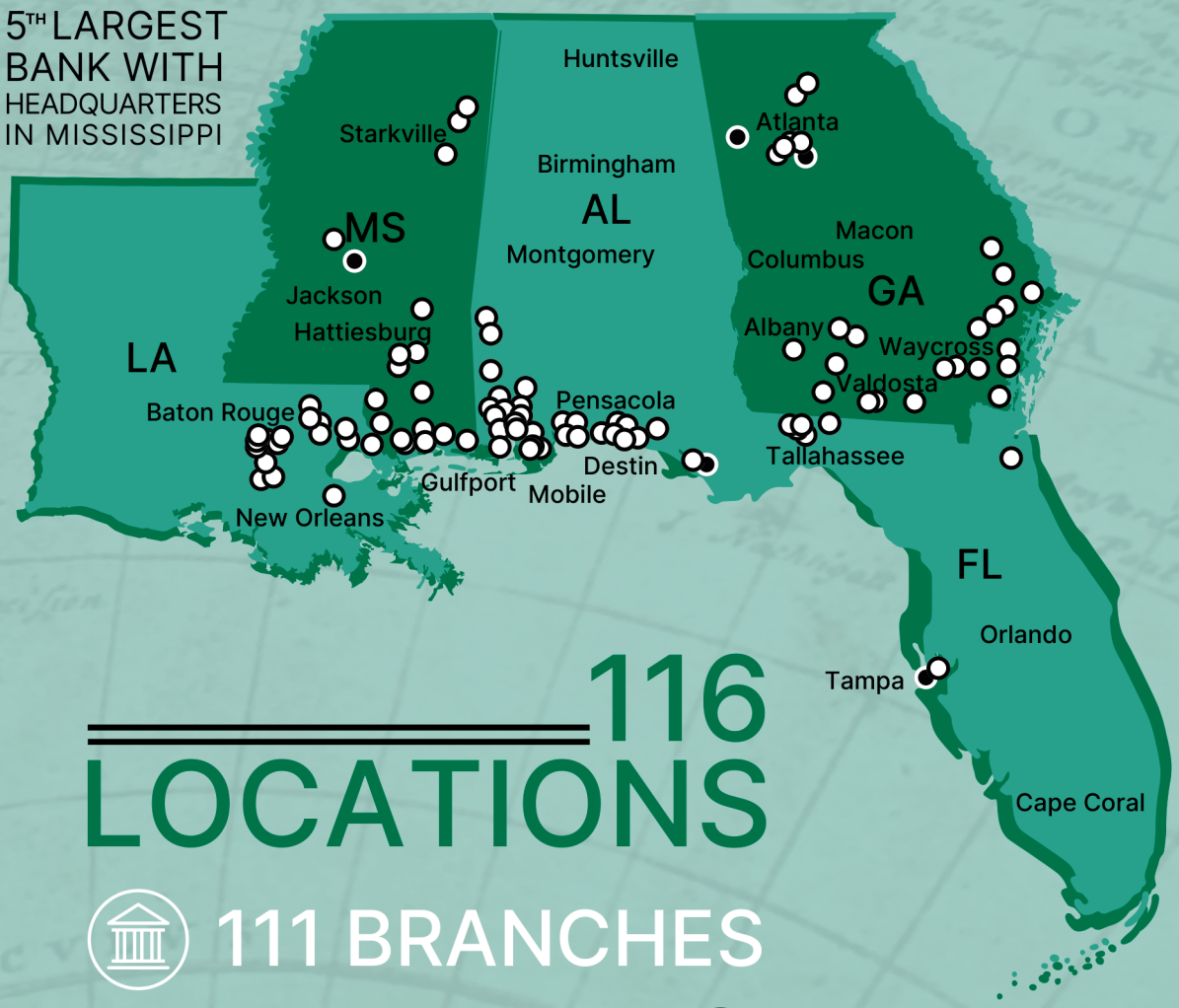
Thank you for your continued confidence in our company as we strive to deliver above average returns for our shareholders. The financial results, 2023 highlights, community involvement, team member and leadership contributions detailed in the following pages illustrate our achievements from the past year and emphasize our focus on future growth, shareholder value and operational efficiency.

Sincerely,

M. Ray “Hoppy” Cole Jr.
President, Chief Executive Officer and Chairman of the Board

$7.9 BILLION TOTAL ASSETS

5TH LARGEST BANK WITH HEADQUARTERS IN MISSISSIPPI

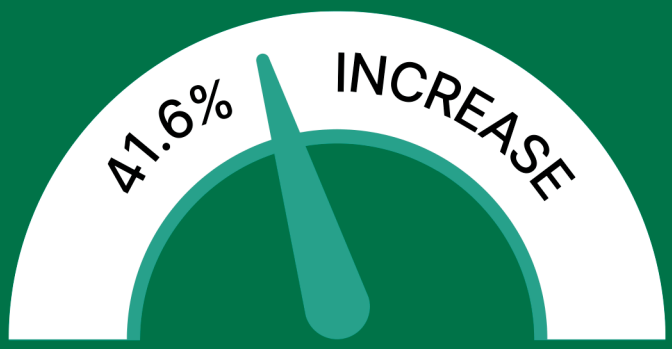


116 LOCATIONS

111 BRANCHES

5 LOAN OFFICES

2023 HIGHLIGHTS



INCREASED OPERATING EARNINGS BY 41.6% TO $96.7 MILLION

GREW AVERAGE ASSETS BY 22.5% TO $7.9 BILLION

GREW LOANS BY 6.3% OR $236.9 MILLION

DECLARED A QUARTERLY DIVIDEND OF $0.25

DONATED $1.6 MILLION TO CHARITABLE ORGANIZATIONS

AWARDED 2023 COMMUNITY AREA REVITALIZATION EFFORTS AWARD

FHLBANK DALLAS

ACHIEVED FIVE-STAR RATING ★★★★★ FROM BAUER FINANCIAL

FINANCIAL RESULTS

In 2023, our company continued to generate increasing profitability through our recently expanded asset base. For the year, we produced strong results as average assets grew 22.5% from $6.5 billion to $7.9 billion while non-GAAP operating earnings grew $28.4 million to $96.7 million, a 41.6% increase. In addition, dividends to common shareholders increased 21.6% to $0.90 per share.

During the fourth quarter of 2023, the company continued to experience margin compression as non-GAAP core net interest margin decreased 13 basis points due to increased interest costs and the seasonality of our deposit portfolio. In comparison, loan growth and credit remained strong with $80 million of net loan growth for the quarter, or 6.3% on an annualized basis. Non-performing assets decreased for the quarter and past due loans were low at 23 basis points.

Despite a difficult operating environment, our team members performed extremely well in 2023 as we remained focused on increasing returns to our shareholders. In the year-over-year comparison, net income available to common shareholders increased $12.5 million, or 19.9%, from $62.9 million for the year ended December 31, 2022 to $75.5 million for the same period ended December 31, 2023.

Net operating earnings (non-GAAP) available to common shareholders increased $28.4 million, or 41.6%, to $96.7 million for the year ended December 31, 2023 as compared to $68.3 million for the same period ended December 31, 2022. Fully tax equivalent (FTE) net interest margin (non-GAAP) increased 40 basis points to 3.59% for the year ended December 31, 2023, compared to 3.19% for the same period ended December 31, 2022.

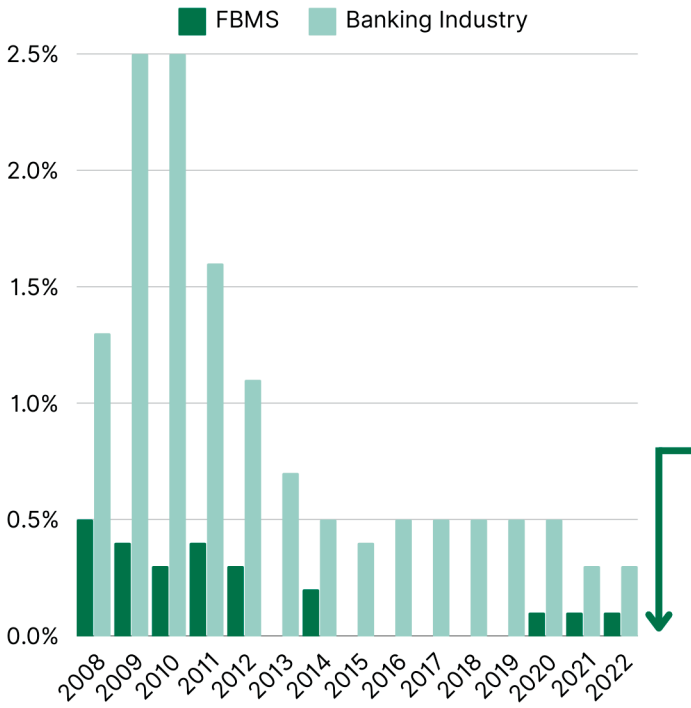
Excluding the loans acquired from the Heritage Southeast Bank acquisition of $1.159 billion, total loans increased $236.9 million for the year ended December 31, 2023, representing a net growth of 6.3%, as compared to the same period ended December 31, 2022.

Our balance sheet is geographically diversified with meaningful market share across the Southeast. Although we are headquartered in Mississippi, the company is more of a regional franchise. As of December 31, 2023, Georgia, Mississippi and Florida represented the largest portion of our company's loans and deposits. The recent acquisitions of Beach Bank in Florida and Heritage Southeast Bank in Georgia have helped to better diversify our portfolio and place the company in new markets with stronger demographics.

We expect that the future operating environment for our bank will continue to provide organic growth opportunities as well as acquisition opportunities. Increased size and geographic expansion have improved our competitive position and diversified our balance sheet and income streams. Although the bank's loan portfolio is now much larger, it is more geographically diverse and spread across more industries than in the past. Concentration limits have been adhered to in order to avoid overexposing our capital base.

Our growth has had a similar effect on our funding sources in terms of geographic diversification and composition exhibited by increasing core deposits as a percentage of total deposits. We continue to look for opportunities to acquire low cost, stable sources of funding to support our strategic growth objectives in 2024 and beyond.

FINANCIAL RESULTS



HISTORY OF PRUDENT CREDIT CULTURE

Average Loans vs. Banking Industry

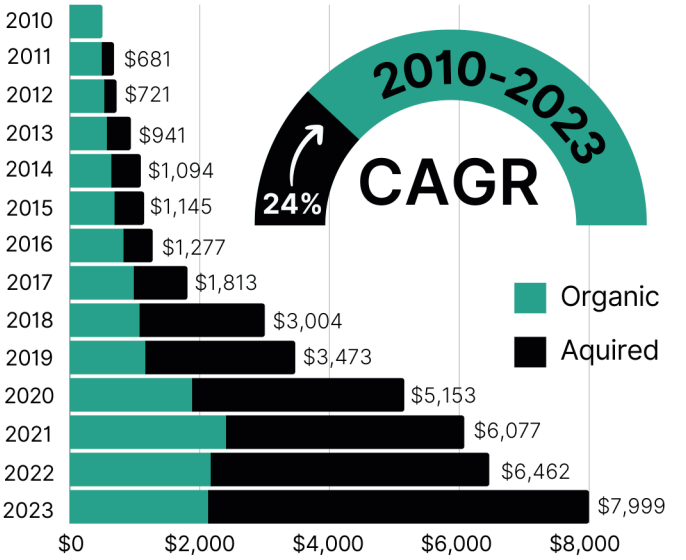
Source: FDIC as of 12/31/22. Yearly data as of the twelve months ended each respective year.

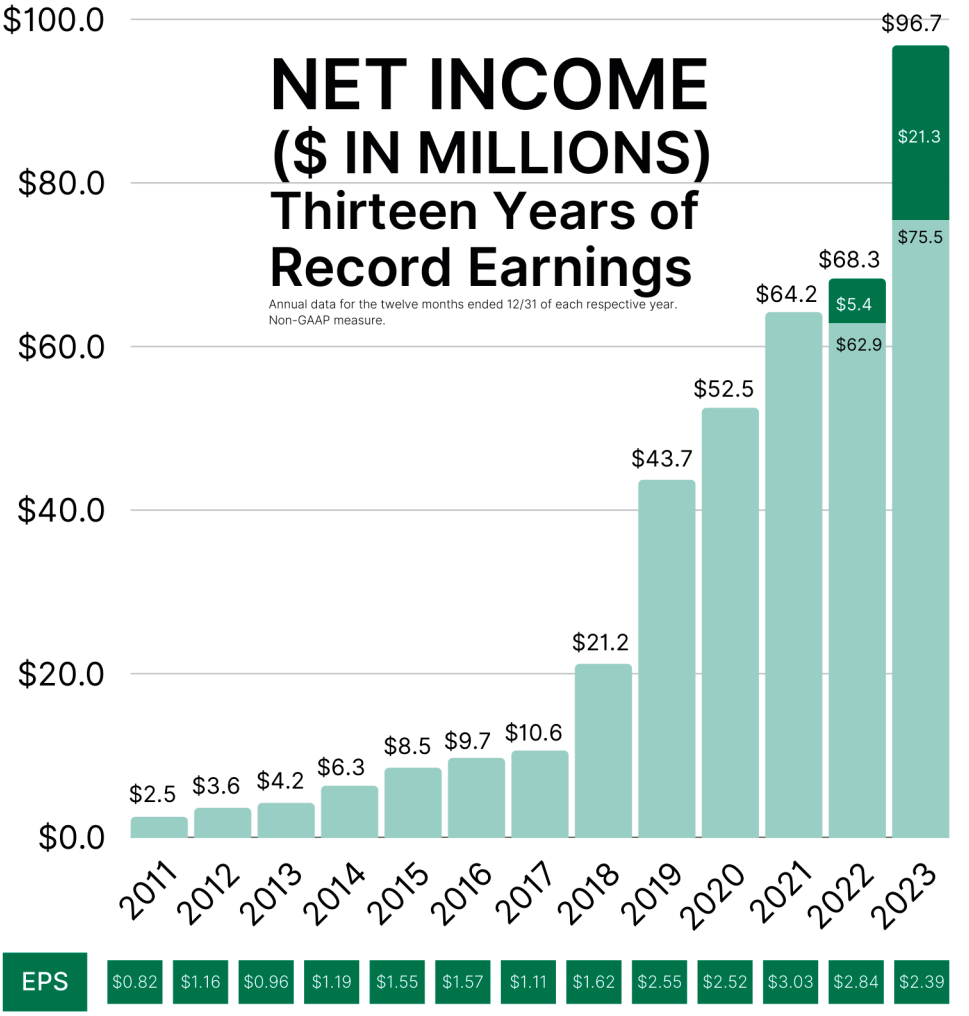
0.06%
FBMS NCOs/Average Loans for the three months ended on December 31, 2023

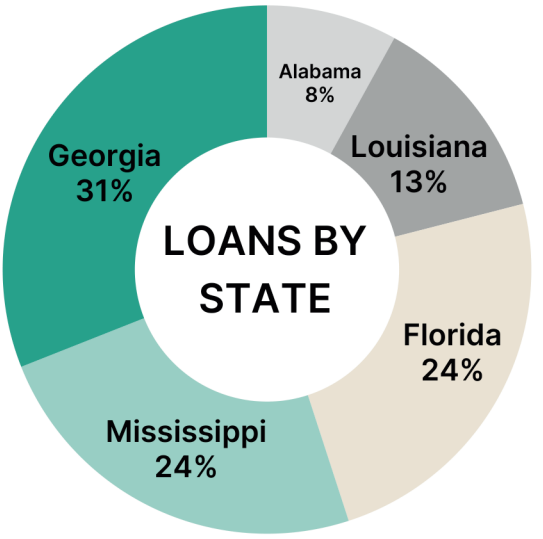
TOTAL ASSETS ($ IN MILLIONS)

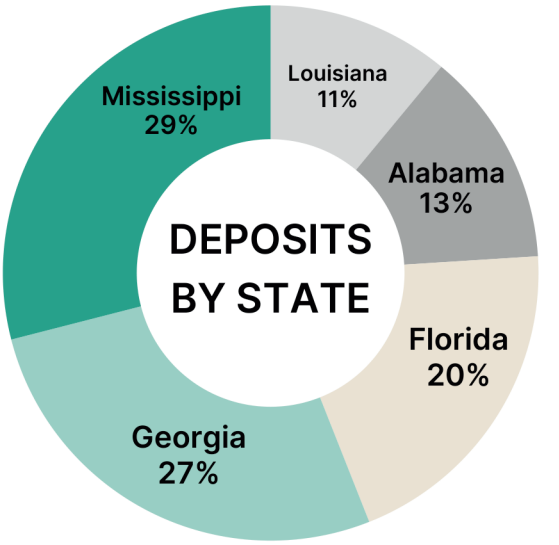
Organic & Acquisitive Growth

Source: S&P Global Market Intelligence, Company Documents
Data as of 12/31 of each year, respectively




NET INCOME
($ IN MILLIONS)
Thirteen Years of Record Earnings
Annual data for the twelve months ended 12/31 of each respective year.
Non-GAAP measure.
$100.0
$80.0
$60.0
$40.0
$20.0
$0.0
$2.5
$3.6
$4.2
$6.3
$8.5
$9.7
$10.6
$21.2
$43.7
$52.5
$64.2
$68.3
$5.4
$62.9
$96.7
$21.3
$75.5
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
EPS
$0.82
$1.16
$0.96
$1.19
$1.55
$1.57
$1.11
$1.62
$2.55
$2.52
$3.03
$2.84
$2.39

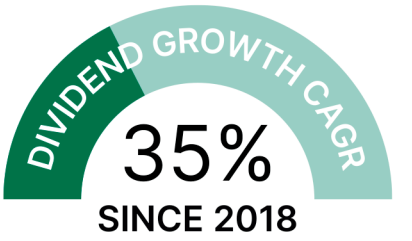

LOANS BY STATE
Alabama 8%
Louisiana 13%
Florida 24%
Mississippi 24%
Georgia 31%


DEPOSITS BY STATE
Louisiana 11%
Alabama 13%
Florida 20%
Georgia 27%
Mississippi 29%

SHAREHOLDER VALUE

The First has a strong history of paying consistent dividends. The dividend has grown from an annual dividend of $0.14 in 2012 to a quarterly dividend of $0.25 per share to be paid on its common stock on February 23, 2024 to shareholders of record as of the close of business on February 7, 2024. This quarterly payment is a 4% increase over the previous quarter. In addition, the Board of Directors has approved a share repurchase program for 2024 for up to $50 million of shares of its common stock.

DIVIDENDS DECLARED PER SHARE

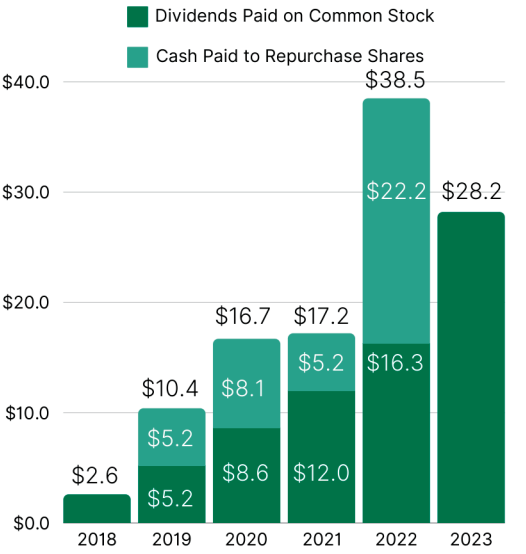


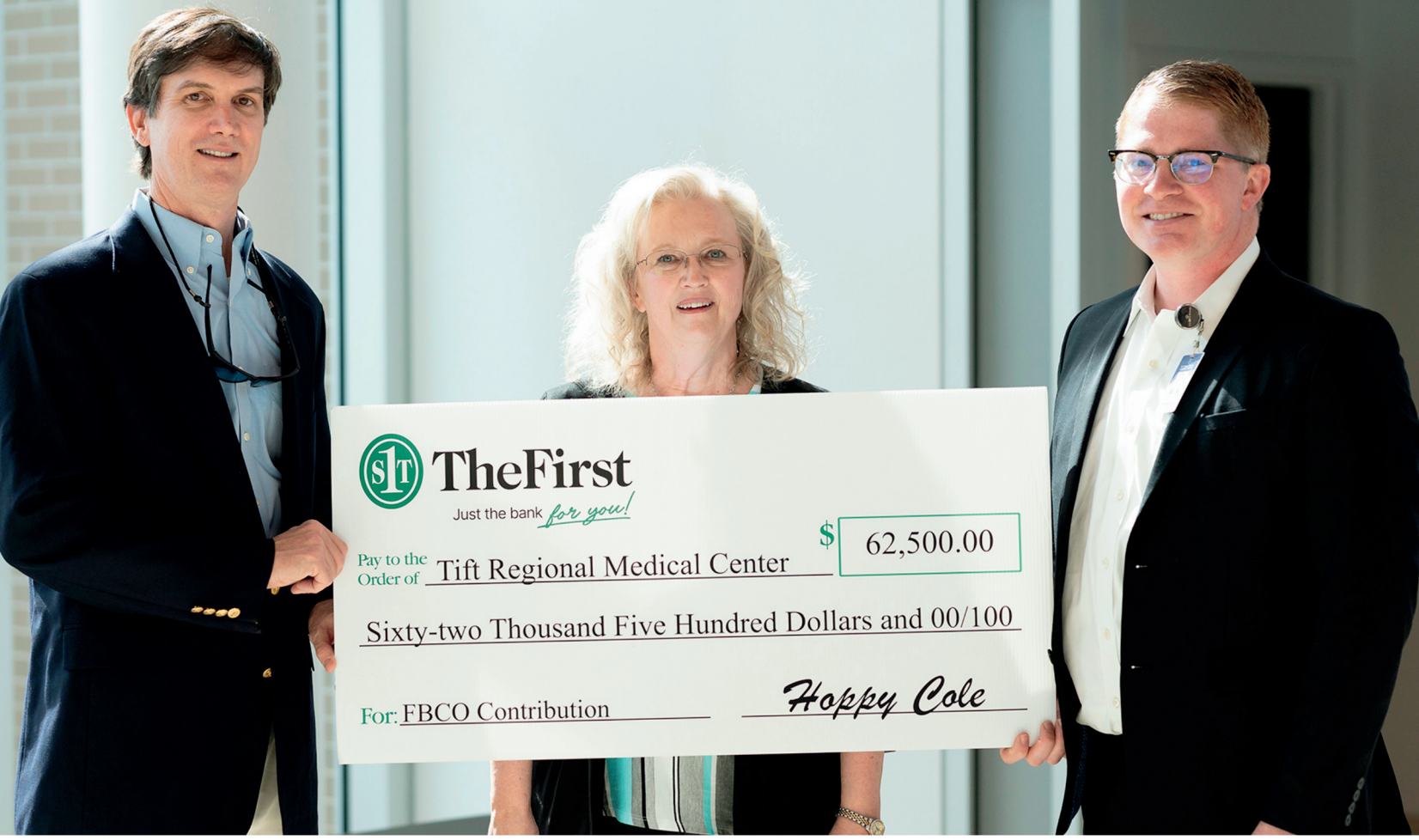
Data as of 12/31 of each year, respectively.

DOLLARS RETURNED TO SHAREHOLDERS ($ in millions)

$28.2 MILLION PAID IN DIVIDENDS ON COMMON STOCK IN 2023

Data as of 12/31 of each year, respectively.





COMMUNITY INVOLVEMENT

As one of the largest certified Community Development Financial Institutions in the nation, The First has been awarded over $14.3 million since 2010 in grant capital to serve organizations in our communities. The CDFI designation is awarded by the U.S. Treasury for financial institutions in which 60% of their business activities are in distressed markets.

Since receiving our CDFI certification in 2010, the bank has awarded over $70 million in community investments to support economic growth, job creation and affordable housing projects in economically distressed areas. Our bank believes that supporting its markets by investing in distressed communities, providing financial education and generating access to credit are fundamental building blocks that improve the standard of living across all our markets.

In 2023, the bank donated over $1.6 million to deserving charities in our communities such as schools, children's homes, food banks, hospitals and local housing initiatives. Specifically, over $650,000 was donated to Mississippi's Early Learning Collaborative, the Eligible Transitional Housing program and the Mississippi Food Bank program.

In addition, $300,000 was donated to the Live Local Housing program, which helps create affordable housing in the state of Florida, and $350,000 was donated to the AAA Foundation to fund scholarships for disadvantaged children. In the state of Georgia, The First donated $375,000 to rural hospitals to help support access to rural health care within the state.

COMMUNITY INVOLVEMENT

During 2023, The First utilized $291,805 of grant funding from the Federal Home Loan Bank of Dallas to assist 25 first-time homebuyers, as well as utilizing $49,968 from the Special Needs Rehabilitation Assistance Program to assist seven special needs homeowners with home rehabilitation and providing $741,546 from Disaster Rebuilding Assistance to assist 70 homeowners with needed home repairs following a disaster.

As a result of the bank's efforts in assisting first-time homebuyers with down payment and closing cost assistance, The First was recognized by the Federal Home Loan Bank of Dallas with their 2023 Community Area Revitalization Efforts (CARE) Award. Between 2019 and 2022, The First leveraged more than $3.8 million in disaster recovery assistance and other specialized grant program funds to help communities recover from natural disasters including our work with Recover, Rebuild and Restore Southeast Mississippi (R3SM). For the year, The First was one of only three member financial institutions to receive the distinguished national award from the Federal Home Loan Bank of Dallas.

In addition to The First's involvement in the community and contributions to charity, the bank has a foundation specifically dedicated to benefiting nonprofit organizations, disaster relief efforts and many other deserving causes. In 2023, the Heritage Community Foundation distributed $41,000 in charitable grant funds to 14 nonprofit organizations, donated $6,619 to three organizations benefiting disaster relief and the hearing impaired, in addition to contributing to fellow bank employees who suffered a loss of loved ones, emergency medical procedures and other significant issues affecting employees.

EMPLOYEES & LEADERSHIP TEAM

Our outstanding results and exceptional growth are directly attributable to the talents of our leadership team and our associates. Our daily efforts to embody our strong values, serve our communities and achieve our goals are the driving force of success for our organization.

Throughout the year, The First continued to provide opportunities for our employees to attain their personal and professional goals. As of last year, over 823 or roughly 82% of our employee population participated in our 401(k) plan, which has a collective value of over $36.2 million with over $1.2 million in matching contributions from The First contributed in 2022 alone. In addition to our employee benefits, we strive to maintain a healthy work environment for all employees, as well as providing free banking services to them.

In 2023, The First was awarded by America Saves for our financial education efforts including receiving their annual Designation of Savings Excellence (DOSE) Award, the only national award focused on recognizing financial institutions for their work in helping Americans improve financial stability. America Saves considered all financial institutions that participated in America Saves Week for the award, paying special attention to the number of customers each institution reported opening new savings accounts and the total amount of money deposited into new and existing savings accounts. The First was one of only 15 recipients in the nation to receive the distinguished national award in 2023.

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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, 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. ☐

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. ☒

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. ☐

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). ☐

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, 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 $776.6 million.

On February 21, 2024, the registrant had outstanding 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 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
TABLE OF CONTENTS

		Page
	PART I	
ITEM 1.	BUSINESS	7
ITEM 1A.	RISK FACTORS	21
ITEM 1B.	UNRESOLVED STAFF COMMENTS	31
ITEM 1C.	CYBERSECURITY	31
ITEM 2.	PROPERTIES	34
ITEM 3.	LEGAL PROCEEDINGS	35
ITEM 4.	MINE SAFETY DISCLOSURES	35
	PART II	
ITEM 5.	MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	36
ITEM 6.	RESERVED	37
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	38
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	63
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	66
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	139
ITEM 9A.	CONTROLS AND PROCEDURES	139
ITEM 9B.	OTHER INFORMATION	141
	PART III	
ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	142
ITEM 11.	EXECUTIVE COMPENSATION	142
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	142
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE	142
ITEM 14.	PRINCIPAL ACCOUNTANT FEES AND SERVICES	142
	PART IV	
ITEM 15.	EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	143
ITEM 16.	FORM 10-K SUMMARY	147
SIGNATURES		148

THE FIRST BANCSHARES, INC.
FORM 10-K

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, and inflation;

- disruptions to the financial markets as a result of the current or anticipated impact of military conflict, including Russia's military action in Ukraine, the conflict in Israel and 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;
- 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"); 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, 2023, 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, 2023, The First operated 116 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, 2023, The First employed 1,078 full-time employees spanning five states and 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.

The First is dedicated to providing competitive compensation and benefits programs to help attract and maintain highly skilled and experienced employees. Our compensation and benefits programs include a 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.

The First endeavors to ensure that the composition of our employees, management team and board of directors are reflective of the diversity of the communities we serve. As a company, we believe in the importance of diversity, value the benefits that diversity affords our organization, and 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.

In addition to maintaining a safe and healthy 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 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, 2023, The First had 116 locations across Mississippi, Louisiana, Alabama, Florida and Georgia.

Recent Developments

On January 1, 2023, we completed the acquisition of Heritage Southeast Bancorporation, Inc. ("HSBI"), pursuant to an Agreement and 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 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. 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. 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.

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, common 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, 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 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, 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, 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 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 2024. Certain regulatory capital ratios of the Company and The First, as of December 31, 2023, are shown in the following table:

	Capital Adequacy Ratios				
	Regulatory Minimums	Regulatory Minimums to be Well Capitalized	Minimum Capital Required Basel III Fully Phased-In	The First Bancshares, Inc.	The First
Common Equity Tier 1 risk-based capital ratio	4.5 %	6.5 %	7.0 %	12.1 %	13.8 %
Tier 1 risk-based capital ratio	6.0 %	8.0 %	8.5 %	12.5 %	13.8 %
Total risk-based capital ratio	8.0 %	10.0 %	10.5 %	15.0 %	14.8 %
Leverage ratio	4.0 %	5.0 %	4.0 %	9.7 %	10.7 %

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 shareholders are cash on hand and dividends from The First. Various federal and state statutory provisions and regulations limit the amount of dividends that The First may pay.

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 current and prospective capital, liquidity, and other needs. In addition to state law limitations on the Company's ability to pay dividends, the Federal Reserve imposes limitations on the Company's ability to pay dividends. Federal Reserve regulations limit dividends, stock repurchases and discretionary bonuses to executive officers if the Company's regulatory capital is below the level of regulatory minimums plus the applicable capital conservation buffer.

In addition, we and The First are subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The appropriate federal bank regulatory authority may prohibit the payment of dividends where it has determined that the payment of dividends would be an 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 an unsound and unsafe banking practice. The Federal Reserve has indicated that depository institutions and their holding companies should generally pay dividends only out of current operating earnings. Further, under Mississippi law, The First must obtain the non-objection of the Commissioner of the Mississippi Department of Banking and Consumer Finance prior to paying any dividend to the Company.

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 dividend level is prudent relative to maintaining a strong financial position, and is not based on overly optimistic earnings scenarios, such as potential events that could affect its ability to pay, while still maintaining a strong 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 Federal Reserve and eliminate, defer or significantly reduce the bank holding company's dividends if:

- 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 dividends;
- 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 subject to its regulatory reporting requirements, as well as supervision and regulation by the Mississippi Department of Banking and Consumer Finance. As a member bank of the Federal Reserve System, The First 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 held as a cash reserve). Member banks do not have any control over the Federal Reserve System as a result of owning the stock and the stock cannot be sold or traded.

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 FDIC has backup examination authority and some enforcement powers over The First.

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 regulation and potential supervision by the Consumer Financial Protection Bureau ("CFPB"). In addition, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are stricter than 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 the opening and closing of branch offices; the maintenance of required capital 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 deposits and loans; limitations on the types of investment that may be made by The First; requirements governing risk management practices; restrictions on the ability of institutions to guarantee its debt; and certain specific 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 generally accepted accounting principles.

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. Generally, these covered transactions with either the Company or any affiliate are limited to 10% of The First's capital and surplus, and all such transactions between The First Bank and the Company and all of its nonbank 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 generally are required to be secured by eligible collateral in specified amounts. In addition, any transaction between The First and the Company or any affiliate are required to be on an arm's length basis.

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

Reserves

Federal Reserve rules require depository institutions, such as The First, to maintain reserves against their transaction accounts, primarily NOW and regular checking accounts. Effective March 26, 2020, the Federal Reserve eliminated reserve requirements for all depository institutions. These reserve requirements are subject to annual adjustment by the Federal 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 insured bank, for each account ownership category. The First is subject to FDIC assessments for its deposit insurance. The FDIC calculates quarterly deposit insurance assessments based on an institution's average total consolidated assets less its average tangible equity, and applies one of four risk categories determined by reference to its capital levels, supervisory ratings, and certain other factors. The assessment rate schedule can change from time to time, at the discretion of the FDIC, subject to certain limits.

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 Insurance Act, established a plan on September 15, 2020 to restore the DIF reserve ration to meet or exceed the statutory minimum of 1.35% within eight years. On October 18, 2022, the FDIC adopted an amended 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 plan increases the initial base deposit insurance assessment rate schedules uniformly by 2 basis points, beginning in the first quarterly assessment period of 2023. The FDIC could further increase the deposit insurance 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 that occurred during early 2023. The assessment base for the special assessment is equal to estimated uninsured deposits reported as of December 31, 2022, adjusted to exclude the first $5 billion, to be collected at an annual rate of approximately 13.4 basis points for an anticipated total of eight quarterly assessment periods, beginning the first quarterly assessment period of 2024. The First did not have uninsured deposits in excess of $5 billion, and so is not subject to this special assessment.

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 or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by a bank's federal regulatory agency. In addition, the Federal Deposit Insurance Act provides 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 FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution, including those of the parent 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 standards for all insured depository institutions relating to: (1) internal controls; (2) information systems and audit systems; (3) loan documentation; (4) credit underwriting; (5) interest rate risk exposure; and (6) asset quality. The federal banking agencies have adopted regulations and Interagency Guidelines Establishing Standards for Safety and Soundness to implement these required standards. These guidelines set forth the safety and soundness standards used to identify and address problems at insured depository institutions before capital becomes impaired. Under the regulations, if a 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 achieve compliance, consistent with deadlines for the submission and review of such safety and soundness compliance plans.

Anti-Money Laundering

Under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism ("USA PATRIOT") Act of 2001, financial institutions are subject to prohibitions against specified financial transactions and account relationships as well as enhanced due diligence and "know your customer" standards in their dealings with foreign financial institutions and foreign customers. The USA PATRIOT Act, and its implementing regulations adopted by the FinCEN, a bureau of the U.S. Department of the Treasury, requires financial institutions to establish anti-money laundering programs with minimum standards that include:

- 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 regulators routinely examine institutions for compliance with these obligations and have been active in imposing cease and desist and other regulatory orders and money penalty sanctions against institutions found to be violating 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. On January 1, 2021, Congress passed federal legislation that made sweeping changes to federal anti-money laundering laws, including changes that will be implemented in subsequent years.

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 parties, as defined by various Executive Orders and acts of Congress. OFAC publishes, and routinely updates, lists of names of persons and organizations suspected of aiding, harboring or engaging in terrorist acts, 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 must undertake certain specified activities, which could include blocking or freezing the account or transaction requested, and we must notify the appropriate authorities.

Concentrations in Lending

During 2006, the federal bank regulatory agencies released guidance on "Concentrations in Commercial Real Estate Lending" (the "Guidance") and advised financial institutions of the risks posed by CRE lending concentrations. The

Guidance requires that appropriate processes be in place to identify, monitor and control risks associated with real estate lending concentrations. Higher allowances for loan losses and capital levels may also be required. The Guidance is triggered when CRE loan concentrations exceed either:

- 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.

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. We have always had exposures to loans secured by CRE due to the nature of our markets and the loan needs of both retail and commercial customers. We believe our long term experience in CRE lending, underwriting policies, internal controls, and other policies currently in place, as well as our loan and credit monitoring and administration procedures, are generally appropriate to managing our concentrations as required under the Guidance.

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 help meet the credit needs of entire communities where the bank accepts deposits, including low- and moderate-income neighborhoods. The Federal Reserve's assessment of The First's CRA record is made available to 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. Following the enactment of the Gramm-Leach-Bliley Act ("GLB"), CRA agreements with private parties must be disclosed and annual CRA reports must be made to a bank's primary federal regulator. A bank holding company will not be permitted to become or remain a financial holding company and no new activities authorized under GLB may be commenced by a holding company or by a bank financial subsidiary if any of its bank subsidiaries received less than a "satisfactory" CRA rating in its latest CRA examination. Federal CRA regulations require, among other things, that evidence of discrimination against applicants on a prohibited basis, and illegal or abusive lending practices be considered in the CRA evaluation. The First has a rating of "Satisfactory" in its most recent CRA evaluation.

On October 24, 2023, the OCC, the FRB, and FDIC issued a final rule to modernize their respective CRA regulations. The revised rules substantially alter the methodology for assessing compliance with the CRA, with material aspects taking effect January 1, 2026 and revised data reporting requirements taking effect January 1, 2027. Among other things, the revised rules evaluate lending outside traditional assessment areas generated by the growth of non-branch delivery systems, such as online and mobile banking, apply a metrics-based benchmarking approach to assessment, and clarify eligible CRA activities. The final rules may make it more challenging and/or costly for the Bank to receive a rating of at least "satisfactory" on its CRA exam.

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 object and has not objected to such disclosure. Financial institutions are further required to disclose their privacy policies to customers annually. Financial institutions, however, will be required to comply with state law if it is more protective of consumer privacy than the GLB. The GLB also directed federal regulators to prescribe standards for the security of consumer information. The First is subject to such standards, as well as standards for notifying customers in the event of a security breach. The First utilizes credit bureau data in underwriting activities. Use of such data is regulated under the Fair Credit Reporting Act and Regulation V on a uniform, nationwide basis, including credit reporting, prescreening, and sharing of information between affiliates and the use of credit data. The Fair and Accurate Credit Transactions Act, which amended the Fair Credit Reporting Act, permits states to enact identity theft laws that are not inconsistent with the conduct required by the provisions of that Act. We are also required to have an information security

program to safeguard the confidentiality and security of customer information and to ensure proper disposal. Customers must be notified when unauthorized disclosure involves sensitive customer information that may be misused. The federal banking agencies also require banks to notify their regulators within 36 hours of a "computer-security incident" that rises to the level of a "notification incident."

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 customer obtain or provide some additional credit, property, or services from or to the bank or bank holding company or their subsidiaries or (2) the customer not obtain some other credit, property, or services from 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 products and may otherwise offer more favorable terms if a customer obtains two or more traditional bank products. The law also expressly permits banks to engage in other forms 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 numerous other things, provisions that:

- 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 the communities it serves;
- 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 originator compensation and loan originator qualifications) as well as integrated mortgage disclosure rules. In addition, the CFPB has issued rules that require servicers to comply with new standards and practices with regard to: error correction; information disclosure; force-placement of insurance; information management policies and procedures; requiring information about mortgage loss mitigation options be provided to delinquent borrowers; providing delinquent borrowers access to servicer personnel with continuity of contact about the borrower's mortgage loan account; and evaluating borrowers' applications for available loss mitigation options. These rules also address initial rate adjustment notices for adjustable-rate mortgages (ARMs), periodic statements for residential mortgage loans, and prompt crediting of mortgage payments and response to requests for payoff amounts.

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"), both of which prohibit discrimination based on race or color, religion, national origin, sex, and familial status in any aspect of a consumer or commercial credit or residential real estate transaction. The Department of Justice (the "DOJ"), and the federal bank regulatory agencies have issued an Interagency Policy Statement on Discrimination in Lending that provides guidance to financial institutions in determining whether discrimination exists, how the agencies will respond to lending discrimination, and what steps lenders might take to prevent discriminatory lending practices. The DOJ has increased its efforts to prosecute what it regards as violations of the ECOA and FHA.

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 a bank's earnings. In order to mitigate the interest rate risk inherent in the industry, the banking business is becoming increasingly dependent on the generation of fee and service charge revenue.

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 its agencies, particularly the Federal Reserve. The Federal Reserve sets national monetary policy such as seeking to curb inflation and combat recession. This is accomplished by its open-market operations in U.S. government securities, adjustments in the amount of reserves that financial institutions are required to maintain and adjustments to the discount rates on borrowings and target rates for federal funds transactions. The actions of the Federal Reserve in these areas influence the growth of bank loans, investments and deposits and also affect interest 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 footnotes, sets forth the most significant risks and uncertainties that we believe could adversely affect our business, financial condition or results of operations. Additional risks and uncertainties that management is not aware of or that management currently deems immaterial may also have a material adverse effect on our business, financial condition or results of operations. There is no assurance that this discussion covers all potential risks that we face. Further, to the extent that any of the information contained in this Annual Report on Form 10-K constitutes forward-looking statements, the risk factors set forth below also are cautionary statements identifying important factors that could cause our actual results to differ materially from those expressed in any forward-looking statements made herein.

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 our customers to meet loan payment obligations on a timely basis. The local economic conditions in these areas have a significant impact on our commercial, real estate, and construction loans, 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 could negatively impact the financial results of the Company's banking operations, earnings, and profitability.

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 committed credit facilities as well as unexpected demands for cash payments. Adverse economic changes may cause customers to withdraw deposit balances, thereby causing a strain on our liquidity.

Moreover, customers with larger uninsured deposit account balances often are small-and mid-sized businesses that rely upon deposit funds for payment of operational expenses and, as a result, are more likely to closely monitor for financial condition and performance of their depository institutions. As a result, in the event of financial distress, uninsured depositors historically have been 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 be required to meet withdrawal demands. We have historically had access to a number of alternative sources of liquidity, but if there is an increase in volatility in the credit and liquidity markets there is no assurance that 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. Real estate values in our markets have experienced periods of fluctuation over the last several years, and the market value of real estate can fluctuate significantly in a relatively short period of 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, a significant part of our loan portfolio could become under-collateralized and losses incurred upon borrower defaults would increase. This could result in additional credit loss accruals which would negatively impact 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 of operations to be adversely affected.

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 increased foreclosures, unemployment and under-employment. These events, if they were to happen again, could negatively impact the credit performance of mortgage loans and result in significant write-downs of asset values, including government-sponsored entities as well as major commercial and investment banks. Market turmoil and tightening of credit could lead to an increased level of commercial and consumer delinquencies, lack of consumer confidence and widespread reduction of business activity. Generally, a worsening of these conditions would have 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 would result in higher charge-offs and delinquencies.

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 governmental action and uncertainty resulting from U.S. and global political trends, may directly and indirectly, have a destabilizing effect on our financial condition and results of operations. In addition, the U.S. 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, disrupt access to capital markets and deepen recessionary conditions. An unfavorable or uncertain national or regional political or economic environment could drive losses beyond those which are provided for in our allowance for 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 securing the payment of their loans may not be sufficient to assure repayment. Credit losses are inherent in the business of making loans and could have a material adverse effect on our operating results. Credit risk with 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 serving as security for the repayment of loans. Credit risk with respect to our commercial and consumer loan portfolio will relate principally to the general creditworthiness of the borrower businesses and individuals within our local markets.

On January 1, 2021, the Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* ("ASC 326"). The Financial Accounting Standards Board (the "FASB") issued ASC 326 to replace the incurred loss model for loans and other financial assets with an expected loss model and requires consideration of a wider range of reasonable and supportable information to determine credit losses. In accordance with ASC 326, the Company has

developed an allowance for credit losses ("ACL") methodology effective January 1, 2021, which replaces its previous allowance for loan losses methodology. 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. Loans are charged-off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environment conditions, such as changes in unemployment rates, property values, or other relevant factors. Management may selectively apply external market data to subjectively adjust the Company's own loss history including index or 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 in the notes to consolidated financial statements. Changes in economic conditions or individual business or personal circumstances affecting borrowers, new information regarding 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 actual charge-offs in future periods exceed our estimation of charge-offs, we may need additional provision for loan losses to restore the adequacy of our ACL. If we are required to materially increase our level of ACL for 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. Our profitability is largely dependent upon net interest income. Unexpected movement in interest rates markedly changing the slope of the current yield curve could cause net interest margins to decrease, subsequently decreasing 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. In addition, actual net investment income and/or cash flows from investments that carry prepayment risk, such as mortgage-backed and other asset-backed securities, may differ from those anticipated 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 rapidly and has announced an intention to take further actions to mitigate rising inflationary pressures. Rising interest rates can have a negative impact on our business by reducing the amount of money our clients 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 rise, so have competitive pressures on the deposit cost of funds. We may have to offer more attractive interest rates to depositors to compete for deposits, or pursue other sources of liquidity, such as wholesale funds, 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 rate changes will have on the Company's 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 impacts on our business, including reducing our customers' desire to borrow money from us or adversely affecting their ability to repay their outstanding loans by increasing their debt service obligations through the periodic reset of adjustable interest rate loans. If our borrowers' ability to repay their loans is impaired by increasing

interest payment obligations, our level of non-performing assets would increase, producing an adverse effect on operating results. Asset values, especially commercial real estate as collateral, securities or other fixed rate earning assets, can decline significantly with 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, reducing our net interest income. In addition, lower interest rates may reduce our realized yields on investment securities, which would reduce our net interest income and cause downward pressure on net interest margin in 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 revenues.

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 declines in the fair value of investments should be recognized in current period earnings. The risks and uncertainties include changes in general economic conditions, the issuers' financial condition or future recovery 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 future performance of the underlying collateral and assessing the probability that an adverse change in future cash flows has occurred. The determination of the amount of impairments is based upon the Company's quarterly evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available.

Additionally, our management considers a wide range of factors about the security issuer and uses its reasonable judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and 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 and financial condition.

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, which we refer to as the Federal Reserve Board. The instruments of monetary policy employed by the Federal Reserve Board include open market operations in U.S. government securities, changes in 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 national economy and monetary policy, we cannot predict the impact of future changes in interest rates, deposit levels, loan demand or the Company's business and earnings. Furthermore, the actions of the United States government and other governments in responding to developing situations or implementing new fiscal or trade policies may result in currency fluctuations, exchange controls, market disruption and other unanticipated economic effects. Such actions could have an adverse effect on our results of operations and profitability.

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 Mississippi Department of Banking and Consumer Finance and the CFPB. See *Supervision and Regulation* above for more information. New regulations issued by these agencies may adversely affect our ability to carry on our business activities. The Company is subject to various Federal and state laws and certain changes in these laws and regulations may adversely affect 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 adversely affect the reported financial statements or results of operations of the Company and may also require extraordinary efforts or additional costs to implement. Any of these laws or regulations may be modified or 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 ("IRA"), could significantly impact our business in the form of greater than expected income tax expense and taxes payable. Such changes may also negatively impact the financial condition of our customers and/or overall economic conditions. Further, future regulatory reforms that could include a heightened focus and scrutiny on BSA/AML related compliance, expansion of consumer protections, the regulation of loan portfolios and credit concentrations to borrows impacted by climate changes, increased capital and liquidity requirements and limitations or additional taxes on share repurchases and dividends, could increase our costs and impact our business.

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 corporate alternative minimum tax that generally applies to U.S. corporations with average adjusted financial statement income over a three-year period in excess of $1 billion. We do not currently expect the IRA to 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 at this time.

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

The deposits of The First are insured by the FDIC up to legal limits and, accordingly, subject it to the payment of FDIC deposit insurance assessments. The First's regular assessments 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 concern that is poses. Moreover, the FDIC has the unilateral power to change deposit insurance assessment rates and the manner in which deposit insurance is calculated and also to charge special assessments to FDIC-insured institutions. The FDIC utilized these powers during the financial crisis for the purpose of restoring the reserve ratios of the Deposit Insurance Fund. Beginning in the first quarterly assessment period of 2023, the FDIC deposit insurance premiums were increased by two basis points. Any future special assessments, increases in assessment rates or premiums, or required prepayments in FDIC insurance premiums could reduce our profitability or limit our ability to pursue certain business opportunities, which could materially and adversely affect our business, financial condition, and 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 financial services environment. Certain competitors are larger and may have more resources than we do. We face competition in our regional market areas from other 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 services. Some of the nonbank competitors are not subject to the same extensive regulations that govern the Company or The First and may have greater flexibility in competing for business.

Many of these competitors also have broader geographic markets and substantially greater resources and lending limits than The First and offer certain services such as trust banking that The First does not currently provide. In addition, many of these competitors have numerous branch offices located throughout the extended market areas of The First that may provide these competitors with 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. Recent technology advances and other changes have allowed parties to effectuate 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. The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and the 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 condition and results of operations.

Some of our competitors have reduced or eliminated certain service charges on deposit accounts, including overdraft fees, and additional competitors may be willing to reduce or eliminate service or other fees in order to attract additional customers. If the Company chooses to reduce or eliminate certain categories of fees, including those related to deposit accounts, fee 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 in attracting customers for certain fee producing products.

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. This information includes non-public, personally identifiable information that is protected under applicable federal and state laws and regulations. As such, we rely heavily on communications and information systems 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, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of our information systems, there can be no assurance 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 have been, and likely will continue to be, subject to various forms of external security breaches, which may include computer hacking, acts of vandalism or theft, malware, computer viruses or other malicious codes, phishing, employee error or malfeasance, catastrophes, unforeseen events or other cyber-attacks. To date, we have seen no material impact on our business or operations from these attacks or events. Any future significant compromise or breach of our data security, whether external or internal, or misuse of customer, associate, supplier or Company data could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs.

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 an increasing number of cyber incidents and cyber criminals continue to increase their sophistication, including several well-publicized cyber-attacks that targeted other 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 and hostile foreign governments. As technology advances, the ability to initiate transactions and access data has also become more widely distributed amount mobile devices, personal computers, automated 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 exposure to liability and suffer losses as a result of a security breach or cyber-attack that occurred through no fault of our own. Further, the probability of a successful cyber-attack against us or one of our third-party services providers cannot be predicted, and in some cases, prevented.

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 properties that may be serving as collateral for our loan assets and negatively affect the local economies in which we operate. Climate change may be increasing the nature, severity and frequency of adverse weather conditions, making the impact from these types of natural disasters on our customers or us worse. 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, but such weather events could cause a decline in loan originations, a decline in the value or destruction of properties serving as collateral for our loans and an increase in the risk of delinquencies, foreclosures or loan losses.

In addition, health emergencies, disease pandemics, acts of war or terrorism, trade policies and sanctions, including the repercussions of the ongoing military conflicts in Ukraine and the Middle East, and other external events could cause disruption in our operations. The occurrence of any of these events could have a material adverse effect on 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 vendors. We rely on financial and other data from new and existing customers which could turn out to be fraudulent when accepting such customers, executing their financial transactions and making and purchasing loans and other financial assets. In times of increased economic stress, we are at increased risk of fraud losses. We believe we have underwriting and operational controls in place to prevent or detect such fraud, but we cannot provide assurance that these controls will be effective in detecting fraud or that we will not experience fraud losses or incur costs or other damage related to such fraud, at levels that adversely affect our financial results or reputation. Our lending customers may also experience fraud in their businesses which could adversely affect their ability to repay their loans or make use of our services. Our exposure and the exposure of our customers to fraud may increase our financial risk and reputation risk as it may result in unexpected loan losses that exceed those that have been provided for in our allowance for 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 can be intense, and we may not be able to hire personnel or to retain them. The unexpected loss of services of one or more of our key personnel could have a material adverse impact on our business because of the difficulty of promptly finding qualified replacement personnel with comparable skills, knowledge of our market, relationships in the communities we serve, and years of industry experience. Although we have employment agreements with certain of our executive officers, there is no guarantee that these officers and other key personnel will remain employed with the Company.

The soundness 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 commercial soundness of other financial institutions. Financial institutions are interrelated as a result of trading, clearing, counterparty and other relationships. We have exposure to different industries and counterparties, and through transactions with counterparties in the financial services industry, including broker-dealers, commercial banks, investment banks, and other financial intermediaries. As a result, defaults by, declines in the financial condition of, or even rumors or concerns about, one or more financial institutions or the financial services industry generally could negatively impact market-wide liquidity and could lead to 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 generated significant market volatility among publicly traded bank holding companies and, in particular, regional banks like the Company. These market developments have negatively impacted customer confidence in the safety and soundness of regional banks. As a result, customers may choose to maintain deposits with larger financial institutions or invest in higher yielding short-term fixed income securities, all of which could materially adversely impact the Company's liquidity, loan funding capacity, net interest margin, capital and results of operations. While the Department of the Treasury, the Federal Reserve, and the FDIC took action to ensure that depositors of these failed banks had access to their deposits, including uninsured deposit accounts, there is no guarantee that such actions will be successful in restoring customer confidence in regional banks and the banking system more broadly.

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 not to realize expected revenue increases, cost savings, increases in geographic or product presence, or other anticipated benefits from any acquisition. The integration could result in higher than expected deposit attrition (run-off), 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 maintain relationships with customers and employees or achieve the anticipated benefits of the acquisition. The acquired companies may also have legal contingencies, beyond those that we are aware of, that could result in unexpected costs. The Company may need to make additional investment in equipment and personnel to manage higher asset levels and loan balances as a result of any significant acquisition, which may adversely impact earnings.

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 HSBI on January 1, 2023. Achieving the anticipated cost savings and financial benefits of the mergers will depend, in part, on whether we can successfully integrate these businesses with and into the business of The 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 inconsistencies in standards, controls, procedures, and policies that adversely affect our ability to maintain relationships with clients, customers, depositors, and employees or to achieve the anticipated benefits of the mergers. In addition, the integration of certain operations following the mergers has required and will continue to require the dedication of significant management resources, which may temporarily distract management's attention from the day-to-day business of the combined company. Any inability to realize the full extent of, or any of, the anticipated cost savings and financial benefits of 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 combined company.

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 include fees paid to financial, legal and accounting advisors, severance, retention bonus and other potential employment-related costs, filing fees, printing expenses and other related charges. There are also a large number of processes, policies, procedures, operations, technologies and systems that must be integrated in connection with the integration of these companies' businesses. While we have assumed that a certain level of expenses would be incurred in connection with the acquisitions, there are many factors beyond our control that could affect the total amount or the timing of the integration 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 could reduce the realization of efficiencies, strategic benefits and additional income we expect to achieve from the acquisitions. Although we expect that these benefits will offset the transaction expenses and implementation 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 our business, could indicate that goodwill might be impaired. Our valuation methodology for assessing impairment requires management to make judgements and assumptions based on historical experience and to rely on projections of future operating performance. We operate in a competitive environment and projections of future operating results and cash flows may vary significantly from actual results. In addition, if our analysis results in an impairment to our goodwill, we would be required to record a non-cash charge to earnings in our financial statements during the period in which such 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 price they find attractive.

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 "Special Cautionary Notice Regarding Forward-Looking Statements," these factors include, among others:

- 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 with respect to us or other financial institutions;
- 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 the ongoing military conflicts in Ukraine and the Middle East, terrorism or other geopolitical events.

In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies, including for reasons unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price, notwithstanding our 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 market prices for our common stock.

General market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes or credit loss trends, could also cause our stock price to decrease regardless of operating results.

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 to meet our capital requirements, at times we may depend on the liquidity of the capital markets to raise additional capital. Our historical ability to raise capital through the sale of capital stock and debt securities 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 could make raising additional capital difficult or more expensive or limit our access to customary sources of funding. If the market should fail to operate, or if conditions in the capital markets are adverse, our efforts to raise capital could require the issuance of securities at times and with maturities, conditions and rates that are disadvantageous, and which could have a dilutive impact on our current stockholders. Should these risks materialize, the ability to further expand our operations through organic or acquisitive growth may be limited.

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 FDIC, the DIF, or any other governmental agency or instrumentality, or any private insurer, and are subject to investment risk, including the possible loss of principal.

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. Under federal law, subject to certain exemptions, a person, entity, or group must notify the federal banking agencies before acquiring 10% or more of the outstanding voting stock of a bank holding company, including the Company's shares. Banking agencies review the acquisition to determine if it will result in a change of control. The banking agencies have 60 days to act on the notice, and take into account several factors, including the resources of the acquiror and the antitrust effects of the acquisition. There also are Mississippi statutory provisions and provisions in our articles of incorporation 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 being less attractive to a potential acquiror.

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, and you are not assured liquidity with respect to transactions in our common stock. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of our common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Given the lower trading volume of our common stock, significant sales of our common stock, or the expectation of these sales, could cause 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 common stock dividends in the future. If we reduce or cease to pay common stock dividends, the market price of our common stock could be adversely affected.

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 and state corporate laws restrict the amount of dividends we may declare and pay from The First. See "Item 1. Business – Regulation and Supervision" included herein for more information.

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. In addition, in the event The First becomes unable to pay dividends to us, we may not be able to service our debt or pay our other obligations or pay dividends on our common stock and preferred stock. Accordingly, our 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 your investment in our common 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, including customer information. The program is comprised of technical controls, policies, guidelines, and procedures. These technical controls, policies, guidelines, and procedures are intended to align with regulatory 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 the 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 during on-boarding and throughout their employment. Annually, training courses are assigned to each associate to complete on how to protect the confidentiality of customer information at the time of hire 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, which can introduce malware to a bank's network, result in the theft of user credentials and, ultimately, place customer information at risk. We regularly use phishing campaigns to train associates

to determine their ability to recognize 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 computer assets are subject to defined procedures and processes to ensure safe destruction of information contained on those devices. For paper-based information or documents, we dispose of paper using shred bins for destruction.

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 administered by the Company's Chief Information Security Officer (CISO). The Incident Response Plan describes the Company's processes, procedures, and responsibilities for responding to incidents including security and cybersecurity. The Incident Response Plan is intended to be followed in the event of a cybersecurity incident, including implementation of (i) forensic and containment, eradication, and remediation actions by information technology and security personnel and (ii) operational response actions by business units, communications, legal, and risk personnel. The Incident Response Plan includes an annual tabletop exercise to simulate responses to cybersecurity events. If applicable, each exercise may result in postmortem and discuss lessons learned to evaluate any improvements to the Incident Response Plan.

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. Remote workers are supported through the Company's secure VPN and uses multifactor authentication. The Company has a vulnerability management program in place that includes a managed detect and response platform to ensure monitoring of the Company's network, ensures the timely installation of software patches, and provides a risk-based approach to addresses vulnerabilities across the network. Network security controls are in place to prevent unauthorized access to the network or the Company's IT resources. The Company employs controls over its managed workstations, 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 the inappropriate transmission or exposure of sensitive data assets or customer information.

Cybersecurity training is provided to all employees as part of the overall cybersecurity program. The Company contracts with third party vendors to conduct internal and external penetration tests against the Company's networks and IT assets to ensure controls are operating in an appropriate manner.

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. Addressing cybersecurity risks is a priority for the Company, and the Company is committed to enhancing its systems of internal controls and business continuity and disaster recovery plans.

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 and Information Security performs due diligence through the process. Risk assessments are reviewed using Service Organization Controls (SOC) reports, self- attestation questionnaires, and other tools.

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 non-public personal information and information security. Third parties processing sensitive customer data are contractually required to meet all legal and regulatory obligations to protect customer data against 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 oversees the Company's corporate risk governance processes primarily through its committees, and oversight of cybersecurity threats is delegated primarily to our Board Risk Committee.

The Board Risk Committee has primary responsibility for overseeing the Company's comprehensive Enterprise Risk Management program. The Enterprise Risk Management program assists senior management in identifying, assessing, monitoring, and managing risk, including cybersecurity risk, in a rapidly changing environment. Cybersecurity matters and 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 Risk Committee meetings, periodically provides cybersecurity and other information security updates to the Board Risk Committee. The CISO also provides an annual information security program summary report to the Board, 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 along with a team of dedicated security personnel examines risks to the Company's information systems and assets, designs and implements security solutions, monitors the environment, and provides 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 (CBISO) and participates in various Information Security peer groups and serves on the Mississippi Bankers Associations - Information Security Committee.

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 our Chief Information Officer, who in turn reports to our Chief Executive Officer and President. The Cybersecurity Manager reports to the Information Technology Director, who in turn reports to the Chief Information Officer.

Our Cybersecurity Manager has experience spanning multiple OCC and FDIC regulated financial institutions across the nation. He holds various cybersecurity related certifications and is currently registered with the International Information Systems Security Certification Consortium as a Certified Information Systems Security Professional (CISSP) member in good standing.

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 provides independent oversight of information technology risk, promotes effective challenge to the Company's information technology systems, and ensures that high level risks receive appropriate attention. 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 Risk Committee.

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 objective is to protect the integrity, security, safety and resiliency of corporate information systems and assets. Together, our CISO leads the Company's IT Risk Governance Committee. The IT Risk Governance Committee meets regularly to review the development of the program and develop recommendations and provides regular reports to management, and, ultimately, the Board Risk Committee through the CISO.

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, both internal and external, in order to make decisions aimed at maximizing shareholder value and achieving strategic goals. The overarching ERM program shapes information security strategy and development. ERM works with information security management to facilitate performance of Risk Assessments, the results of which are used to identify opportunities to strengthen the program.

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, we had 110 full service banking and financial service offices, one motor bank facility and five loan production offices across Mississippi, Alabama, Florida, Georgia and Louisiana. Management ensures that 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
- St. Petersburg - Loan Production Office
- Tallahassee – Apalachee Parkway
- Tallahassee – Thomasville Road
- Tampa - Westshore

Georgia

- Eagles Landing
- Jonesboro

Mississippi

- Columbus - Loan Production Office
- Gulfport - Hardy Court
- Pascagoula
- Petal

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 present, with the exception of the matter described below, the Company is not aware of any legal proceedings that it anticipates may materially adversely affect its business.

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 in interest to Heritage Southeast Bank, in a putative class action complaint in federal district court for the Southern District of Mississippi. Plaintiff asserts claims based on the alleged improper assessment and collection of overdraft fees. Specifically, Plaintiff's claims relate to overdraft fees resulting from alleged "authorized positive, settle negative" or APSN debit card transactions. The complaint asserts causes of action of breach of contract, including the covenant of good faith and fair dealing, and unjust enrichment. The complaint also asserts a claim for alleged violations of Regulation E of the 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, it is not feasible to predict the outcome or a range of loss, should a loss occur, from this proceeding. Accordingly, no accrual has been made and no estimated range of potential loss can be determined at this time.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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 4,618 record holders of the Company's common stock at February 21, 2024 and 31,227,881 shares outstanding.

Subject to the approval of the Board of Directors and applicable regulatory requirements, the Company expects to continue its policy of paying regular cash dividends on a quarterly basis. A discussion of certain limitations on the ability of The Firsts to pay dividends to the Company and the ability of the Company to pay dividends on its common stock is set forth in Part 1 – 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, 2023.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) (a)
October	—	$ —	—	$ 50,000
November	—	—	—	50,000
December	856	26.91	—	50,000
Total	856 (b)	$ 26.91	—	

(a) On February 28, 2023, the Company announced that its Board of Directors authorized a new share repurchase program (the "2023 Repurchase Program"), pursuant to which the Company may purchase up to an aggregate of $50.0 million in shares of the Company's issued and outstanding common stock. The 2023 Repurchase Program expired on December 31, 2023.

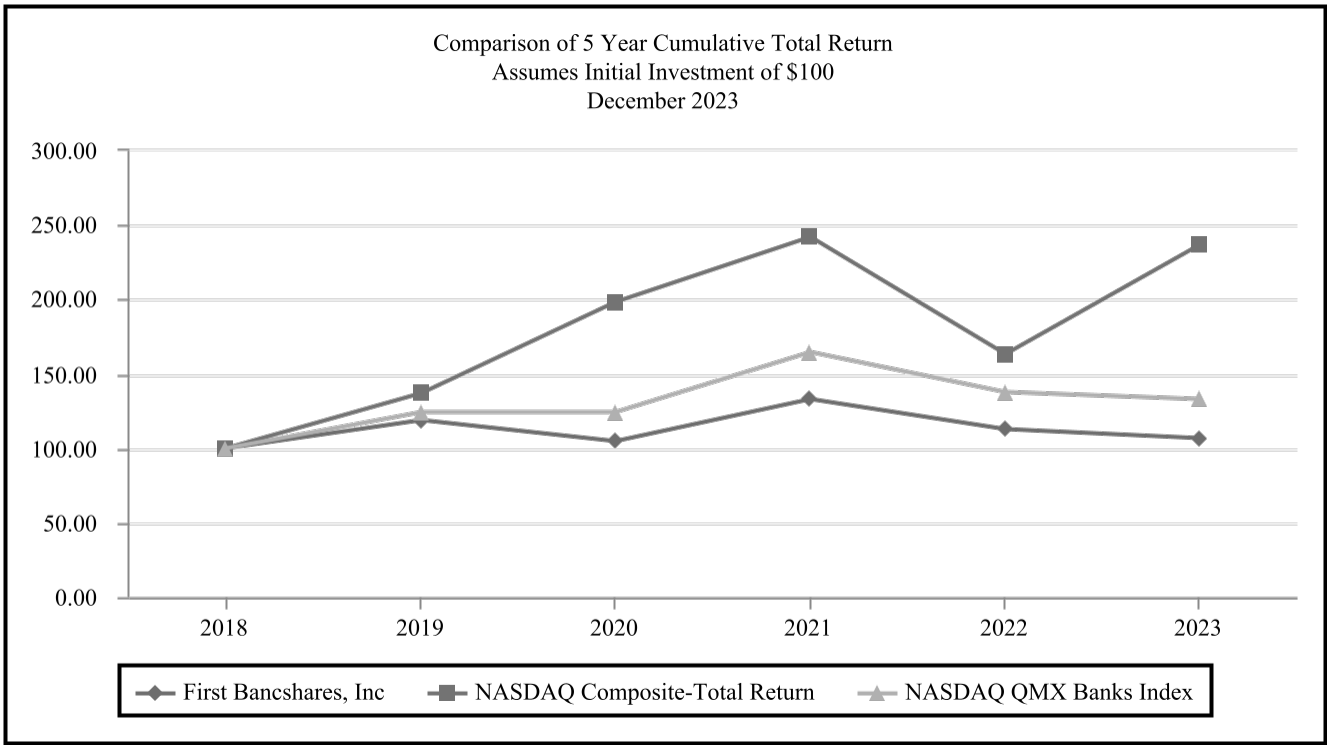
(b) The 856 shares purchased in the fourth quarter were withheld by the Company in order to satisfy employee tax obligations for vesting of restricted stock awards.

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 future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent the Company specifically incorporates it by reference to such 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, 2018 and the reinvestment of dividends thereafter, to that of the common stocks of United States companies reported in the Nasdaq Composite-Total Returns Index and the common stocks of the Nasdaq OMX Banks Index. The Nasdaq OMX Banks Index contains securities of Nasdaq-listed companies classified

according to the Industry Classification Benchmark as banks. They include banks providing a broad range of financial services, including retail banking, loans and money transmissions.



Legend

Symbol	Total Returns Index For:	2018	2019	2020	2021	2022	2023
◆	First Bancshares, Inc.	100.00	118.55	104.82	133.07	112.80	106.66
■	NASDAQ Composite-Total Returns	100.00	136.69	198.10	242.03	163.28	236.17
▲	NASDAQ OMX Banks Index	100.00	124.38	115.04	164.41	137.65	132.91

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 12/31/2018.

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, 2022, and 2021. This discussion should be read in conjunction with the consolidated financial statements and the supplemental 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 been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses. While we base estimates on historical experience, current information and other factors deemed to be relevant, actual results could differ from those estimates. Accounting policies considered critical to our financial results include the allowance for credit losses and related provision, business combinations and goodwill. The most critical of these 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 subjective factors. If any of these factors were to deteriorate, management would update its estimates and judgments which may require additional loss provisions. Effective January 1, 2021, the Company adopted *ASU 2016-13, Financial Instruments – Measurement of Current Expected Credit Losses on Financial Instruments ("CECL"),* which modified the accounting for the allowance for loan losses from an incurred loss model to an expected loss model, as discussed more fully under Part II – Item 8. Financial Statements and Supplementary Data – Note B – Summary of 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 excess of purchase price over the fair value of assets acquired and liabilities assumed is recorded as goodwill. Determining the fair value of identifiable assets, particularly intangibles, and liabilities acquired also require 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 revenues and expenses associated with an asset. Business combinations are discussed more fully under Part II - Item 8. Financial Statements and Supplementary Data - Note B - Summary of Significant Accounting 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. As part of its testing, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company determines 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, and then measures impaired loss by comparing the implied fair value of goodwill with the carrying amount of that goodwill. Other intangibles are also assessed for impairment, both annually and when 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 and Supplementary Data - Note B - Summary of Significant Accounting Policies of this report.

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 Banking Association, located in Hattiesburg, Mississippi. The First began operations on August 5, 1996, from its main office in the Oak Grove community, which is now incorporated within the city of Hattiesburg. Currently, the First has 116 locations in Mississippi, Alabama, Florida, Georgia and Louisiana. The Company and The First

engage in a general commercial and retail banking business characterized by personalized service and local decision-making, emphasizing the banking needs of small to medium-sized businesses, professional concerns, and individuals.

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. Because loans generally earn higher rates of interest than investments, the Company seeks to employ as much of its deposit funds as possible in the form of loans to individuals, businesses, and other organizations. To ensure sufficient liquidity, the Company also maintains a portion of its deposits in cash, government securities, deposits with other financial institutions, and overnight loans of excess reserves (known as "Federal Funds Sold") to correspondent banks. The revenue which the Company earns (prior to deducting its overhead expenses) is essentially a function of the amount 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:

- In the year-over-year comparison, net income available to common shareholders increased $12.5 million, or 19.9%, from $62.9 million for the year ended December 31, 2022 to $75.5 million for the same period ended December 31, 2023.

- Excluding the loans acquired from the Heritage Bank acquisition of $1.159 billion, total loans increased $236.9 million for the year ended December 31, 2023, representing net growth of 6.3%, as compared to the same period ended December 31, 2022.

- Past due loans of $11.7 million to total loans was 0.23% for the year ended December 31, 2023, compared to $6.1 million, or 0.16% for the same period ended December 31, 2022.

- Cost of deposits averaged 109 basis points for the year ended December 31, 2023, compared to 26 basis points for the same period ended December 31, 2022.

At December 31, 2023, the Company had approximately $7.999 billion in total assets, an increase of $1.538 billion compared to $6.462 billion at December 31, 2022. Loans, including mortgage loans held for sale and net of the allowance for credit losses, increased to $5.119 billion at December 31, 2023 from $3.740 billion at December 31, 2022. Deposits increased to $6.463 billion at December 31, 2023 from $5.494 billion at December 31, 2022. Stockholders' equity increased to $949.0 million at December 31, 2023 from $646.7 million at December 31, 2022. The acquisition of Heritage Bank during 2023 contributed, at acquisition, $1.565 billion, $1.159 billion, net of purchase accounting adjustments, and $1.392 billion, net of purchase accounting adjustments, in assets, loans, and deposits, respectively.

The First (Bank only) reported net income of $81.8 million, $72.6 million and $73.9 million for the years ended December 31, 2023, 2022, and 2021, respectively. For the years ended December 31, 2023, 2022 and 2021, the Company reported consolidated net income available to common stockholders of $75.5 million, $62.9 million and $64.2 million, respectively. The following discussion should be read in conjunction with the Company's consolidated financial statements and the Notes thereto and the other financial data included elsewhere.

Results of Operations

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

($ in thousands)	2023	2022	2021
Interest income	$ 340,897	$ 200,375	$ 176,735
Interest expense	83,638	15,085	12,306
Net interest income	257,259	185,290	164,429
Provision for credit losses	14,500	5,605	(1,104)
Net interest income after provision for loan losses	242,759	179,685	165,533
Non-interest income	39,722	34,288	37,362
Non-interest expense	177,324	122,373	108,791
Income tax expense	23,352	19,033	20,210
Net income	$ 81,805	$ 72,567	$ 73,894

The following reconciles the above table to the amounts reflected in the consolidated financial statements of the Company at December 31, 2023, 2022, and 2021.

($ in thousands)	2023	2022	2021
Net interest income:			
Net interest income of The First	$ 257,259	$ 185,290	$ 164,429
Interest expense	7,934	7,474	7,365
	$ 249,325	$ 177,816	$ 157,064
Net income available to common shareholders:			
Net income of The First	$ 81,805	$ 72,567	$ 73,894
Net loss of the Company	(6,348)	(9,648)	(9,727)
	$ 75,457	$ 62,919	$ 64,167

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 to a consolidated net income of $62.9 million for the year ended December 31, 2022.

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, primarily due to interest income earned on a higher volume of loans (including loans acquired from Heritage Bank and Beach Bank).

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. Service charges on deposit accounts and interchange fee income accounted for $11.7 million of the increase.

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 partially attributable to $2.7 million in acquisition and charter conversion charges and $32.1 million in increased operating expenses related to the acquisitions of Beach Bank and 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 increase in core deposit amortization for the year ended December 31, 2023.

The Company reported consolidated net income available to common stockholders of $62.9 million for the year ended December 31, 2022, compared to a consolidated net income of $64.2 million for the year ended December 31, 2021. In the year-over-year comparison, Paycheck Protection Program ("PPP") loans fee income decreased $9.8 million.

Net interest income increased $14.0 million for the year ended December 31, 2022 compared to the same time period in 2021, primarily due to interest income earned on a higher volume of securities and loans and increased interest rates.

Non-interest income decreased $512 thousand for the year ended December 31, 2022 compared to the same time period in 2021. Increased service charges on deposit accounts and interchange fee income of $2.5 million was offset by a decrease in mortgage income of $4.5 million.

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 December 31, 2021. An increase of $4.8 million in acquisition and charter conversion charges and $3.3 million related to the ongoing operations of the Cadence Bank branches and $5.1 million related to the Beach Bank branch operations accounted for the increase in non-interest expense.

See Note C – Business Combinations in the accompanying notes to the consolidated financial statements included elsewhere in this report for more information on how the Company accounts for business combinations.

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 paid on deposits and borrowings used to support such assets. Net interest income is determined by the rates earned on the Company's interest-earning assets and the rates paid on its interest-bearing liabilities, the relative amounts of interest-earning assets and 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, primarily due to interest income earned on a higher volume of loans (including loans acquired from Heritage Bank and Beach Bank). Average interest-bearing liabilities for the year 2023 were $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 compared to 3.19% for the year 2022. Rates paid on average interest-bearing liabilities increased to 1.86% for the year 2023 compared to 0.57% 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. Average loans comprised 71.4% of average earnings assets for the year 2023 compared to 58.0% for the year 2022.

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. This increase was the direct result of higher volume of securities and loans and increased interest rates during 2022 as compared to 2021. Average interest-bearing liabilities for the year 2022 were $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 3.19% for the year 2022 compared to 3.21% for the year 2021. Rates paid on average interest-bearing liabilities was 0.57% for the year 2022 and remained unchanged for the year ended 2021. 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 58.0% of average earnings assets for the year 2022 compared to 60.8% for the year 2021.

Average Balances, Income and Expenses, and Rates. The following tables depict, for the periods indicated, certain information related to the average balance sheet and average yields on assets and average costs of liabilities. Such yields are derived by dividing income or expense by the average balance of the corresponding assets or liabilities. Average balances have been derived from daily averages.

Average Balances, Income and Expenses, and Rates

	Years Ended December 31,								
	2023			2022			2021		
($ in thousands)	Average Balance	Income/ Expenses	Yield/ Rate	Average Balance	Income/ Expenses	Yield/ Rate	Average Balance	Income/ Expenses	Yield/ Rate
Assets									
Earning Assets									
Loans (1)(2)	$ 5,036,021	$ 294,541	5.85 %	$ 3,302,265	$ 157,761	4.78 %	$ 3,019,605	$ 151,203	5.01 %
Securities (4)	1,918,575	47,913	2.50 %	2,023,214	46,305	2.29 %	1,305,262	28,035	2.15 %
Federal funds sold and interest bearing deposits with other banks (3)	97,183	2,453	2.52 %	366,465	50	0.01 %	642,042	121	0.02 %
Total earning assets	7,051,779	344,907	4.89 %	5,691,944	204,116	3.59 %	4,966,909	179,359	3.61 %
Other	866,869			584,164			526,877		
Total assets	$ 7,918,648			$ 6,276,108			$ 5,493,786		
Liabilities									
Interest-bearing liabilities	$ 4,934,875	$ 91,608	1.86 %	$ 3,943,531	$ 22,577	0.57 %	$ 3,434,964	$ 19,681	0.57 %
Demand deposits	2,012,129			1,660,696			1,366,529		
Other liabilities	77,252			45,065			34,827		
Stockholders' equity	894,392			626,816			657,466		
Total liabilities and stockholders' equity	$ 7,918,648			$ 6,276,108			$ 5,493,786		
Net interest spread			3.03 %			3.02 %			3.04 %
Net yield on interest-earning assets		$ 253,299	3.59 %		$ 181,539	3.19 %		$ 159,678	3.21 %

(1) Includes nonaccrual loans of $10,690, $12,591, and $28,013 for the years ended December 31, 2023, 2022, and 2021, respectively. Loans include held for sale loans.
(2) Includes loan fees of $7,665, $7,453, and $17,138 for the years ended December 31, 2023, 2022, and 2021, respectively.
(3) Includes Excess Balance 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 attributable to changes in volume and to changes in rate. The combined effect in both volume and rate which cannot be separately identified has been allocated proportionately to the change due to volume and due to rate.

Analysis of Changes in Consolidated Net Interest Income

	Year Ended December 31, 2023 versus 2022 Increase (decrease) due to			Year Ended December 31, 2022 versus 2021 Increase (decrease) due to		
($ in thousands)	Volume	Rate	Net	Volume	Rate	Net
Earning Assets						
Loans	$ 82,887	$ 53,893	$ 136,780	$ 14,176	$ (7,595)	$ 6,581
Securities (1)	(2,405)	4,013	1,608	15,436	2,832	18,268
Federal funds sold and interest bearing deposits with other banks	(28)	2,431	2,403	(55)	(37)	(92)
Total interest income	80,454	60,337	140,791	29,557	(4,800)	24,757
Interest-Bearing Liabilities						
Interest-bearing transaction accounts	903	19,659	20,562	1,278	(745)	533
Money market accounts and savings	491	16,071	16,562	226	819	1,045
Time deposits	2,078	18,160	20,238	294	(52)	242
Borrowed funds	10,642	1,027	11,669	241	835	1,076
Total interest expense	14,114	54,917	69,031	2,039	857	2,896
Net interest income	$ 66,340	$ 5,420	$ 71,760	$ 27,518	$ (5,657)	$ 21,861

(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 impact that changes in interest rates could have on its net interest income. A monitoring technique employed by the Company is the measurement of the Company's interest sensitivity "gap," which is the positive or negative dollar difference between assets and liabilities that are subject to interest rate repricing within a given period of time. The Company also performs asset/liability modeling to assess the impact varying interest rates and balance sheet mix assumptions will have on net interest income. Interest rate sensitivity can be managed by repricing assets or liabilities, selling 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 of assets and liabilities repricing in the same time interval helps to hedge the risk and minimize the impact on net interest income of rising or falling interest rates. The Company evaluates interest sensitivity risk and then formulates guidelines regarding asset generation and repricing, funding sources and pricing, and off-balance sheet commitments in order to decrease interest rate sensitivity risk.

In the third quarter of 2022, the Company ceased the Deposit Reclassification program it implemented at the beginning of 2020. The program reclassified non-interest bearing and NOW deposit balances to money market accounts. The following tables illustrate the Company's consolidated interest rate sensitivity and consolidated cumulative gap position by maturity at December 31, 2023, 2022, and 2021. Deposits at December 31, 2021 are shown without reclassification for consistency with the current period presentation.

$ in thousands	December 31, 2023				
	Within Three Months	After Three Through Twelve Months	Within One Year	Greater Than One Year or Nonsensitive	Total
Assets					
Earning assets:					
Loans	$ 262,916	$ 406,261	$ 669,177	$ 4,503,779	$ 5,172,956
Securities (2)	51,735	35,679	87,414	1,609,490	1,696,904
Funds sold and other	—	130,948	130,948	—	130,948
Total earning assets	$ 314,651	$ 572,888	$ 887,539	$ 6,113,269	$ 7,000,808
Liabilities					
Interest-bearing liabilities:					
Interest-bearing deposits:					
NOW accounts (1)	$ —	$ 1,914,792	$ 1,914,792	$ —	$ 1,914,792
Money market accounts	1,090,484	—	1,090,484	—	1,090,484
Savings deposits (1)	—	532,827	532,827	—	532,827
Time deposits	361,342	618,134	979,476	96,280	1,075,756
Total interest-bearing deposits	1,451,826	3,065,753	4,517,579	96,280	$ 4,613,859
Borrowed funds (3)	250,000	140,000	390,000	—	390,000
Total interest-bearing liabilities	1,701,826	3,205,753	4,907,579	96,280	5,003,859
Interest-sensitivity gap per period	$ (1,387,175)	$ (2,492,865)	$ (4,020,040)	$ 6,016,989	$ 1,996,949
Cumulative gap at December 31, 2023	$ (1,387,175)	$ (3,880,040)	$ (4,020,040)	$ 1,996,949	$ 1,996,949
Ratio of cumulative gap to total earning assets at December 31, 2023	(19.8)%	(55.4)%	(57.4)%	28.5 %	

$ in thousands	December 31, 2022				
	Within Three Months	After Three Through Twelve Months	Within One Year	Greater Than One Year or Nonsensitive	Total
Assets					
Earning assets:					
Loans	$ 180,128	$ 247,781	$ 427,909	$ 3,350,693	$ 3,778,602
Securities (2)	13,565	58,431	71,996	1,876,589	1,948,585
Funds sold and other	—	78,139	78,139	—	78,139
Total earning assets	$ 193,693	$ 384,351	$ 578,044	$ 5,227,282	$ 5,805,326
Liabilities					
Interest-bearing liabilities:					
Interest-bearing deposits:					
NOW accounts (1)	$ —	$ 1,769,699	$ 1,769,699	$ —	$ 1,769,699
Money market accounts	825,813	—	825,813	—	825,813
Savings deposits (1)	—	542,296	542,296	—	542,296
Time deposits	118,108	440,087	558,195	168,200	726,395
Total interest-bearing deposits	943,921	2,752,082	3,696,003	168,200	$ 3,864,203
Borrowed funds (3)	130,100	—	130,100	—	130,100
Total interest-bearing liabilities	1,074,021	2,752,082	3,826,103	168,200	3,994,303
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 %	

$ in thousand	December 31, 2021				
	Within Three Months	After Three Through Twelve Months	Within One Year	Greater Than One Year or Nonsensitive	Total
Assets					
Earning assets:					
Loans	$ 147,728	$ 256,450	$ 404,178	$ 2,563,053	$ 2,967,231
Securities (2)	8,959	51,457	60,416	1,713,642	1,774,058
Funds sold and other	—	804,481	804,481	—	804,481
Total earning assets	$ 156,687	$ 1,112,388	$ 1,269,075	$ 4,276,695	$ 5,545,770
Liabilities					
Interest-bearing liabilities:					
Interest-bearing deposits:					
NOW accounts (1)	$ —	$ 1,771,510	$ 1,771,510	$ —	$ 1,771,510
Money market accounts	817,476	—	817,476	—	817,476
Savings deposits (1)	—	502,808	502,808	—	502,808
Time deposits	132,025	312,958	444,983	139,626	584,609
Total interest-bearing deposits	949,501	2,587,276	3,536,777	139,626	3,676,403
Total interest-bearing liabilities	949,501	2,587,276	3,536,777	139,626	3,676,403
Interest-sensitivity gap per period	$ (792,814)	$ (1,474,888)	$ (2,267,702)	$ 4,137,069	$ 1,869,367
Cumulative gap at December 31, 2021	$ (792,814)	$ (2,267,702)	$ (2,267,702)	$ 1,869,367	$ 1,869,367
Ratio of cumulative gap to total earning assets at December 31, 2021	(14.3)%	(40.9)%	(40.9)%	33.7 %	

(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 and the Company believes these deposits are fairly stable. Therefore, these deposits are included in the repricing period that management believes most closely matches the periods in which they are likely to reprice 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 for the years ended December 31, 2023, 2022, and 2021, respectively.

The Company generally would benefit from increasing market rates of interest when it has an asset-sensitive gap and generally from decreasing market rates of interest when it is liability sensitive. The Company currently is asset sensitive within the one-year time frame based on effective GAP which uses behavioral assumptions that model the rate sensitivity of 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 dollars of assets and liabilities that "reprice" (including maturities, repricing, likely calls, prepayments, etc.). However, the Company's gap analysis is not a precise indicator of its interest sensitivity position. The analysis 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 assets and liabilities equally. For example, rates paid on a substantial portion of core deposits may change contractually within a relatively short time frame, but those rates are viewed by management as significantly less interest-sensitive than market-based rates such as those paid on non-core deposits. Accordingly, management believes an asset sensitive-position within one year would not be as indicative of the Company's true interest sensitivity as it would be for an organization which depends to a greater extent on purchased funds to support earning assets. Net interest income is also 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

	Net Interest Income at Risk		Market Value of Equity	
Change in Interest Rates	% Change from Base	Bank Policy Limit	% Change from Base	Bank Policy Limit
Up 400 bps	(19.0)%	(20.0)%	(12.4)%	(40.0)%
Up 300 bps	(9.1)%	(15.0)%	(6.7)%	(30.0)%
Up 200 bps	(2.3)%	(10.0)%	(2.0)%	(20.0)%
Up 100 bps	0.7 %	(5.0)%	0.6 %	(10.0)%
Down 100 bps	0.5 %	(5.0)%	(2.4)%	(10.0)%
Down 200 bps	2.3 %	(10.0)%	(5.0)%	(20.0)%

December 31, 2022

	Net Interest Income at Risk		Market Value of Equity	
Change in Interest Rates	% Change from Base	Bank Policy Limit	% Change from Base	Bank Policy Limit
Up 400 bps	(11.3)%	(20.0)%	(16.6)%	(40.0)%
Up 300 bps	(6.4)%	(15.0)%	(10.6)%	(30.0)%
Up 200 bps	(2.9)%	(10.0)%	(5.8)%	(20.0)%
Up 100 bps	(0.9)%	(5.0)%	(2.2)%	(10.0)%
Down 100 bps	1.1 %	(5.0)%	0.9 %	(10.0)%
Down 200 bps	(0.7)%	(10.0)%	(2.2)%	(20.0)%

December 31, 2021

	Net Interest Income at Risk		Market Value of Equity	
Change in Interest Rates	% Change from Base	Bank Policy Limit	% Change from Base	Bank Policy Limit
Up 400 bps	11.3%	(20.0)%	20.0%	(40.0)%
Up 300 bps	10.2%	(15.0)%	18.9%	(30.0)%
Up 200 bps	8.1%	(10.0)%	15.5%	(20.0)%
Up 100 bps	4.7%	(5.0)%	9.4%	(10.0)%
Down 100 bps	(3.3)%	(5.0)%	(15.0)%	(10.0)%
Down 200 bps	(4.6)%	(10.0)%	(34.2)%	(20.0)%

Allowance and Provision for Credit Losses

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 comprised of a general allowance for loans that are collectively assessed in pools with similar risk characteristics and a specific allowance for individually assessed loans. Loans are charged-off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. The allowance is continuously monitored by management to maintain a level adequate 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 conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environment conditions, such as changes in unemployment rates, property values, or other relevant factors. Management may selectively apply external market data to subjectively adjust the Company's own loss history including index or 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 in the accompanying notes to the consolidated financial statements included elsewhere in this report for a complete description of the Company's methodology and the quantitative and qualitative factors included in the calculation.

At December 31, 2023, the ACL was $54.0 million, or 1.1% of LHFI, an increase of $15.1 million, or 38.8% when compared to December 31, 2022. The 2023 increase is attributable to loan growth and the acquisition of HSBI in January 2023. The Bank acquired loans totaling $1.159 billion, net 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 for credit losses includes $10.7 million associated with day one post-merger accounting provision recorded for non-PCD loans and unfunded commitments acquired in the HSBI acquisition. At December 31, 2022, the allowance for credit losses was approximately $38.9 million, which was 1.0% of LHFI. The Company maintains the allowance at a level that management believes is adequate to absorb expected credit losses in the loan portfolio. The 2022 provision for credit losses includes $3.9 million associated with a day one post-merger accounting provision recorded for non-PCD loans, unfunded commitments. A $1.3 million initial allowance was recorded on PCD loans acquired in the BBI merger. Specifically, identifiable and quantifiable losses are immediately charged-off against the allowance; recoveries are generally recorded only when sufficient cash payments are received subsequent to the charge-off.

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 of the collectability of the loan portfolio in light of current economic conditions and market trends. The Company's provision for credit losses was a $13.8 million for the year ended December 31, 2023 and $5.4 million for the year ended December 31, 2022, and a negative $1.5 million for the year ended December 31, 2021. A majority of the 2023 and 2022 increase in the Company's provision for credit losses is attributed to the HSBI and BBI acquisitions detailed herein. The negative provision for 2021 is attributed to the improved macroeconomic outlook and the Company's ACL calculation under ASC 326.

At December 31, 2023, management believes the allowance is appropriate and has been derived from consistent application of our methodology. Should any of the factors considered by management in evaluating the appropriateness of the allowance for credit losses change, management's estimate of expected credit losses in the portfolio could also change, which would affect the level of future provisions for credit losses.

Allowance for Credit Losses on Off Balance Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The ACL on off-balance sheet credit ("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 expected credit losses on commitments expected to be funded over its estimated life. The Company maintains a separate ACL on OBSC exposures, including unfunded commitments and letters of credit, which is included on the accompanying consolidated balance sheet. The Company's provision for credit losses on OBSC exposures was $750 thousand for the year end December 31, 2023, $255 thousand for the year ended December 31, 2022, and $352 thousand for the year ended December 31, 2021. The increase in the ACL on OBSC exposures 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 acquisition and an increase in unfunded commitments.

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 causing management to determine that the collection of all principal, interest, and other related fees due according to the contractual terms of the loan agreement is not probable. Also identified along with these loans in nonaccrual status, as well as loans 90 days or greater past due and still accruing interest.

Once these loans are identified, they are evaluated to determine whether the ultimate repayment source will be liquidation of collateral or some future source of cash flow. If the only source of repayment will come from the liquidation of collateral, they are analyzed and documented as to whether any impairment exists. This method considers collateral exposure, as well 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 per loan basis. Loans that are identified as criticized or classified based on unsatisfactory repayment performance, or other evidence of deteriorating credit quality, are not reviewed until they meet one of the three criteria described above.

Total nonaccrual loans at December 31, 2023, were $10.7 million, a decrease of $1.9 million compared to $12.6 million at December 31, 2022. Management believes these relationships were adequately reserved at December 31, 2023. See Note E – Loans in the accompanying notes to the consolidated financial statements included elsewhere in this report for a description of modified loans.

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 and does not meet the standard of a non-performing asset as outlined by regulatory guidance. These loans may or may not be current as to principal and interest repayment, but they still possess some asset quality 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 is one factor used in the determination of the adequacy of the allowance for credit losses. At December 31, 2023 and 2022, The First had potential problem loans of $107.1 million and $108.1 million, respectively.

Summary of Credit Loss Experience
Consolidated Allowance for Credit Losses

($ in thousands)	Years Ended December 31, 2023	2022	2021 (1)
Average LHFI outstanding	$ 5,036,021	$ 3,302,265	$ 3,019,605
Loans outstanding at year end, including LHFS	$ 5,172,956	$ 3,778,630	$ 2,967,231
Total nonaccrual loans	$ 10,690	$ 12,591	$ 28,013
Beginning balance of allowance	$ 38,917	$ 30,742	$ 35,820
Impact of ASC 326 adoption on non-PCD loans	—	—	(718)
Impact of ASC 326 adoption on PCD loans	—	—	1,115
Initial allowance on acquired PCD loans	3,176	1,303	—
Loans charged-off	(3,092)	(1,218)	(6,213)
Total recoveries	1,281	2,740	2,194
Net loans (charged-off) recoveries	(1,811)	1,522	(4,019)
Provision for credit losses (2)	13,750	5,350	(1,456)
Balance at year end	$ 54,032	$ 38,917	$ 30,742
Net charge-offs to average loans	(0.04)%	0.05%	0.13%
Allowance as percent of total loans	1.04%	1.03%	1.04%
Nonaccrual loans as a percentage of total loans	0.21%	0.33%	0.94%
Allowance as a multiple of nonaccrual loans	5.05X	3.10X	1.10 X

(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 marks in the Cadence Bank Branches loans acquired for the year ended December 31, 2022.

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 the increase in loan volume related to the HSBI acquisition and organic loan growth in 2023. At December 31, 2023, nonaccrual loans as a percentage of total loans decreased 0.12% to 0.21% when compared to 0.33% at December 31, 2022. 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 the increase in loan volume related to the BBI acquisition and organic loan growth in 2022. At December 31, 2022, nonaccrual loans as a percentage of total loans decreased 0.61% to 0.33% when compared to 0.94% at December 31, 2021. The decrease is attributed to a $15.4 million decrease in nonaccrual loans mentioned above.

The following table represents the components of the ACL for the years 2023, 2022, and 2021.

($ in thousands)	Allowance for Credit Losses		
Allocated:	2023	2022	2021
Collateral dependent loans	$ 408	$ 5	$ 6
Loans collectively evaluated	53,624	38,912	30,736
Total	$ 54,032	$ 38,917	$ 30,742

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)	Analysis of the Allowance for Credit Losses		
	2023	2022	2021 (1)
Balance at beginning of period	$ 38,917	$ 30,742	$ 35,820
Impact of ASC 326 adoption on non-PCD loans	—	—	(718)
Impact of ASC 326 adoption on PCD loans	—	—	1,115
Initial allowance on acquired PCD loans	3,176	1,303	—
Loans charged-off:			
Commercial, financial and agriculture	(745)	(259)	(1,662)
Commercial real estate	(250)	(72)	(3,523)
Consumer real estate	(49)	(204)	(473)
Consumer installment	(2,048)	(683)	(555)
Total	(3,092)	(1,218)	(6,213)
Recoveries on loans previously charged-off:			
Commercial, financial and agriculture	349	433	433
Commercial real estate	116	591	888
Consumer real estate	249	1,015	311
Consumer installment	567	701	562
Total	1,281	2,740	2,194
Net (charge-offs) recoveries	(1,811)	1,522	(4,019)
Provision:			
Initial provision for acquired non-PCD loans	10,719	3,855	—
Provision for credit losses charged to expense (2)	3,031	1,495	(1,456)
Balance at end of period	$ 54,032	$ 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 marks in the Cadence Bank Branches loans acquired for the year ended December 31, 2022.

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, 2023 and 2022.

Allocation of the Allowance for Credit Losses

($ in thousands)	December 31, 2023		December 31, 2022		December 31, 2021	
	Amount	% of loans in each category to total gross loans	Amount	% of loans in each category to total gross loans	Amount	% of loans in each category to total gross loans
Commercial, financial and agriculture	$ 8,844	15.5 %	$ 6,349	14.2 %	$ 4,873	13.4 %
Commercial real estate	29,125	59.2 %	20,389	56.5 %	17,552	57.0 %
Consumer real estate	15,260	24.2 %	11,599	28.1 %	7,889	28.3 %
Consumer installment	803	1.1 %	580	1.2 %	428	1.3 %
Total loans	$ 54,032	100 %	$ 38,917	100 %	$ 30,742	100 %

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 bankcard fees, commissions on check sales, safe deposit box rent, wire transfer fees, official check fees and bank owned life insurance income.

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 was partially attributable to $11.7 million in service charges on deposit accounts and interchange fee income, a $5.3 million increase associated with the U.S. Treasury awards, offset by a $9.8 million loss on 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. Increased service charges on deposit accounts and interchange fee income of $2.5 million was offset by a decrease in mortgage income of $4.5 million.

Non-interest Expense

Non-interest expense was $184.7 million for the year ended December 31, 2023, an increase of $54.2 million, or 41.6% in year-over-year comparison. The increase was partially attributable to $2.7 million in acquisition and charter conversion charges and $32.1 million in increased operating expenses related to the acquisitions of Beach Bank and 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 increase in core deposit amortization for the year ended December 31, 2023. Non-interest expense was $130.5 million for the year ended December 31, 2022, an increase of $15.9 million compared to December 31, 2021. An increase of $4.8 million in acquisition and charter conversion charges and $3.3 million related to the ongoing operations of the Cadence Bank branches and $5.1 million related to the Beach Bank branch operations accounted for the increase in non-interest expense.

The following table sets forth the primary components of non-interest expense for the periods indicated.

Non-interest Expense

($ in thousands)	Years ended December 31,		
	2023	2022	2021
Salaries and employee benefits	$ 93,412	$ 73,077	$ 65,856
Occupancy	17,381	12,854	12,713
Furniture and equipment	3,987	2,981	2,848
Supplies and printing	1,240	967	903
Professional and consulting fees	6,446	3,558	4,035
Marketing and public relations	833	393	615
FDIC and OCC assessments	3,849	2,122	2,074
ATM expense	5,821	3,873	3,623
Bank communications	3,579	1,904	1,754
Data processing	2,771	2,211	1,578
Acquisition expense/charter conversion	9,075	6,410	1,607
Other	36,332	20,133	16,953
Total	$ 184,726	$ 130,483	$ 114,559

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 taxing authorities. The Company also recognizes deferred tax for future income/deductible amounts resulting from differences in the financial statement and tax bases of assets and liabilities. Income tax expense was $21.3 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. The Company's effective income tax rate was 22.1%, 20.0% and 20.9% for the years ended December 31, 2023, 2022 and 2021, respectively. The effective tax rate differs each year primarily due to our investments in bank-qualified municipal securities, bank-owned life insurance, and certain merger related expenses. Income taxes are discussed more fully under Note K – Income Tax in the accompanying notes to the consolidated financial statements included elsewhere in this report.

Analysis of Financial Condition

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 category of the Company's earning assets. At December 31, 2023, 2022, and 2021, respectively, average loans accounted for 71.4%, 58.0% and 60.8% of average earning assets. Management attempts to control and counterbalance the inherent credit and liquidity risks associated with the higher loan yields without sacrificing asset quality to achieve its asset mix goals. Loans, excluding mortgage loans held for sale, averaged $5.036 billion during 2023 and $3.302 billion during 2022, as compared to $3.020 billion during 2021.

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, regardless of the purpose of the loan. The Company follows the common practice of financial institutions in the Company's market area of obtaining a security interest in real estate whenever possible, in addition to any 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 real estate loan portfolio component. Generally, the Company limits its loan-to-value ratio to 80%. Management attempts to maintain a conservative philosophy regarding its underwriting guidelines and believes it will reduce 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 loans are obtained upon origination.

The following table sets forth the Company's loan portfolio maturing within specified intervals at December 31, 2023.

Loan Maturity Schedule and Sensitivity to Changes in Interest Rates

($ in thousands)	Due in One Year or Less	After One, but Within Five Years	After Five but Within Fifteen Years	After Fifteen Years	Total
Commercial, financial and agricultural	$ 209,690	$ 392,382	$ 191,341	$ 6,911	$ 800,324
Commercial real estate	314,080	1,414,550	1,168,566	161,959	3,059,155
Consumer real estate	129,208	365,095	187,040	571,452	1,252,795
Consumer installment	13,285	39,110	5,125	248	57,768
Total	$ 666,263	$ 2,211,137	$ 1,552,072	$ 740,570	$ 5,170,042
Loans with fixed interest rates:					
Commercial, financial and agricultural	$ 130,524	$ 275,836	$ 126,964	$ 5,436	$ 538,760
Commercial real estate	231,270	1,215,711	717,414	19,742	2,184,137
Consumer real estate	68,229	267,122	104,973	89,254	529,578
Consumer installment	11,987	36,252	4,386	239	52,864
Total	$ 442,010	$ 1,794,921	$ 953,737	$ 114,671	$ 3,305,339
Loans with floating interest rates:					
Commercial, financial and agricultural	$ 79,166	$ 116,546	$ 64,377	$ 1,475	$ 261,564
Commercial real estate	82,810	198,839	451,152	142,217	875,018
Consumer real estate	60,979	97,973	82,067	482,198	723,217
Consumer installment	1,298	2,858	739	9	4,904
Total	$ 224,253	$ 416,216	$ 598,335	$ 625,899	$ 1,864,703

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 at their contractual maturity. Renewal of such loans is subject to review and credit approval, as well as modification of terms upon their maturity.

Investment Securities. The investment securities portfolio is a significant component of the Company's total earning assets. Total securities averaged $1.919 billion in 2023, as compared to $2.023 billion in 2022, and $1.305 billion in 2021. This represents 27.2%, 35.5%, and 26.3% of the average earning assets for the years ended December 31, 2023, 2022 and 2021, respectively. At December 31, 2023, investment securities, including equity securities, were $1.735 billion and

represented 28.5% of earning assets. The Company attempts to maintain a portfolio of high quality, highly liquid investments with returns competitive with short-term U.S. Treasury or agency obligations. This objective is particularly important as the Company focuses on growing its loan portfolio. The Company primarily invests in securities of U.S. Treasury, U.S. Government agencies, municipals, and corporate obligations with maturities up to ten years.

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 (tax equivalent basis):

	Within One Year	After One, But Within Five Years	Maturing After Five But Within Ten Years	After Ten Years	Total
Securities held-to-maturity					
U.S. Treasury	1.48 %	1.67 %	— %	— %	1.60 %
Obligations of U.S. government agencies and sponsored entities	— %	3.49 %	3.30 %	— %	3.34 %
Tax-exempt and taxable obligations of states and municipal subdivisions	1.91 %	2.04 %	3.96 %	4.83 %	4.57 %
Mortgage-backed securities - residential	— %	— %	1.61 %	2.45 %	2.34 %
Mortgage-backed securities - commercial	— %	2.12 %	3.40 %	3.86 %	3.57 %
Corporate obligations	— %	— %	— %	3.13 %	3.13 %
Total held-to-maturity	1.62 %	2.00 %	3.71 %	4.57 %	4.18 %

Mortgage-backed securities are included in maturity categories based on their stated maturity date. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations.

Short-Term Investments. Short-term investments, consisting of Federal Funds Sold, funds due from banks and interest-bearing deposits with banks, averaged $97.2 million in 2023, $366.5 million in 2022, and $642.0 million in 2021. There were no federal funds sold at December 31, 2023, 2022, and 2021. 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 $5.428 billion, an increase of $796.9 million, or 17.2% compared to $4.631 billion in 2021.

At December 31, 2023, total deposits were $6.463 billion, compared to $5.494 billion at December 31, 2022, an increase of $968.5 million, or 17.6%, and $5.227 billion at December 31, 2021. During January 2023, deposits totaling $1.392 billion, net of purchase accounting adjustments, were acquired in the Heritage Bank acquisition. During August 2022, deposits totaling $490.6 million were acquired in the BBI acquisition. During December 2021, deposits totaling $410.2 million were acquired in the Cadence Bank branches acquisition.

As of December 31, 2023 and 2022, the Company had estimated uninsured deposits of $2.145 billion and $2.076 billion, respectively. These estimates were derived using the same methodologies and assumptions used for the Bank's regulatory reporting.

In the third quarter of 2022, the Company ceased the Deposit Reclassification program it implemented at the beginning of 2020. The program reclassified non-interest bearing and NOW deposit balances to money market accounts. A distribution of the Company's deposits showing the year-to-date average balance of deposits by type and weighted-average is presented for the noted periods in the following table. Deposits at December 31, 2021 are shown without reclassification for consistency with the current period presentation.

($ in thousands)	December 31,					
	2023		2022		2021	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Non-interest-bearing accounts	$ 2,012,935		$ 1,660,301		$ 1,366,529	
Interest bearing deposits:						
NOW accounts and other	2,017,154	1.41 %	1,810,575	0.44 %	1,529,293	0.48 %
Money market accounts	1,013,701	1.79 %	831,463	0.29 %	756,951	0.20 %
Savings accounts	606,421	0.18 %	535,449	0.04 %	440,977	0.03 %
Time deposits	904,629	2.61 %	590,385	0.58 %	537,538	0.59 %
Total interest-bearing deposits	4,541,905	1.57 %	3,767,872	0.37 %	3,264,759	0.37 %
Total deposits	$ 6,554,840	1.09 %	$ 5,428,173	0.26 %	$ 4,631,288	0.26 %

The most significant growth during 2023 compared to 2022 was in time deposits. The average cost of interest-bearing deposits and total deposits was 1.57% and 1.09% during 2023 compared to 0.37% and 0.26% in 2022. Average cost of interest bearing deposits increased 120 basis points to 1.57% at December 31, 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 0.26% during the same time period in 2022. The increase in the average cost of deposits paid on our interest-bearing deposit products in 2023 compared to 2022, is a result of higher average market interest rates. Average cost of interest-bearing deposits and total deposits remained unchanged at December 31, 2022 compared to 2021.

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 56.6% at December 31, 2021. The loan-to-deposit ratio averaged 76.8% during 2023. Core deposits, which exclude time deposits of $250,000 or more, provide a relatively stable funding source for the Company's loan portfolio and other earning assets. The Company's core deposits were $6.084 billion at December 31, 2023, $5.198 billion at December 31, 2022, and $4.504 billion at December 31, 2021.

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 in the future. The Company has purchased brokered deposits from time to time to help fund loan growth. Brokered deposits and jumbo certificates of deposit generally carry a higher interest rate than traditional core deposits. Further, brokered deposit customers typically do not have loan or other relationships with the Company. The Company has adopted a policy not to permit brokered deposits to represent more than 10% of all of the Company's deposits. The Company's brokered deposits were 1.8% of deposits at December 31, 2023.

Maturities of Certificates of Deposit of $250,000 or More

($ in thousands)	Within Three Months	After Three Through Six Months	After Six Through Twelve Months	After Twelve Months	Total
December 31, 2023	$ 103,032	$ 122,629	$ 44,767	$ 22,443	$ 292,871

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 Bank, federal funds purchased and reverse repurchase agreements. At December 31, 2023, advances from the FHLB totaled $0 compared to $130.1 million at December 31, 2022 and $0 at December 31, 2021. The advances are collateralized by a blanket lien on the first mortgage loans in the amount of the outstanding borrowings, FHLB capital stock, and amounts on deposit with the FHLB. There were no federal funds purchased at December 31, 2023, 2022, and 2021, respectively.

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 one year. The loans are secured by pledging the banks' U.S. treasuries, agency securities, agency mortgage-backed securities, and any other qualifying asset. These pledged securities will be valued at 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 BTFP and had outstanding debt of $390.0 million and pledged securities with a fair value of $362.4 million at December 31, 2023. The securities pledged have a par value of $398.1 million. The Bank's BTFP borrowings, which were drawn between March 15, 2023 and December 28, 2023, bear interest rates ranging from 4.69% to 4.83% and are set to mature one year from their issuance date.

Subordinated Debentures

On June 30, 2006, the Company issued $4.1 million of floating rate junior subordinated deferrable interest debentures to The First Bancshares Statutory Trust 2 ("Trust 2"). The debentures are the sole asset of Trust 2, and the Company is the sole owner of the common equity of Trust 2. Trust 2 issued $4.0 million of Trust Preferred Securities to investors. The Company's obligations under the debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the Trust 2's obligations under the preferred securities. The preferred securities 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 securities is the three-month term Secured Overnight Financing Rate ("SOFR") plus 1.65% plus a tenor spread adjustment of 0.026161% and is payable quarterly. The terms of the subordinated debentures are identical to those of the preferred securities.

On July 27, 2007, the Company issued $6.2 million of floating rate junior subordinated deferrable interest debentures to The First Bancshares Statutory Trust 3 ("Trust 3"). The Company owns all of the common equity of Trust 3, and the debentures are the sole asset of Trust 3. Trust 3 issued $6.0 million of Trust Preferred Securities to investors. The Company's obligations under the debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the Trust 3's obligations under the preferred securities. The preferred securities are redeemable by the Company at its option. The preferred securities must be redeemed upon maturity of the debentures in 2037. Interest on the preferred securities is the three-month term SOFR plus 1.40% plus a tenor spread adjustment of 0.026161% and is payable quarterly. The terms of the subordinated debentures are identical to those of the preferred securities.

In 2018, as a result of the acquisition of FMB Banking Corporation ("FMB"), the Company became the successor to FMB's obligations in respect of $6.2 million of floating rate junior subordinated debentures issued to FMB Capital Trust

1 ("FMB Trust"). The debentures are the sole asset of FMB Trust, and the Company is the sole owner of the common equity of FMB Trust. FMB Trust issued $6.0 million of Trust Preferred Securities to investors. The Company's obligations under the debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of FMB Trust's obligations under the preferred securities. The preferred securities issued by 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 preferred securities is the three-month term SOFR plus 2.85% plus a tenor spread adjustment of 0.026161% and is payable quarterly.

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 subordinated debentures issued to Liberty Shares Statutory Trust II ("Liberty Trust"). The debentures are the sole asset of Liberty Trust, and the Company is the sole owner of the common equity of Liberty Trust. Liberty Trust issued $10.0 million of preferred securities to an investor. The Company's obligations under the debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of 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 preferred securities must be redeemed upon maturity of the debentures in 2036. Interest on the preferred securities is the three-month term SOFR plus 1.48% plus a tenor spread adjustment of 0.026161% and is payable quarterly.

In accordance with the provisions of ASC Topic 810, Consolidation, the Trust 2, Trust 3, FMB Trust, and Liberty Trust are not included in the consolidated financial statements.

Subordinated 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 in aggregate principal amount of 5.875% fixed-to-floating rate subordinated notes due 2028 (the "Notes due 2028") and $42.0 million in aggregate principal amount of 6.40% fixed-to-floating rate subordinated notes due 2033 (the "Notes due 2033"). In May of 2023, the Company redeemed all $24.0 million of the outstanding 5.875% fixed-to-floating rate subordinated notes due 2028.

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 due 2033 are not subject to redemption at the option of the holder. Principal and interest on the Notes due 2033 are subject to acceleration only in limited circumstances. The Notes due 2033 are unsecured, subordinated 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 payment with respect to the other Notes. The Notes due 2033 have a fifteen year term, maturing May 1, 2033, and will bear interest at a fixed annual rate of 6.40%, payable quarterly in arrears, for the first ten years of 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 SOFR plus 3.39% plus a tenor spread adjustment of 0.026161%), payable quarterly in arrears. As provided in the Notes due 2033, under specified conditions the interest rate on the Notes due 2033 during the applicable 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, on any interest payment date on or after May 1, 2028, and to redeem the Notes due 2033 at any time in whole upon certain other specified events.

On September 25, 2020, The Company entered into a Subordinated Note Purchase Agreement with certain qualified institutional buyers pursuant to which the Company sold and issued $65.0 million in aggregate principal amount of its 4.25% Fixed to Floating Rate Subordinated Notes due 2030 (the "Notes due 2030"). The Notes due 2030 are unsecured and 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 of the term. Thereafter, the interest rate will reset quarterly to an interest rate per annum equal to a benchmark rate (which is expected to be the Three-Month Term SOFR plus 412.6 basis points), payable quarterly 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 determined based on a rate other than Three-Month Term SOFR. The Company is

entitled to redeem the 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 certain other specified events.

The Company had $123.4 million of subordinated debt, net of deferred issuance costs $1.6 million and unamortized fair value mark $2.1 million, at December 31, 2023, compared to $145.0 million, net of deferred issuance costs $1.9 million and unamortized fair value mark $593 thousand, at December 31, 2022. The decrease in subordinated debt was attributable to the Company's redemption of $24.0 million of its Notes due 2028 and the Company's repayment of $2.0 million of its Notes due 2030 in May of 2023, which resulted in the Company recording a $217 thousand gain on the repurchased debt. The decrease in subordinated debt was partially offset by the addition of $9.0 million, net purchase accounting adjustments, of subordinated debt that the Company acquired as part of the HSBI acquisition.

Capital

The Federal Reserve Board and bank regulatory agencies require bank holding companies and financial institutions to maintain capital at adequate levels based on a percentage of assets and off-balance sheet exposures, adjusted for risk weights ranging from 0% for U.S government and agency securities, to 600% for certain equity exposures. In November 2019, 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, capital is classified into two tiers. Tier 1 capital consists of common stockholders' equity, excluding the unrealized gain (loss) on available-for-sale securities, minus certain intangible assets. Tier 2 capital consists of the 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 its Tier 1 and Tier 2 capital. The risk-based regulatory minimum requirements are 6% for Tier 1 and 8% for total risk-based capital.

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 ratio. The minimum requirement for the leverage ratio is 4%. All but the highest rated institutions are required to maintain ratios 100 to 200 basis points above the minimum. The Company and The First exceeded their minimum regulatory capital ratios as of December 31, 2023, 2022 and 2021.

The Federal Reserve and the Federal Deposit Insurance Corporation approved final capital rules in July 2013, that substantially amended the existing capital rules for banks. These new rules reflect, in part, certain standards initially adopted by the Basel Committee on Banking Supervision in December 2010 (which standards are commonly referred to as "Basel III") 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 rules implement a new capital ratio of common equity Tier 1 capital to risk-weighted assets. Common equity Tier 1 capital generally consists of retained earnings and common stock (subject to certain adjustments) as well as accumulated other comprehensive income ("AOCI"), however, the Company exercised a one-time irrevocable option to exclude certain components of AOCI as of March 31, 2015. The Company is required to establish a "conservation buffer," consisting of a common equity Tier 1 capital amount equal to 2.5% of risk-weighted assets effective January 2019. An institution that does not meet the conservation buffer will be subject to restrictions on certain activities including payment of dividends, stock repurchases, and discretionary bonuses to executive officers.

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 requirements for the various thresholds. For example, the requirements for the Company to be considered well-capitalized under the rules include a 5.0% leverage ratio, a 6.5% common equity Tier 1 capital ratio, an 8.0% Tier 1 capital ratio, 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-weighting of certain assets, which in turn affects the calculation of the risk-weighted capital ratios. Higher risk weights are assigned to various categories of assets, including commercial real estate loans, credit facilities

that 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 in certain cases mortgage servicing rights and deferred tax assets.

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 was phased-in beginning in 2016, and took full effect on January 1, 2019. Certain calculations under the rules will also have phase-in periods. Under this guidance banking institutions with a CETI, Tier 1 Capital Ratio 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, repurchase equity and pay discretionary bonuses to executive officers, based on the amount of the shortfall.

Analysis of Capital

Capital Ratios	Adequately Capitalized	Well Capitalized	Minimum Capital Required Basel III Fully Phased In	The Company December 31,			The First December 31,		
				2023	2022	2021	2023	2022	2021
Leverage	4.0 %	5.0 %	7.0 %	9.7 %	9.3 %	9.2 %	10.7 %	11.1 %	10.8 %
Risk-based capital:									
Common equity Tier 1	4.5 %	6.5 %	7.0 %	12.1 %	12.7 %	13.7 %	13.8 %	15.6 %	16.6 %
Tier 1	6.0 %	8.0 %	8.5 %	12.5 %	13.0 %	14.1 %	13.8 %	15.6 %	16.6 %
Total	8.0 %	10.0 %	10.5 %	15.0 %	16.7 %	18.6 %	14.8 %	16.4 %	17.4 %

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 maximizing profits. Liquidity represents the ability of a company to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management is made more complicated because different balance sheet components are subject to varying degrees of management control. For example, the timing of maturities of the investment portfolio is very predictable and subject to a high degree of control at the time investment decisions are made; however, net deposit inflows and outflows are far less 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, or which will mature in the near future. Liability liquidity is provided by access to core funding sources, principally the ability to generate customer deposits in the Company's market area.

The Company's federal funds sold position, which includes funds due from banks and interest-bearing deposits with banks, is typically its primary source of liquidity. Federal funds sold averaged $97.2 million during the year ended December 31, 2023 and averaged $366.5 million at December 31, 2022. In addition, the Company has available advances from the FHLB. Advances available are generally based upon the amount of qualified first mortgage loans which can be used for collateral. At December 31, 2023, advances available totaled approximately $2.051 billion, of which $355.2 million had been drawn, or used for letters of credit.

As of December 31, 2023, the market value of unpledged debt securities plus pledged securities in excess of current pledging requirements comprised $661.8 million of the Company's investment balances, compared to $1.066 billion at December 31, 2022. Other forms of balance sheet liquidity include but are not necessarily limited to any outstanding federal funds sold and vault cash. Management believes that available investments and other potentially liquid assets, along with the

standby funding sources it has arranged, 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, 2023 was 17.6%, as compared to internal liquidity policy guidelines of 10% minimum. Other liquidity ratios reviewed include the following along with policy guidelines for the periods indicated:

	December 31, 2023	Policy Maximum	
Loans to Deposits (including FHLB advances)	79.3 %	90.0 %	In Policy
Net Non-core Funding Dependency Ratio	8.3 %	20.0 %	In Policy
Fed Funds Purchased / Total Assets	0.0 %	10.0 %	In Policy
FHLB Advances / Total Assets	0.0 %	20.0 %	In Policy
FRB Advances / Total Assets	5.0 %	10.0 %	In Policy
Pledged Securities to Total Securities	58.6 %	90.0 %	In Policy

	December 31, 2022	Policy Maximum	
Loans to Deposits (including FHLB advances)	67.9 %	90.0 %	In Policy
Net Non-core Funding Dependency Ratio	4.4 %	20.0 %	In Policy
Fed Funds Purchased / Total Assets	0.0 %	10.0 %	In Policy
FHLB Advances / Total Assets	2.0 %	20.0 %	In Policy
FRB Advances / Total Assets	0.0 %	10.0 %	In Policy
Pledged Securities to Total Securities	46.9 %	90.0 %	In Policy

	December 31, 2021	Policy Maximum	
Loans to Deposits (including FHLB advances)	55.8 %	90.0 %	In Policy
Net Non-core Funding Dependency Ratio	(14.6)%	20.0 %	In Policy
Fed Funds Purchased / Total Assets	0.0 %	10.0 %	In Policy
FHLB Advances / Total Assets	0.0 %	20.0 %	In Policy
FRB Advances / Total Assets	0.0 %	10.0 %	In Policy
Pledged Securities to Total Securities	48.5 %	90.0 %	In Policy

The holding company's primary uses of funds are ordinary operating expenses and stockholder dividends, and its primary source of funds is dividends from the Bank since the holding company does not conduct regular banking operations. Management anticipates that the Bank will have sufficient earnings to provide dividends to the holding company to meet its funding 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 asset-based liquidity and limit the total amount of purchased funds used to support the balance sheet and funding from non-core sources. As of December 31, 2023, the target federal funds rate was 5.25% to 5.50%.

On February 8, 2022, the Company announced the renewal of the 2021 Repurchase Program that previously expired on December 31, 2021. Under the renewed 2021 Repurchase Program, the Company could repurchase up to an aggregate of $30.0 million of the Company's issued and outstanding 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 2021 Repurchase Program was completed in February 2022 when the Company's repurchases under the program approached the maximum authorized amount. The Company repurchased 600,000 shares under the 2021 Repurchase Program in 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"), pursuant to which the Company could purchase up to an aggregate of $30.0 million in shares of the Company's issued and outstanding common stock during the 2022 calendar year. Under the program, the Company could, but was not required to, from time to time repurchase up $30.0 million of shares of its own common stock in any manner determined appropriate by the Company's management. The actual timing and method of any purchases, the target number of shares and the maximum price (or range of prices) under the program, was determined by management at is discretion and 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 2022 Repurchase Program expired on December 31, 2022.

The Inflation Reduction Act of 2022 signed into law in August 2022 includes a provision for an excise tax equal to 1% of the fair market value of any stock repurchased by covered corporations during a taxable year, subject to certain limits and provisions. The excise tax is effective beginning in fiscal year 2023. While we may complete 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"), pursuant to which the Company may purchase up to an aggregate of $50.0 million in shares of the Company's issued and outstanding common stock during the 2023 calendar year. Under the program, the Company 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's management. The actual timing and method of any purchases, the target number of shares and the maximum price (or range of prices) under the program, will be determined by management at is discretion and 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 2023 Repurchase Program expired on December 31, 2023.

On February 28, 2024, the Company announced that its Board of Directors has authorized a new share repurchase program (the "2024 Repurchase Program"), pursuant to which the Company may purchase up to an aggregate of $50.0 million in shares of the Company's issued and outstanding common stock during the 2024 calendar year. Under the program, the Company 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's management. The actual timing and method of any purchases, the target number of shares and the maximum price (or range of prices) under the program, will be determined by management at is discretion and 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 2024 Repurchase Program will expire on December 31, 2024.

Commitments and Contractual Obligations

The following table presents, as of December 31, 2023, fixed and determinable contractual obligations to third parties by payment date. Amounts in the table do not include accrued or accruing interest. Payments related to leases are based on actual payments specified in the underlying contracts. Further discussion of the nature of each obligation is included in the referenced note to the consolidated financial statements included elsewhere in this Form 10-K.

($ in thousands)	Note Reference	Within One Year	After One But Within Three Years	After Three But Within Five Years	After Five Years	Total
Deposits without a stated maturity	G	$ 5,387,116	$ —	$ —	$ —	$ 5,387,116
Time deposits	G	971,259	73,460	22,510	8,527	1,075,756
Borrowings	H	390,000	—	—	—	390,000
Lease obligations	I	1,240	2,225	1,825	2,999	8,289
Trust preferred subordinated debentures	N	—	—	—	25,016	25,016
Subordinated note purchase agreement	N	—	—	—	98,370	98,370
Total Contractual obligations		$ 6,749,615	$ 75,685	$ 24,335	$ 134,912	$ 6,984,547

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 included elsewhere in this report. This information is incorporated herein by reference.

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 financial instruments, nor does it have exposure to currency exchange rates. Our market risk exposure is primarily that of interest rate risk, and we have established policies and procedures to monitor and limit our 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 balance sheet in a manner that will optimize the risk/reward equation for earnings and capital under a variety of interest rate scenarios.

To identify areas of potential exposure to interest rate changes, we utilize commercially available modeling software to perform earnings simulations and calculate the Company's market value of portfolio equity under varying interest rate scenarios every month. The model imports relevant information for the Company's financial instruments and incorporates management's assumptions on pricing, duration, and optionality for anticipated new volumes. Various rate scenarios consisting of key rate and yield curve projections are then applied in order to calculate the expected effect of a given interest rate change on interest income, interest expense, and the value of the Company's financial instruments. The rate projections can be 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), economic (based on current trends and econometric models) or stable (unchanged from current actual levels).

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, and downward shocks of 100, and 200 basis points. Pursuant to policy guidelines, we typically attempt to limit the projected decline in net interest income relative to the stable rate scenario to no more than 5% for a 100-basis point (bp) interest rate shock, 10% for a 200 bp shock, 15% for a 300 bp shock, and 20% for a 400 bp shock. As of December 31, 2023, the Company had the following estimated net interest income, without factoring in any potential negative impact on spreads resulting from competitive pressures or credit quality deterioration:

December 31, 2023	Net Interest Income at Risk – Sensitivity Year 1						
($ in thousands)	-200 bp	-100 bp	STATIC	+100 bp	+200 bp	+300 bp	+400 bp
Net Interest Income	236,936	232,589	231,521	233,208	226,151	210,556	187,595
Dollar Change	5,415	1,068		1,687	(5,370)	(20,965)	(43,926)
NII @ Risk - Sensitivity Year 1	2.3 %	0.5 %		0.7 %	(2.3)%	(9.1)%	(19.0)%

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 next twelve months would likely be approximately $5.4 million higher than in a stable interest rate scenario, for a variance of 2.3%.

Net interest income would likely decrease by $5.4 million, or (2.3)%, if interest rates were to increase by 200 basis points relative to a stable interest rate scenario. The initial increase in rising rate scenarios will be limited to some extent by the fact that some of our variable-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 a material upward shift in the yield curve.

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. The Company is considered "asset-sensitive" which means that there are more assets repricing than liabilities within the first year.

In addition to the net interest income simulations shown above, we run stress scenarios modeling the possibility of no balance sheet growth, the potential runoff of core deposits which flowed into the Company in the most recent economic cycle, and potential unfavorable movement in deposit rates relative to yields on earning assets. Even though net interest income will naturally 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 changes noted above for our standard projections. When a greater level of non-maturity deposit runoff is assumed or unfavorable deposit rate changes are factored into the model, projected net interest income in declining rate and flat rate scenarios does not change materially relative to standard growth projections. However, the benefit we would otherwise experience in rising rate scenarios is minimized and net interest income remains relatively flat.

The economic value (or "fair value") of financial instruments on the Company's balance sheet will also vary under the interest rate scenarios previously discussed. The difference between the projected fair value of the Company's financial assets and the fair value of its financial liabilities is referred to as the economic value of equity ("EVE"), and changes in EVE under 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 by discounting projected cash flows (principal and interest) at projected replacement interest rates for each account type, while the fair value of non-financial accounts is assumed to equal their book value for all rate scenarios. An economic value simulation is a static measure utilizing balance sheet accounts at a given point in time, and the measurement can change substantially over time as the characteristics of the Company's balance sheet evolve and interest rate and yield curve assumptions are updated.

The change in economic value under different interest rate scenarios depends on the characteristics of each class of financial instrument, including stated interest rates or spreads relative to current or projected market-level interest rates or spreads, the likelihood of principal prepayments, whether contractual interest rates are fixed or floating, and the average remaining time to maturity. As a general rule, fixed-rate financial assets become more valuable in declining rate scenarios and less valuable in rising rate scenarios, while fixed-rate financial liabilities gain in value as interest rates rise and lose value as interest rates decline. The longer the duration of the financial instrument, the greater the impact a rate change will have on its value. In our economic value simulations, estimated prepayments are factored in for financial instruments with stated maturity dates, and decay rates for non-maturity deposits are projected based on historical patterns and management's best estimates. The table below shows estimated changes in the Company's EVE as of the periods indicated under different interest rate scenarios relative to a base case of current interest rates:

	December 31, 2023 - Balance Sheet Shock						
($ in thousands)	**-200 bp**	**-100 bp**	**STATIC (Base)**	**+100 bp**	**+200 bp**	**+300 bp**	**+400 bp**
Market Value of Equity	1,286,790	1,321,286	1,354,363	1,362,597	1,327,813	1,263,361	1,187,080
Change in EVE from base	(67,573)	(33,077)		8,234	(26,550)	(91,002)	(167,283)
% Change	(5.0)%	(2.4)%		0.6 %	(2.0)%	(6.7)%	(12.4)%
Policy Limits	(20.0)%	(10.0)%		(10.0)%	(20.0)%	(30.0)%	(40.0)%

	December 31, 2022 - Balance Sheet Shock						
($ in thousands)	**-200 bp**	**-100 bp**	**STATIC (Base)**	**+100 bp**	**+200 bp**	**+300 bp**	**+400 bp**
Market Value of Equity	1,366,982	1,410,341	1,397,164	1,366,639	1,316,226	1,248,624	1,165,069
Change in EVE from base	(30,182)	13,177		(30,525)	(80,938)	(148,540)	(232,095)
% Change	(2.2)%	0.9 %		(2.2)%	(5.8)%	(10.6)%	(16.6)%
Policy Limits	(20.0)%	(10.0)%		(10.0)%	(20.0)%	(30.0)%	(40.0)%

We also run stress scenarios for EVE to simulate the possibility of higher loan prepayment rates, unfavorable changes in deposit rates, and higher deposit decay rates. Model results are highly sensitive to changes in assumed decay rates for non-maturity deposits, in particular.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

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, 2023 and 2022, the related consolidated statements of income, comprehensive income (loss), stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

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, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 29, 2024, expressed an unqualified opinion thereon.

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 audits.

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 applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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 that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating 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 Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. 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 matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate.

Allowance for Credit Losses

The Company's loan portfolio totaled $5.17 billion as of December 31, 2023, and the allowance for credit losses on loans was $54 million. The Company's unfunded loan commitments totaled $866 million, with an allowance for credit loss of $2.1 million. Together these amounts represent the allowance for 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 losses as of the balance sheet date, for existing financial instruments held at amortized cost, and off-balance sheet exposures, such as unfunded loan commitments, letters of credit and other financial guarantees that are not unconditionally cancellable by the Company.

The determination of the ACL requires management to exercise significant judgment and consider numerous subjective factors, including determining qualitative factors utilized to adjust historical loss rates, loan credit risk grading and identifying loans requiring individual evaluation among others. As disclosed by management, different assumptions and conditions could result in a materially different 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 estimates, such as evaluating management's identification of credit quality indicators, grouping of loans determined to be similar into pools, estimating the remaining life of loans in a pool, assessment of economic conditions and other environmental factors, evaluating the adequacy of specific allowances associated with individually evaluated loans and assessing the appropriateness of loan credit risk grades.

The primary procedures we performed as of 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;

- 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 Heritage Southeast Bancorporation, Inc. and its wholly-owned subsidiary, Heritage Bank, resulting in goodwill of approximately $91.9 million being recognized on the Company's consolidated balance sheet. As part of the acquisition, management assessed that the acquisition qualified as a business combination and all identifiable assets and liabilities acquired were valued at fair value as part of the purchase price allocation as of the acquisition date. The identification and valuation of such acquired assets and assumed liabilities requires management to exercise significant 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 and other acquisition-related considerations involved a high degree of subjectivity in evaluating management's fair value estimates and purchase price allocations.

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 an acquisition of a business as defined within the ASC 805, *Business Combinations*, framework;

- Assessed the completeness and accuracy of management's purchase accounting model, including the balance sheet acquired and related fair value purchase price allocations made to identified assets acquired and liabilities assumed;

- Obtained and evaluated significant outside vendor valuation estimates, and challenging management's review of the appropriateness of the valuations including but not limited to, testing critical inputs, assumptions applied and valuation models utilized by the outside vendors;

- 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

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

Jackson, Mississippi
February 29, 2024

THE FIRST BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
($ in thousands except per share data)

	2023	2022
ASSETS		
Cash and due from banks	$ 224,199	$ 67,176
Interest-bearing deposits with banks	130,948	78,139
Total cash and cash equivalents	355,147	145,315
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)	1,042,365	1,257,101
Securities held to maturity, net of allowance for credit losses of $0 (fair value: $615,944 - 2023; $642,097 - 2022)	654,539	691,484
Other securities	37,754	33,944
Total securities	1,734,658	1,982,529
Loans held for sale	2,914	4,443
Loans, net of ACL of $54,032 in 2023 and $38,917 in 2022	5,116,010	3,735,240
Interest receivable	33,300	27,723
Premises and equipment	174,309	143,518
Operating lease right-of-use assets	6,387	7,620
Finance lease right-of-use assets	1,466	1,930
Cash surrender value of life insurance	134,249	95,571
Goodwill	272,520	180,254
Other real estate owned	8,320	4,832
Other assets	160,065	132,742
Total assets	$ 7,999,345	$ 6,461,717
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing	$ 1,849,013	$ 1,630,203
Interest-bearing	4,613,859	3,864,201
Total deposits	6,462,872	5,494,404
Interest payable	22,702	3,324
Borrowed funds	390,000	130,100
Subordinated debentures	123,386	145,027
Operating lease liabilities	6,550	7,810
Finance lease liabilities	1,739	1,918
Allowance for credit losses on off-balance sheet credit exposures	2,075	1,325
Other liabilities	40,987	31,146
Total liabilities	7,050,311	5,815,054
Stockholders' Equity:		
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	32,339	25,275
Additional paid-in capital	775,232	558,833
Retained earnings	300,150	252,623
Accumulated other comprehensive (loss) income	(117,576)	(148,957)
Treasury stock, at cost (1,249,607 shares - 2023; 1,249,607 shares - 2022)	(41,111)	(41,111)
Total stockholders' equity	949,034	646,663
Total liabilities and stockholders' equity	$ 7,999,345	$ 6,461,717

The accompanying notes are an integral part of these statements.

THE FIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021
($ in thousands, except per share amount)

	2023	2022	2021
INTEREST INCOME			
Interest and fees on loans	$ 294,541	$ 157,768	$ 151,203
Interest and dividends on securities:			
Taxable interest and dividends	32,202	29,656	16,685
Tax-exempt interest	11,737	11,017	7,721
Interest on deposits in banks	2,453	1,952	1,136
Total interest income	340,933	200,393	176,745
INTEREST EXPENSE			
Interest on deposits	71,359	13,978	12,062
Interest on borrowed funds	20,249	8,599	7,619
Total interest expense	91,608	22,577	19,681
Net interest income	249,325	177,816	157,064
Provision for credit losses, LHFI	13,750	5,350	(1,456)
Provision for credit losses, OBSC exposures	750	255	352
Net interest income after provision for credit losses	234,825	172,211	158,168
NON-INTEREST INCOME			
Service charges on deposit accounts	14,175	8,668	7,264
Other service charges and fees	3,177	1,833	1,508
Interchange fees	18,914	12,702	11,562
Secondary market mortgage income	2,866	4,303	8,823
Bank owned life insurance income	3,319	2,101	1,955
BOLI death proceeds	—	1,630	—
Gain (loss) on sale of premises	35	(116)	(264)
Securities (loss) gain	(9,716)	(82)	143
Gain (loss) on sale of other real estate	6	214	(300)
Government awards/grants	6,197	873	1,826
Bargain purchase gain	—	281	1,300
Other	7,732	4,554	3,656
Total non-interest income	46,705	36,961	37,473
NON-INTEREST EXPENSE			
Salaries	76,609	57,903	53,371
Employee benefits	16,803	15,174	12,485
Occupancy	17,381	12,854	12,713
Furniture and equipment	3,987	2,981	2,848
Supplies and printing	1,240	967	903
Professional and consulting fees	6,446	3,558	4,035
Marketing and public relations	833	393	615
FDIC and OCC assessments	3,849	2,122	2,074
ATM expense	5,821	3,873	3,623
Bank communications	3,579	1,904	1,754
Data processing	2,771	2,211	1,578
Acquisition expense/charter conversion	9,075	6,410	1,607
Other	36,332	20,133	16,953
Total non-interest expense	184,726	130,483	114,559

THE FIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021
($ in thousands, except per share amount)

Continued:

	2023	2022	2021
Income before income taxes	$ 96,804	$ 78,689	$ 81,082
Income taxes	21,347	15,770	16,915
Net income available to common stockholders	$ 75,457	$ 62,919	$ 64,167
Earnings per share:			
Basic	$ 2.41	$ 2.86	$ 3.05
Diluted	2.39	2.84	3.03

The accompanying notes are an integral part of these statements.

THE FIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

($ in thousands)	**2023**	**2022**	**2021**
Net income	$ 75,457	$ 62,919	$ 64,167
Other comprehensive income (loss):			
Unrealized holding gain/(loss) arising during the period on available-for-sale securities	31,921	(173,428)	(23,738)
Net unrealized loss at time of transfer on securities available-for-sale transferred to held-to-maturity	—	(36,838)	—
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	372	97	—
Reclassification adjustment for loss/(gains) included in net income	9,716	82	(143)
Unrealized holding gain/(loss) arising during the period on available-for-sale securities	42,009	(210,087)	(23,881)
Income tax (expense) benefit	(10,628)	53,152	6,043
Other comprehensive income (loss)	31,381	(156,935)	(17,838)
Comprehensive income (loss)	$ 106,838	$ (94,016)	$ 46,329

The accompanying notes are an integral part of these statements.

THE FIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023
($ in thousands except per share amount)

	Common Stock				Accumulated Other Comprehensive Income (Loss)	Treasury Stock		
	Shares	Amount	Additional Paid-in Capital	Retained Earnings		Shares	Amount	Total
Balance, January 1, 2021	21,598,993	$ 21,599	$ 456,919	$ 154,241	$ 25,816	(483,984)	$ (13,760)	$ 644,815
Net income, 2021	—	—	—	64,167	—			64,167
Common stock repurchased	—	—	—	—	—	(165,623)	(5,171)	(5,171)
Other comprehensive loss	—	—	—	—	(17,838)	—	—	(17,838)
Dividend on common stock, $.58 per common share	—	—	—	(12,180)	—	—	—	(12,180)
Issuance restricted stock grant	93,578	94	(94)	—	—	—	—	—
Restricted stock grant forfeited	(2,021)	(2)	2	—	—	—	—	—
Compensation expense	—	—	3,100	—	—	—	—	3,100
Repurchase of restricted stock for payment of taxes	(21,906)	(22)	(699)	—	—	—	—	(721)
Balance, December 31, 2021	21,668,644	$ 21,669	$ 459,228	$ 206,228	$ 7,978	(649,607)	$ (18,931)	$ 676,172
Net income, 2022	—	—	—	62,919	—	—	—	62,919
Common stock repurchased	—	—	—	—	—	(600,000)	(22,180)	(22,180)
Other comprehensive loss	—	—	—	—	(156,935)	—	—	(156,935)
Dividend on common stock, $.74 per common share	—	—	—	(16,524)	—	—	—	(16,524)
Issuance of common shares for BBI acquisition	3,498,936	3,499	97,970	—	—	—	—	101,469
Issuance restricted stock grant	129,950	130	(130)	—	—	—	—	—
Restricted stock grant forfeited	(2,500)	(3)	3	—	—	—	—	—
Compensation expense	—	—	2,425	—	—	—	—	2,425
Repurchase of restricted stock for payment of taxes	(19,661)	(20)	(663)	—	—	—	—	(683)
Balance, December 31, 2022	25,275,369	$ 25,275	$ 558,833	$ 252,623	$ (148,957)	(1,249,607)	$ (41,111)	$ 646,663
Net income, 2023	—	—	—	75,457	—	—	—	75,457
Other comprehensive income	—	—	—	—	31,381	—	—	31,381
Dividend on common stock, $.90 per common share	—	—	—	(27,930)	—	—	—	(27,930)
Issuance of common shares for HSBI acquisition	6,920,422	6,920	214,602	—	—	—	—	221,522
Issuance restricted stock grant	167,173	167	(167)	—	—	—	—	—
Restricted stock grant forfeited	(12,194)	(12)	12	—	—	—	—	—
Compensation expense	—	—	2,302	—	—	—	—	2,302
Repurchase of restricted stock for payment of taxes	(11,787)	(11)	(350)	—	—	—	—	(361)
Balance, December 31, 2023	32,338,983	$ 32,339	$ 775,232	$ 300,150	$ (117,576)	(1,249,607)	$ (41,111)	$ 949,034

See Notes to Consolidated Financial Statements

THE FIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

($ in thousands)	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 75,457	$ 62,919	$ 64,167
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12,099	12,173	13,792
FHLB stock dividends	(355)	(28)	(27)
Provision for credit losses	14,500	5,605	(1,104)
Deferred income taxes	7,006	940	1,739
Restricted stock expense	2,302	2,425	3,100
Increase in cash value of life insurance	(3,319)	(2,101)	(1,955)
Amortization and accretion, net, related to acquisitions	(4,432)	1,706	(30)
Bank premises and equipment loss/(gain)	(35)	116	264
Acquisition gain	—	(281)	(1,300)
Securities loss (gain)	9,716	82	(143)
Loss on sale/writedown of other real estate	774	159	815
Residential loans originated and held for sale	(91,786)	(152,776)	(230,456)
Proceeds from sale of residential loans held for sale	93,315	156,011	244,210
Changes in:			
Interest receivable	(1,228)	(2,987)	3,218
Other assets	16,086	(45,692)	(1,056)
Interest payable	19,378	1,613	(463)
Operating lease liability	(1,260)	(1,306)	(1,839)
Other liabilities	(39,710)	51,449	2,783
Net cash provided by operating activities	108,508	90,027	95,715
CASH FLOWS FROM INVESTING ACTIVITIES			
Available-for-sale securities:			
Sales	285,793	21,069	—
Maturities, prepayments, and calls	132,919	197,417	229,091
Purchases	(8,473)	(6,500)	(988,536)
Held-to-maturity securities:			
Maturities, prepayments, and calls	40,469	474	—
Purchases	—	(602,718)	—
Purchases of other securities	(17,094)	(11,444)	—
Proceeds from redemption of other securities	14,466	1,237	5,276
Net (increase)/decrease in loans	(227,896)	(326,113)	202,194
Net changes to premises and equipment	(3,688)	(15,522)	(7,125)
Bank-owned life insurance - death proceeds	221	1,630	—
Purchase of bank owned life insurance	—	—	(11,733)
Proceeds from sale of other real estate owned	3,069	8,930	4,562
Proceeds from sale of land	1,416	712	—
Cash received in excess of cash paid for acquisition	106,793	23,939	358,916
Net cash provided by (used in) investing activities	327,995	(706,889)	(207,355)

THE FIRST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

Continued:

	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in deposits	(427,481)	(223,322)	601,575
Proceeds from borrowed funds	7,600,043	2,055,401	—
Repayment of borrowed funds	(7,340,143)	(1,950,301)	(114,647)
Dividends paid on common stock	(27,550)	(16,275)	(11,991)
Cash paid to repurchase common stock	—	(22,180)	(5,171)
Repurchase of restricted stock for payment of taxes	(361)	(683)	(721)
Principal payment on finance lease liabilities	(179)	(176)	(187)
Payment on subordinated debt issuance costs	—	—	(59)
Called/repayment of subordinated debt	(31,000)	—	—
Net cash (used in) provided by financing activities	(226,671)	(157,536)	468,799
Net change in cash and cash equivalents	209,832	(774,398)	357,159
Cash and cash equivalents at beginning of year	145,315	919,713	562,554
Cash and cash equivalents at end of year	$ 355,147	$ 145,315	$ 919,713
Supplemental disclosures:			
Cash paid during the year for:			
Interest	$ 51,101	$ 16,932	$ 16,368
Income taxes, net of refunds	16,084	7,194	15,717
Non-cash activities:			
Transfers of loans to other real estate	6,602	2,560	2,143
Transfer of securities available-for-sale to held-to-maturity	—	139,598	—
Issuance of restricted stock grants	168	130	94
Stock issued in connection with BBI acquisition	—	101,469	—
Stock issued in connection with HSBI acquisition	221,522	—	—
Dividends on restricted stock grants	380	249	189
Right-of-use assets obtained in exchange for operating lease liabilities	817	2,698	168
Lease liabilities arising from BBI acquisition	—	3,390	—
Lease liabilities arising from HSBI acquisition	184	—	—

The accompanying notes are an integral part of these statements.

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 Bank (the "Bank"), formerly known as The First, A National Banking Association. The Bank provides a full range of banking services in its primary market area of Mississippi, Louisiana, Alabama, Florida, and Georgia. 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 Consumer Finance, and was previously subject to the regulation of the OCC.

On January 15, 2022, the Bank, 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 a member of the Federal Reserve System through the Federal Reserve Bank of Atlanta. The charter conversion and name change are 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 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 provided for a variety of general corporate purposes, including financing for commercial and industrial projects, income producing commercial real estate, owner-occupied real estate and construction and land development. 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 certificate of deposit and individual retirement accounts. In addition, the Company provides consumers with installment and real estate loans and lines of credit.

Mortgage Banking - The Company provides residential mortgage banking services, including construction financing, for conventional and government insured home loans to be sold in the secondary market.

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 within the banking industry.

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 in consolidation.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, acquisition accounting, intangible assets, deferred tax assets, and 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. Any decision to sell a security classified as available-for-sale would be based on various factors, including movements in interest rates, liquidity needs, security risk assessments, changes in the mix of assets and liabilities and other similar factors. These securities are carried at their estimated fair value, and the net unrealized gain or loss is reported as component of accumulated other comprehensive income (loss), net of tax, in stockholders' equity, until realized. Premiums and discounts are recognized in interest income using the interest method. The Company evaluates all 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.* Gains and losses on the sale of available-for-sale securities are determined using the adjusted cost of the specific security sold. AFS 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. Accrued interest for a security placed on nonaccrual is reversed against interest income. There was no accrued interest related to AFS securities reversed against interest income for the years ended December 31, 2023, 2022, and 2021.

Allowance for Credit Losses – Available-for-Sale Securities

For AFS debt securities in an unrealized loss position, the Company first assesses 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 the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For securities that do not meet these criteria, the Company evaluates whether the 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 amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. 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 as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectability of a security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

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 carried at cost adjusted for amortization of premiums and accretion of discounts, computed by the interest method. Gain and losses on the sales are determined using the adjusted cost of the specific security sold. HTM 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. Accrued interest for a security placed on nonaccrual is reversed against interest income. There was no accrued interest related to HTM securities reversed against interest income for the years ended December 31, 2023, 2022, and 2021.

Allowance for Credit Losses – Held-to-Maturity Securities

Management measures expected credit losses on HTM debt securities on a pooled basis. That is, for pools of such securities with common risk characteristics, the historical lifetime probability of default and severity of loss in the event of default is derived or obtained from external sources and adjusted for the expected effects of reasonable and supportable forecasts over the expected lives of the securities.

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 are individually measured based on net realizable value, of the difference between the discounted value of the expected future cash flows, based on the original effective interest rate, and the recorded amortized cost basis of the security.

Loss forecasts for HTM debt securities utilize Moody's municipal and corporate database, based on a scenario-conditioned probability of default and loss rate platform. The core of the stressed default probabilities and loss rates is based on the methodological relationship between key macroeconomic risk factors and historical defaults over nearly 50 years. Loss forecasts for structured HTM securities utilize VeriBanc's Estimated CAMELS Rating and the Modified Texas Ratio for each piece of underlying collateral and are applied to Intex models for the underlying assets cashflow resulting in collateral cashflow forecasts. These securities are assumed not to share similar risk characteristics due to the heterogeneous nature of the underlying collateral. As a result of this evaluation, management determined that the expected credit losses associated with these securities is not significant for financial reporting purposes and therefore, no allowance for credit losses has been recognized during the years ended December 31, 2023 and 2022.

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, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. There were no equity securities at 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. Management reviews for impairment based on the ultimate recoverability of the cost basis.

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 because their ownership is restricted and lacks marketability. The common stock is carried at cost and evaluated for impairment. The Company's investment in member bank stock is included in other securities in the accompanying consolidated balance sheets. Management reviews for impairment based on the ultimate recoverability of the cost basis. No impairment was noted for the years ended December 31, 2023, 2022 and 2021.

Interest Income

Interest income includes amortization of purchase premiums or discounts. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where

prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification 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 for a security placed in nonaccrual is reversed against 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 and concurrently "locks in" with a secondary market investor under a best efforts delivery mechanism. Such loans are sold without the mortgage servicing rights being retained by the Bank. The terms of the loan are 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 service release fees upon the sale, which are included in other income on loans in the consolidated statements of income. Between the initial funding of the loans by the Bank and the subsequent purchase by the investor, the Bank carries the loans held for sale at fair value in the aggregate as determined by the outstanding commitments from investors.

Loans Held for Investment (LHFI)

LHFI 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, net of the allowance for credit losses, unearned income, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Interest income on loans 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 in the unpaid principal balance. Loan origination fees and certain direct origination costs are deferred and recognized as an adjustment of the related loan yield using the interest method. Premiums and discounts on purchased loans not deemed purchase credit deteriorated are deferred and amortized as a level yield adjustment over the respective term of the loan.

Under ASC 326-20-30-2, if the Bank determines that a loan does not share risk characteristics with its other financial assets, the Bank shall evaluate the financial asset for expected credit losses on an individual basis. Factors considered by management in determining impairment include payment status, collateral values, and the probability of collecting scheduled payments of principal and interest when due. Generally, impairment is measured on a loan by loan basis using the fair value of the supporting collateral.

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 or when specifically determined to be impaired unless the loan is well-secured and in the process of collection. When a loan is placed on nonaccrual status, interest accrued but not received is generally reversed against interest income. If collectability is in doubt, cash receipts on nonaccrual loans are used to reduce principal rather than recorded in interest income. Past due status is determined based upon contractual terms. Loans are returned to accrual status when the obligation is brought current or has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

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 information, from internal and external sources, about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environment conditions, such as changes in unemployment rates, property values, or other relevant factors. Management may selectively apply external market data to subjectively adjust the Company's own loss history including index or peer data. Expected losses are estimated over the contractual term of the

loans, adjusted for expected prepayments. The contractual term excludes expected extensions, renewals, and modifications. Loans are 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. Expected recoveries amounts may not exceed the aggregate of amounts previously charged-off.

The ACL is measured on a collective basis when similar risk characteristics exist. Generally, collectively assessed loans are grouped by call code (segments). Segmenting loans by call code will group loans that contain similar types of collateral, purposes, and are usually structured with similar terms making each loan's risk profile very similar to the rest in that segment. 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 Installment. In accordance with the guidance in ASC 326, the Company redefined its LHFI portfolio segments and related loan classes based on the level at which risk is monitored within the ACL methodology. Construction loans for 1-4 family residential properties with a call code 1A1, and other construction, all land development and other land loans with a call code 1A2 were previously separated between the Commercial Real Estate or Consumer Real Estate bands based on loan type code. Under our ASC 326 methodology 1A1 loans are all defined as part of 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 defaulted. A default is defined as a loan that has moved to past due 90 days and greater, nonaccrual status, or experienced a charge-off during the period. The model observes loans over a 12-month window, detecting 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 then repeated for all dates within the historical data range. These averaged PDs are used for an immediate reversion back to the historical mean. The historical data used to calculate this input was captured by the Company 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 also includes a 24-month forecasted PD based on a regression model that calculated a comparison of the Company's historical loan data to various national economic metrics during the same periods. The results showed the Company's past losses having a high rate of correlation to unemployment, both regionally and nationally. Using this information, along with the most recently published Wall Street Journal survey of sixty economists' forecasts predicting unemployment rates out over the next eight quarters, a corresponding future PD can be calculated for the forward-looking 24-month period. 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 forecast period, PD rates revert to the historical mean of the entire data set.

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 aggregated to get a total for each segment of loans. The aggregate loss amount is divided by the exposure at default to determine an LGD rate. Defaults occurring during the lookback period are included in 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 a minimum of five past defaults in a loan segment, or less than 15.0% calculated LGD rate, or the total balance at default is less than 1% of the balance in the respective call code as of the model run date, a proxy index is 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 vendor also provides a "crisis" index derived from loss data between the post-recessionary years of 2008-2013 that the Company uses.

The model then uses these inputs in a non-discounted version of discounted cash flow ("DCF") methodology to calculate the quantitative portion of estimated losses. The model creates loan level amortization schedules that detail out the expected monthly payments for a loan including estimated prepayments and payoffs. These expected cash flows are discounted back to 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 changes in portfolio volume and composition, underwriting practices, and levels of past due loans, nonaccruals and classified assets along with other external information not used in the

quantitative calculation 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 any other loan segments. The Company's process for determining which loans require specific evaluation follows the standard and is two-fold. All non-performing loans, including nonaccrual loans and loans considered to be purchased credit deteriorated ("PCD"), are evaluated to determine if they meet the definition of collateral dependent under the new standard. These are loans where no more payments are expected from the borrower, and foreclosure or some other collection action is probable. Secondly, all non-performing loans that are not considered to be collateral dependent but 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 characteristic to substandard loans in the related segment.

The Company adopted ASU No. 2022-02 effective January 1, 2023. These amendments eliminate the TDR recognition and measurement guidance and enhanced disclosures for loan modifications to borrowers experiencing financial difficulty.

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: (1) the borrower is experiencing financial difficulty and (2) the restructuring constitutes a concession. Concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. 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 PCD loans are recorded at the amount paid. It is the Company's policy that a loan meets this definition if it is adversely risk rated as Non-Pass (Special Mention, Substandard, Doubtful or Loss) including nonaccrual. An allowance for credit losses is determined using the same methodology as other loans held for investment. The initial allowance for credit losses determined on a collective basis is allocated to individual loans. The sum of the loan's purchase price and allowance for credit losses becomes its initial amortized cost basis. The 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. Subsequent changes to the allowance for credit losses are recorded through provision expense.

The Company continues to maintain segments of loans that were previously accounted for under ASC 310-30 *Accounting for Purchased Loans with Deteriorated Credit Quality* and will continue to account for these segments as a unit of account unless the loan is collateral dependent. PCD loans that are collateral dependent will be 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 for credit losses was determined for each segment and added to the band's carrying amount to establish a new amortized cost basis. The difference between the unpaid principal balance of the segment and the new 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 allowance for credit losses after adoption are recorded through provision expense.

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 of the assets using the straight-line method. Repairs and maintenance expenditures are charged to operating expenses; major expenditures for renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and any gains or losses are included in operations. Building and related components are depreciated using the straight-line method with useful lives ranging from 10 to 39 years. Furniture, fixtures, and 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 to sell when acquired, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or 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. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operation costs after acquisition are expensed. Any write-down to fair value required at the time of foreclosure is charged to the allowance for credit losses. Subsequent gains or losses on other real estate are reported in other operating income or expenses. At December 31, 2023 and 2022, other real estate owned totaled $8.3 million and $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 any noncontrolling interests in the acquiree, over the fair value of any net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized but tested for impairment at least annually or more frequently if events and circumstances exists that indicate that a goodwill impairment test should be performed. The Company will perform a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that is more likely than not 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 value, then goodwill is tested further for impairment. The goodwill impairment loss, if any, is measured as the amount by which the carrying amount of the reporting unit, including goodwill, exceeds its fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements. The Commercial/Retail Bank segment of the Company is the only reporting unit for which the goodwill analysis is prepared. Intangible assets with a finite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible assets with an indefinite life on our balance sheet.

The change in goodwill during the year is as follows:

($ in thousands)	2023	2022	2021
Beginning of year	$ 180,254	$ 156,663	$ 156,944
Acquired goodwill and provisional adjustments	92,266	23,591	(281)
End of year	$ 272,520	$ 180,254	$ 156,663

Other intangible assets consist of core deposit and acquired customer relationship intangible assets arising from whole bank and branch acquisitions and are amortized on a straight-line basis over a 10-year average life. Such assets are periodically evaluated as to the recoverability of carrying values. The definite-lived intangible assets had the following carrying values at December 31, 2023 and 2022:

($ in thousands)

2023	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles	$ 99,071	$ (30,259)	$ 68,812
2022			
Core deposit intangibles	$ 55,332	$ (20,696)	$ 34,636

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

($ in thousands)	Amount
Aggregate amortization expense for the year ended December 31:	
2021	$ 4,137
2022	4,664
2023	9,563

	Amount
Estimated amortization expense for the year ending December 31:	
2024	$ 9,533
2025	9,518
2026	9,518
2027	9,185
2028	8,193
Thereafter	22,865
Total amortization expense	$ 68,812

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. The Company is the owner of the policies and, accordingly, the cash surrender value of the policies is reported as an asset, and increases in cash surrender values are reported as income.

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 liabilities.

Restricted Stock

The Company accounts for stock-based compensation in accordance with ASC Topic 718, *Compensation - Stock Compensation*. Compensation cost is recognized for all restricted stock granted based on the weighted average fair value stock price at the grant date.

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 amounts determined to be payable.

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently payable plus deferred taxes related primarily to differences between the bases of assets and liabilities as measured by income tax laws and their bases as reported in the financial statements. The deferred tax assets and liabilities

represent the 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, in tax returns. ASC Topic 740 requires an evaluation of tax positions to determine if the tax positions will more likely than not be sustainable upon examination by the appropriate taxing authority. The Company, at December 31, 2023 and 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, 2023, 2022 and 2021, was $833 thousand, $393 thousand, and $391 thousand, respectively.

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 identified as "restricted cash" related to the Company's back-to-back SWAP transactions. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions, and 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, credit card lines and standby letters of credit. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded in the 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 expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Company. 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 expected credit losses on commitments expected to be funded over its estimated life. Expected credit losses related to OBSC exposures are presented as a liability.

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 and presented, if applicable. Basic per share data is calculated based on the weighted-average number of common shares outstanding during the reporting period. Diluted per share data includes any dilution from securities that may be converted into common stock, such as outstanding restricted stock. There were no anti-dilutive common stock equivalents excluded in the calculations.

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

($ in thousands, except per share amount)

December 31, 2023	Net Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
Basic per common share	$ 75,457	31,373,718	$ 2.41
Effect of dilutive shares:			
Restricted Stock	—	192,073	
	$ 75,457	31,565,791	$ 2.39
December 31, 2022			
Basic per common share	$ 62,919	22,023,595	$ 2.86
Effect of dilutive shares:			
Restricted Stock	—	141,930	
	$ 62,919	22,165,525	$ 2.84
December 31, 2021			
Basic per common share	$ 64,167	21,017,189	$ 3.05
Effect of dilutive shares:			
Restricted Stock	—	149,520	
	$ 64,167	21,166,709	$ 3.03

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 of accounting requires an acquirer to recognize the assets acquired and the liabilities assumed at the acquisition date measured at their fair values as of that date. To determine the fair values, the Company relies on third party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques. Under the acquisition method of accounting, the Company identifies the acquirer and the closing date and applies applicable recognition principles and conditions. Acquisition-related costs are costs the Company incurs to affect a business combination. Those costs include advisory, legal, accounting, valuation, and other professional or consulting fees. Some other examples of costs to the Company include systems conversion, integration planning consultants and advertising costs. The Company accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities is recognized in accordance with other applicable GAAP. These acquisition-related costs have been and will be included within the Consolidated Statements of Income classified within the non-interest expense caption.

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 swap agreements entered into by the Company are all entered into under what is referred to as a back-to-back interest rate swap, as such, the net positions are offsetting assets and liabilities, as well as income and expenses. 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. 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 counterparty. The result is two mirrored interest rate swaps, absent a credit event, which will offset in the financial statements. These swaps are not designated as hedging instruments and are recorded at fair value in other assets and other liabilities. The change in fair value is recognized in the income statement as other income and fees.

In addition, the Company will enter into risk participation agreements that are derivative financial instruments and are recorded at fair value. These derivatives are not designated as hedges and therefore, changes in fair value are recorded directly through earnings at each reporting period. Under a risk participation-out agreement, a derivative asset, the Company participates out a portion of the credit risk associated with the interest rate swap position executed with the commercial borrower, for a fee paid to the participating bank. Under a risk participation-in agreement, a derivative liability, the Company assumes, or 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 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, potential amounts due or payable under each derivative contract. Notional principal amounts are often used to express the volume of these transactions, but the amounts potentially subject to credit risk are much smaller. The Company assesses the credit risk of its dealer counterparties by regularly monitoring publicly available credit rating information, evaluating other market indicators, and periodically reviewing detailed financials.

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 permit the netting of customer and counterparty fair value amounts in the consolidated statement of financial condition.

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 controlling ownership. The carrying value of the Company's investment in the limited partnership was $1.2 million at December 31, 2023 and $1.6 million at December 31, 2022, 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 carrying value of its investment. The Company received $481 thousand in low-income housing tax credits during 2023, 2022 and 2021.

Reclassifications

Certain reclassifications have been made to the 2022 and 2021 financial statements to conform with the classifications used in 2023. These reclassifications did not impact the Company's consolidated financial condition or results of operations.

Accounting Standards

Effect of Recently Adopted Accounting Standards

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-04, *Reference Rate Reform (ASC 848): "Facilitation of the Effects of Reference Rate Reform on Financial*

Reporting." This ASU provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The ASU provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference London Interbank Offer Rate ("LIBOR") or another reference rate expected to be discontinued. It is intended to help stakeholders during the global market-wide reference rate transition period. The Company adopted ASU 2020-04 effective January 1, 2023. Adoption of ASU 2020-04 did not have a material impact on the Company's consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combination (Topic 805): "Accounting for Contract Assets and Contract Liabilities from Contracts with Customers."* This ASU requires entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. The amendment improves comparability after the business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and revenue contracts with customers not acquired in a business combination. The Company adopted ASU 2021-08 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 Vintage Disclosures."* These amendments eliminate the TDR recognition and measurement guidance and instead require that an entity evaluate whether the modification represents a new loan or a continuation of an existing loan. The amendments also enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. For public business entities, these amendments require that an entity disclose current period gross write-offs by year of origination for financing receivables and net investment in 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 paragraph 326-20-50-6, which requires that an entity disclose the amortized cost basis of financing receivables by credit quality indicator and class of financing receivable by year of origination. The Company adopted 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 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation - Stock Compensation (Topic 718): Amendments to SEC Paragraph Pursuant to SEC Staff Accounting Bulletin No. 120, 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 - General Revision of Regulation S-X: Income or Loss Applicable to Common Stock."* This ASU amends the FASB Accounting Standards Codification for SEC paragraphs pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280 - General Revision of Regulation S-X: Income or Loss Applicable to Common Stock. These updates were effective immediately and 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 related party arrangement between entities under common control is a lease. If the arrangement is determined to be a lease, an entity must classify and account for the lease on the same basis as an arrangement 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 group. 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 March 2023, FASB issued ASU No. 2023-02, *Investments - Equity Method and Joint Venture (Topic 323): "Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method."* These amendments allow reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method,

regardless of the program 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 and Simplification Initiative.*" This ASU amends the ASC to incorporate certain disclosure requirements from SEC Release No. 33-10532 - Disclosure Update and Simplification that was issued in 2018. The effective date 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. This guidance is not expected to have a material impact on the Company's consolidated financial statements.

In November 2023, FASB issued ASU No. 2023-07, "*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.*" This ASU amends the ASC to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The key amendments: 1. Require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss. 2. Require that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. The other 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 profit or loss and assets currently required by FASB ASU Topic 280, Segment Reporting, in interim periods. 4. Clarify that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity's consolidated financial statements. 5. Require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. 6. Require that a public entity has a single reportable segment provide all the disclosures required by the amendments in the ASU and all existing segment disclosures in Topic 280. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. This guidance 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 amendments require that a public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income (or loss) by the applicable statutory income tax rate). The amendments require that all entities disclose on an annual basis the following information about income taxes paid: 1. The amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes. 2. The amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received). The amendments also require that all entities disclose the following information: 1. Income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign. 2. Income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. This ASU is effective for annual periods beginning after December 15, 2024. This guidance 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 estimated fair values of assets acquired and liabilities assumed, including certain intangible assets that must be recognized. Typically, this allocation results in the purchase price exceeding the fair value of net assets acquired, which is recorded as goodwill. Core deposit intangibles are a measure of the value of checking, money market and savings deposits acquired in business combinations accounted for under the acquisition method. Core deposit

intangibles and other identified intangibles with finite useful lives are amortized using the straight-line method over their estimated useful 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 in connection with acquisitions are recorded at fair value with no carryover of the related allowance for credit losses. PCD loans that have experienced more than insignificant credit deterioration since origination 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 ACL becomes its initial amortized cost basis. The 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. Non-PCD loans are acquired that have experienced no or insignificant deterioration in credit quality since origination. The difference between the fair value and outstanding balance of the non-PCD loans is recognized as an adjustment to interest income over the lives of the loan.

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 (the "HSBI Merger Agreement"). Upon the completion of the merger of HSBI with and into the Company, Heritage Bank, HSBI's wholly-owned subsidiary, was merged with and into The First Bank. 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. The Company paid a total consideration of $221.5 million to the former HSBI shareholders as consideration in the acquisition, which included 6,920,422 shares of the Company's 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 on the acquired PCD loans, and $43.7 million core deposit intangible. Goodwill is not deductible for income taxes. The core deposit intangible will be amortized to expense over 10 years.

Expenses associated with the HSBI acquisition were $388 thousand and $4.9 million for the three months and twelve months period ended December 31, 2023, respectively. These costs included charges associated with legal and consulting expenses, which have been expensed as incurred.

The following table summarizes the finalized fair values of the assets acquired and liabilities assumed including the goodwill generated from the transaction on January 1, 2023, along with valuation adjustments that have been made since initially reported.

($ in thousands)	As Initially Reported	Measurement Period Adjustments	As Adjusted
Identifiable assets:			
Cash and due from banks	$ 106,973	$ (180)	$ 106,793
Investments	172,775	—	172,775
Loans	1,155,712	—	1,155,712
Core deposit intangible	43,739	—	43,739
Personal and real property	35,963	—	35,963
Other real estate owned	857	332	1,189
Bank owned life insurance	35,579	—	35,579
Deferred taxes	6,761	(632)	6,129
Interest receivable	4,349	—	4,349
Other assets	3,103	—	3,103
Total assets	1,565,811	(480)	1,565,331
Liabilities and equity:			
Deposits	1,392,432	—	1,392,432
Trust Preferred	9,015	—	9,015
Other liabilities	34,271	—	34,271
Total liabilities	1,435,718	—	1,435,718
Net assets acquired	130,093	(480)	129,613
Consideration paid	221,538	—	221,538
Goodwill	$ 91,445	$ 480	$ 91,925

During the fourth quarter of 2023, the Company finalized its analysis and valuation adjustments have been made to cash and due from banks, other real estate owned, and deferred taxes since initially reported.

Beach Bancorp, Inc.

On August 1, 2022, the Company completed its acquisition of BBI, pursuant to an Agreement and Plan of Merger dated April 26, 2022 by and between the Company and BBI (the "BBI Merger Agreement"). Upon the completion of the merger of BBI with and into the Company, Beach Bank, BBI's wholly-owned subsidiary, was merged with and 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 the right to receive 0.1711 of a share of Company common stock (the "BBI Exchange Ratio"), and all stock options awarded under the BBI equity plans were converted automatically into an option to purchase shares of 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 number of shares underlying each such option and the applicable exercise price adjusted based on the BBI Exchange Ratio. The BBI merger provides the opportunity for the Company to expand its operations in the Florida panhandle and enter the Tampa market. The Company paid consideration of approximately $101.5 million to the former BBI shareholders including 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.

In connection with the acquisition of BBI, the Company recorded approximately $23.7 million of goodwill and $9.8 million core deposit intangible. Goodwill is not deductible for income taxes. The core deposit intangible will be amortized to expense over 10 years. The Company also incurred $1.3 million of provision for credit losses on credit marks from the loans acquired from Beach Bank.

Expenses associated with the BBI acquisition were $4.0 thousand and $1.4 million for the three months and twelve months period ended December 31, 2023, respectively. These costs included charges associated with legal and consulting expenses, which have been expensed as incurred.

The following table summarizes the finalized fair values of the assets acquired and liabilities assumed including the goodwill generated from the transaction on August 1, 2022, along with valuation adjustments that have been made since initially reported.

($ in thousands)	As Initially Reported	Measurement Period Adjustments	As Adjusted
Purchase price:			
Cash and stock	$ 101,470	$ —	$ 101,470
Total purchase price	101,470	—	101,470
Identifiable assets:			
Cash	$ 23,939	$ —	$ 23,939
Investments	22,907	(264)	22,643
Loans	482,903	2,268	485,171
Other real estate	8,797	(580)	8,217
Bank owned life insurance	10,092	—	10,092
Core deposit intangible	9,791	—	9,791
Personal and real property	13,825	(1,868)	11,957
Deferred tax asset	28,105	(970)	27,135
Other assets	9,649	(414)	9,235
Total assets	610,008	(1,828)	608,180
Liabilities and equity:			
Deposits	490,588	3	490,591
Borrowings	25,000	—	25,000
Other liabilities	14,772	—	14,772
Total liabilities	530,360	3	530,363
Net assets acquired	79,648	(1,831)	77,817
Goodwill	$ 21,822	$ 1,831	$ 23,653

During the third quarter of 2023, the Company finalized its analysis and valuation adjustments that were made to investments, loans, other real estate, personal and real property, deferred tax asset, other assets, and deposits.

Cadence Bank Branches

On December 03, 2021, The First completed its acquisition of seven Cadence Bank, N.A. ("Cadence") branches in Northeast Mississippi (the "Cadence Branches"). In connection with the acquisition of the Cadence Branches, The First 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 paid a deposit premium of $1.0 million to Cadence. As a result of the acquisition, the Company will have an opportunity to increase its deposit base and reduce transaction costs. The Company also expects to reduce costs through economies of scale.

In connection with the acquisition of the Cadence Branches, the Company recorded a $1.6 million bargain purchase gain and $2.9 million core deposit intangible. The bargain purchase gain was generated as a result of the estimated fair value of net assets acquired exceeding the merger consideration, based on provisional fair values. The bargain purchase 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 $81 thousand and $189 thousand for the three months and twelve months period ended December 31, 2023. These costs included charges associated with due diligence as well as legal and consulting expenses, which have been expensed as incurred. The Company also incurred $370 thousand of provision for credit losses on credit marks from the loans acquired.

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

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

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

Supplemental Pro Forma Information

The following table presents certain supplemental pro forma information, for illustrative purposes only, for the years December 31, 2023 and 2022 as if the BBI and HSBI acquisitions had occurred on January 1, 2022. The pro forma financial information is not necessarily indicative of the results of operations had the acquisitions been effective as of this date.

($ in thousands)	Pro Forma for the Year Ended December 31,	
	2023 (unaudited)	2022 (unaudited)
Net interest income	$ 249,325	$ 248,639
Non-interest income	46,705	58,645
Total revenue	296,030	307,284
Income before income taxes	105,879	118,465

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 at December 31, 2023 and 2022:

($ in thousands)	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Treasury	$ 16,985	$ —	$ 310	$ 16,675
Obligations of U.S. government agencies and sponsored entities	119,868	1	14,946	104,923
Tax-exempt and taxable obligations of states and municipal subdivisions	486,293	449	48,276	438,466
Mortgage-backed securities - residential	297,735	11	34,430	263,316
Mortgage-backed securities - commercial	198,944	76	20,675	178,345
Corporate obligations	41,347	—	3,750	37,597
Other	3,055	—	12	3,043
Total available-for-sale	$ 1,164,227	$ 537	$ 122,399	$ 1,042,365
Held-to-maturity:				
U.S. Treasury	$ 89,688	$ —	$ 2,804	$ 86,884
Obligations of U.S. government agencies and sponsored entities	33,659	—	1,803	31,856
Tax-exempt and taxable obligations of states and municipal subdivisions	246,908	9,566	14,697	241,777
Mortgage-backed securities - residential	141,573	—	14,237	127,336
Mortgage-backed securities - commercial	132,711	—	12,334	120,377
Corporate obligations	10,000	—	2,286	7,714
Total held-to-maturity	$ 654,539	$ 9,566	$ 48,161	$ 615,944

($ in thousands)	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Treasury	$ 135,752	$ —	$ 11,898	$ 123,854
Obligations of U.S. government agencies and sponsored entities	163,054	3	18,688	144,369
Tax-exempt and taxable obligations of states and municipal subdivisions	519,190	598	61,931	457,857
Mortgage-backed securities - residential	341,272	11	42,041	299,242
Mortgage-backed securities - commercial	215,200	60	24,363	190,897
Corporate obligations	43,869	—	2,987	40,882
Total available-for-sale	$ 1,418,337	$ 672	$ 161,908	$ 1,257,101
Held-to-maturity:				
U.S. Treasury	$ 109,631	$ —	$ 5,175	$ 104,456
Obligations of U.S. government agencies and sponsored entities	33,789	—	2,153	31,636
Tax-exempt and taxable obligations of states and municipal subdivisions	247,467	4,525	13,699	238,293
Mortgage-backed securities - residential	156,119	—	17,479	138,640
Mortgage-backed securities - commercial	134,478	7	13,798	120,687
Corporate obligations	10,000	—	1,615	8,385
Total held-to-maturity	$ 691,484	$ 4,532	$ 53,919	$ 642,097

The Company reassessed classification of certain investments and effective October 2022, the Company transferred $863 thousand of obligations of U.S. government agencies and sponsored entities, $1.2 million of mortgage -backed securities - commercial, and $137.5 million of tax-exempt and taxable obligations of states and municipal subdivisions from AFS to HTM securities. The securities were transferred at their amortized costs basis, net of any remaining unrealized gain or loss reported in accumulated other comprehensive income. The related unrealized loss of $36.8 million included in other comprehensive income remained in other comprehensive income, to be amortized out of other comprehensive income with an offsetting entry to interest 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 securities that were transferred to HTM.

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 decline in fair value resulted from a credit loss or other factors, the Company performs further analysis as outlined below:

- 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. The amount of credit loss the Company records will be limited to the amount by which the amortized cost exceeds the fair value. The allowance for the calculated credit loss will be monitored going forward for further credit deterioration or improvement.

At December 31, 2023 and 2022, the results of the analysis did not identify any securities where the decline was indicative of credit loss factors; therefore, no DCF analysis was performed, and no credit loss was recognized on any of the securities AFS.

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, 2023 and 2022, respectively and was reported in interest receivable on the accompanying Consolidated Balance Sheet.

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

Securities Held to Maturity

At December 31, 2023, the potential credit loss exposure totaled $205 thousand and $242 thousand at December 31, 2023 and 2022, respectively and consisted of tax-exempt and taxable obligations of states and municipal subdivisions and corporate obligations securities. After applying appropriate probability of default ("PD") and loss given default ("LGD") assumptions, the total amount of current expected credit losses was deemed immaterial. Therefore, no reserve was recorded for the years ended December 31, 2023 and 2022.

Accrued interest receivable is excluded from the estimate of credit losses for securities held-to-maturity. Accrued interest receivable totaled $3.4 million and $3.6 million at December 31, 2023 and 2022, respectively and was reported in interest receivable on the accompanying Consolidated Balance Sheet.

At December 31, 2023, the Company had no securities held-to-maturity that were past due 30 days or more as to principal or interest payments. The Company had no securities held-to-maturity classified as nonaccrual for the years ended December 31, 2023 and 2022.

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 on a quarterly basis. The following table summarizes the amortized cost of debt securities held-to-maturity at December 31, 2023, aggregated by credit quality indicators.

($ in thousands)	December 31, 2023	December 31, 2022
Aaa	$ 431,527	$ 467,736
Aa1/Aa2/Aa3	129,751	110,854
A1/A2	13,902	13,757
BBB	10,000	10,000
Not rated	69,359	89,137
Total	$ 654,539	$ 691,484

The amortized cost and fair value of debt securities are shown by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

($ in thousands)	December 31, 2023	
	Amortized Cost	Fair Value
Available-for-Sale		
Within one year	$ 45,559	$ 45,246
One to five years	150,165	143,592
Five to ten years	306,927	270,342
Beyond ten years	164,897	141,524
Mortgage-backed securities: residential	297,735	263,316
Mortgage-backed securities: commercial	198,944	178,345
Total	$ 1,164,227	$ 1,042,365
Held-to-maturity		
Within one year	$ 39,082	$ 38,725
One to five years	72,333	69,387
Five to ten years	54,428	49,697
Beyond ten years	214,412	210,422
Mortgage-backed securities: residential	141,573	127,336
Mortgage-backed securities: commercial	132,711	120,377
Total	$ 654,539	$ 615,944

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

($ in thousands)	2023	2022	2021
Gross gains	$ 65	$ 82	$ 202
Gross losses	9,781	164	59
Realized net (loss) gain	$ (9,716)	$ (82)	$ 143

The amortized costs of securities pledged as collateral, to secure public deposits and for other purposes, was $1.095 billion and $1.031 billion at December 31, 2023 and 2022, respectively.

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 and 2022. The securities are aggregated by major security type and length of time in a continuous unrealized loss position:

($ in thousands)	2023					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale:						
U.S. Treasury	$ —	$ —	$ 16,675	$ 310	$ 16,675	$ 310
Obligations of U.S. government agencies and sponsored entities	123	—	104,495	14,946	104,618	14,946
Tax-exempt and taxable obligations of states and municipal subdivisions	20,879	1,479	389,113	46,797	409,992	48,276
Mortgage-backed securities - residential	222	2	262,012	34,428	262,234	34,430
Mortgage-backed securities - commercial	2,896	52	170,256	20,623	173,152	20,675
Corporate obligations	—	—	37,597	3,750	37,597	3,750
Other	3,055	12	—	—	3,055	12
Total available-for-sale	$ 27,175	$ 1,545	$ 980,148	$ 120,854	$ 1,007,323	$ 122,399
Held-to-maturity:						
U.S. Treasury	$ —	$ —	$ 86,884	$ 2,804	$ 86,884	$ 2,804
Obligations of U.S. government agencies and sponsored entities	747	5	31,109	1,798	31,856	1,803
Tax-exempt and taxable obligations of states and municipal subdivisions	10,472	3,949	91,480	10,748	101,952	14,697
Mortgage-backed securities - residential	—	—	127,336	14,237	127,336	14,237
Mortgage-backed securities - commercial	920	2	119,457	12,332	120,377	12,334
Corporate obligations	—	—	7,714	2,286	7,714	2,286
Total held-to-maturity	$ 12,139	$ 3,956	$ 463,980	$ 44,205	$ 476,119	$ 48,161

	2022					
	Less than 12 Months		12 Months or Longer		Total	
($ in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale:						
U.S. Treasury	$ 4,563	$ 419	$ 119,292	$ 11,479	$ 123,855	$ 11,898
Obligations of U.S. government agencies and sponsored entities	34,254	2,293	109,431	16,395	143,685	18,688
Tax-exempt and taxable obligations of states and municipal subdivisions	275,202	31,152	159,508	30,779	434,710	61,931
Mortgage-backed securities: residential	76,125	4,970	222,274	37,071	298,399	42,041
Mortgage-backed securities: commercial	50,193	3,025	136,062	21,338	186,255	24,363
Corporate obligations	35,142	1,995	5,739	992	40,881	2,987
Total available-for-sale	$ 475,479	$ 43,854	$ 752,306	$ 118,054	$ 1,227,785	$ 161,908
Held-to-maturity:						
U.S. Treasury	$ 104,457	$ 5,175	$ —	$ —	$ 104,457	$ 5,175
Obligations of U.S. government agencies and sponsored entities	31,636	2,153	—	—	31,636	2,153
Tax-exempt and taxable obligations of states and municipal subdivisions	127,628	13,583	15,303	116	142,931	13,699
Mortgage-backed securities - residential	138,639	17,479	—	—	138,639	17,479
Mortgage-backed securities - commercial	119,758	13,798	—	—	119,758	13,798
Corporate obligations	8,385	1,615	—	—	8,385	1,615
Total held-to-maturity	$ 530,503	$ 53,803	$ 15,303	$ 116	$ 545,806	$ 53,919

At December 31, 2023 and December 31, 2022, the Company's securities portfolio consisted of 1,125 and 1,265 securities, respectively, which were in an unrealized loss position. AFS securities in unrealized loss positions are evaluated for impairment related to credit losses at least quarterly. The unrealized losses 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 Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell the investments before recovery of their amortized cost basis. No allowance for credit losses was needed at December 31, 2023 or 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 together in each category have been determined to share similar risk characteristics with respect to credit quality. Those four categories are commercial, financial and agriculture, commercial real estate, consumer real estate, consumer installment;

Commercial, financial and agriculture - Commercial, financial and agriculture loans include loans to business entities issued for commercial, industrial, or other business purposes. This type of commercial loan shares a similar

risk characteristic in that unlike commercial real estate loans, repayment is largely dependent on cash flow generated from the operation of the business.

Commercial real estate - Commercial real estate loans are grouped as such because repayment is mainly dependent upon either the sale of the real estate, operation of the business occupying the real estate, or refinance of the debt obligation. This includes both owner−occupied and non-owner occupied CRE secured loans, because they share similar risk 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 includes loans for the purpose of constructing improvements on the residential property, as well as home equity lines of credit.

Consumer installment - Installment and other loans are all loans issued to individuals that are not for any purpose related to operation of a business, and not secured by real estate. Repayment on these loans is mostly dependent on personal income, which may be impacted by general economic conditions.

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

($ in thousands)	December 31, 2023	December 31, 2022
Loans held for sale		
Mortgage loans held for sale	$ 2,914	$ 4,443
Total LHFS	$ 2,914	$ 4,443
Loans held for investment		
Commercial, financial, and agriculture (1)	$ 800,324	$ 536,192
Commercial real estate	3,059,155	2,135,263
Consumer real estate	1,252,795	1,058,999
Consumer installment	57,768	43,703
Total loans	5,170,042	3,774,157
Less allowance for credit losses	(54,032)	(38,917)
Net LHFI	$ 5,116,010	$ 3,735,240

(1) Loan balance includes $386 thousand and $710 thousand in PPP loans as of December 31, 2023 and 2022, respectively.

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

Accrued interest receivable is not included in the amortized cost basis of the Company's LHFI. At December 31, 2023 and 2022, accrued interest receivable for LHFI totaled $24.7 million and $18.0 million, respectively, with no related ACL and was reported in interest receivable on the accompanying consolidated 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 loan in nonaccrual status when the loan becomes 90 days or more past due. At the time a loan is placed in nonaccrual status, all interest which has been accrued on the loan but remains unpaid is reversed and

deducted 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 becomes reasonably certain.

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 loans:

	December 31, 2023						
($ in thousands)	Past Due 30 to 89 Days	Past Due 90 Days or More and Still Accruing	Nonaccrual	PCD	Total Past Due, Nonaccrual and PCD	Total LHFI	Nonaccrual and PCD with No ACL
Commercial, financial, and agriculture (1)	$ 2,043	$ 313	$ 353	$ 965	$ 3,674	$ 800,324	$ 465
Commercial real estate	1,698	630	3,790	647	6,765	3,059,155	410
Consumer real estate	3,992	220	1,806	3,098	9,116	1,252,795	680
Consumer installment	180	—	31	—	211	57,768	—
Total	$ 7,913	$ 1,163	$ 5,980	$ 4,710	$ 19,766	$ 5,170,042	$ 1,555

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

	December 31, 2022						
($ in thousands)	Past Due 30 to 89 Days	Past Due 90 Days or More and Still Accruing	Nonaccrual	PCD	Total Past Due, Nonaccrual and PCD	Total LHFI	Nonaccrual and PCD with No ACL
Commercial, financial, and agriculture (1)	$ 220	$ —	$ 19	$ —	$ 239	$ 536,192	$ —
Commercial real estate	1,984	—	7,445	1,129	10,558	2,135,263	4,560
Consumer real estate	3,386	289	2,965	1,032	7,672	1,058,999	791
Consumer installment	173	—	1	—	174	43,703	—
Total	$ 5,763	$ 289	$ 10,430	$ 2,161	$ 18,643	$ 3,774,157	$ 5,351

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

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 origination. Acquired loans are recorded at their fair value at the time of acquisition with no carryover from the acquired institution's previously recorded allowance for credit losses. Acquired loans are accounted for under 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 flows, as adjusted for estimated credit losses and prepayments, and then discounting these cash flows using comparable market rates. The resulting fair value adjustment is recorded in the form of premium or discount to 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 allowance for credit losses ("ACL") recorded for PCD loans at the time of

acquisition, and the remaining fair value adjustment is accreted or amortized into interest income over the remaining life of the loan. As it relates to 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 net premium or net discount is accreted or amortized into interest income over the average remaining life of those loans. The Company records an ACL for non-PCD loans at the time of acquisition through provision 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 contractual amounts receivable of the acquired non-PCD loans at acquisition was approximately $468.8 million, of which $6.4 million is the amount of contractual cash flows not expected to be collected.

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 contractual amounts receivable of the acquired non-PCD loans at acquisition was approximately $1.125 billion, of which $16.5 million is the amount of contractual cash flows not expected to be collected.

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, more than insignificant deterioration of credit quality since origination:

($ in thousands)	BBI	HSBI
Purchase price of loans at acquisition	$ 27,669	$ 52,356
Allowance for credit losses at acquisition	1,303	3,176
Non-credit discount (premium) at acquisition	530	2,325
Par value of acquired loans at acquisition	$ 29,502	$ 57,857

As of December 31, 2023 and 2022, the amortized cost of the Company's PCD loans totaled $57.8 million and $24.0 million, respectively, which had an estimated ACL of $3.7 million and $1.7 million, respectively.

Loan Modifications

The Company adopted ASU No. 2022-02 effective January 1, 2023. These amendments eliminate the TDR recognition and measurement guidance and enhanced disclosures for loan modifications to borrowers experiencing financial difficulty.

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, and other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. For loans included in the "combination" columns below, multiple types of 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, an other-than-insignificant payment delay and/or an interest rate reduction.

The following table presents the amortized cost basis of loans at December 31, 2023 that were both experiencing financial difficulty and modified during 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

($ in thousands)	Term Extension	Percentage of Total Loans Held for Investment
Commercial real estate	$ 581	0.02 %
Total	$ 581	0.02 %

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

Debt Restructurings Prior to the Adoption of 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 consider, the loan is classified as TDRs.

As of December 31, 2022 and 2021 the Company had TDRs totaling $21.8 million and $24.2 million, respectively. As of December 31, 2022, the Company had no additional amount committed on any loan classified as TDR. As of December 31, 2022 and 2021 TDRs had a related ACL of $841 thousand and $4.3 million, respectively.

The following table presents LHFI by class modified as TDRs that occurred during the twelve months ended December 31, 2022 and 2021.

($ in thousands, except for number of loans)

December 31, 2022	Number of Loans	Outstanding Recorded Investment Pre-Modification	Outstanding Recorded Investment Post-Modification	Interest Income Recognized
Consumer real estate	1	$ 134	$ 135	$ 7
Total	1	$ 134	$ 135	$ 7
December 31, 2021				
Commercial, financial, and agriculture	1	$ 38	$ 37	$ 4
Commercial real estate	5	5,151	4,890	230
Consumer real estate	4	222	187	5
Consumer installment	1	13	1	—
Total	11	$ 5,424	$ 5,115	$ 239

The TDRs presented above increased the ACL $22 thousand and $1.6 million and resulted in no charge-offs for the years ended December 31, 2022, and 2021, respectively.

The following table presents loans by class modified as TDRs for which there was a payment default within twelve months following the modification during the year ending December 31, 2022 and 2021.

($ in thousands, except for number of loans)	2022		2021	
Troubled Debt Restructurings That Subsequently Defaulted:	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Commercial real estate	—	$ —	—	$ —
Consumer real estate	1	134	2	55
Total	1	$ 134	2	$ 55

The modifications described above included one of the following or a combination of the following: maturity date extensions, interest only payments, amortizations were extended beyond what would be available on similar type loans, and payment waiver. No interest rate concessions were given on these loans nor were any of these loans written down. A loan is 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 thousand and $21 thousand resulted in no charge-offs for the years ended December 31, 2022, and 2021, respectively.

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

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

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, 2023 and 2022:

December 31, 2023 ($ in thousands)	Real Property	Equipment	Miscellaneous	Total
Commercial financial, and agriculture	$ —	$ 496	$ 918	$ 1,414
Commercial real estate	710	—	—	710
Consumer real estate	778	—	—	778
Total	$ 1,488	$ 496	$ 918	$ 2,902

December 31, 2022 ($ in thousands)	Real Property	Total
Commercial real estate	$ 4,560	$ 4,560
Consumer real estate	998	998
Total	$ 5,558	$ 5,558

A loan is collateral dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially through the sale of the collateral. The following provides a qualitative description by class of loan of the collateral that secures the Company's collateral dependent LHFI:

- 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 totaled $304.0 million, of which $165.9 million had been sold to other financial institutions and $138.1 million was purchased by the Company. As of December 31, 2022, these loans totaled $202.6 million, of which $100.1 million had been sold to other financial institutions and $102.5 million was purchased by the company. The loan participations convey proportionate ownership rights with equal priority to each participating interest holder; involving no recourse (other than ordinary representations and warranties) to, or subordination by, any participating interest holder; all cash flows are divided among the participating interest holders in proportion to each holder's share of ownership; and no holder has the right to pledge the entire financial asset unless all participating interest holders agree.

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 financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually to classify the loans as to credit 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 potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the 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 weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

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

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 at year ends December 31, 2023 and 2022. Revolving loans converted to term as of year ended December 31, 2023 and 2022 were not material to the total loan portfolio.

($ in thousands)	Term Loans Amortized Cost Basis by Origination Year							
As of December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
Commercial, financial and agriculture:								
Risk Rating								
Pass	$ 102,263	$ 150,420	$ 113,487	$ 47,313	$ 36,065	$ 64,020	$ 281,646	$ 795,214
Special mention	—	—	—	141	797	3	10	951
Substandard	451	330	121	185	550	1,894	628	4,159
Doubtful	—	—	—	—	—	—	—	—
Total commercial, financial and agriculture	$ 102,714	$ 150,750	$ 113,608	$ 47,639	$ 37,412	$ 65,917	$ 282,284	$ 800,324
Current period gross write offs	$ 14	$ 51	$ 225	$ 139	$ 206	$ 110	$ —	$ 745
Commercial real estate:								
Risk Rating								
Pass	$ 385,954	$ 825,505	$ 558,742	$ 377,085	$ 253,746	$ 569,428	$ 6,397	$ 2,976,857
Special mention	—	660	6,118	3,111	9,545	22,648	—	42,082
Substandard	136	7,293	393	566	5,427	26,401	—	40,216
Doubtful	—	—	—	—	—	—	—	—
Total commercial real estate	$ 386,090	$ 833,458	$ 565,253	$ 380,762	$ 268,718	$ 618,477	$ 6,397	$ 3,059,155
Current period gross write offs	$ —	$ —	$ 193	$ —	$ —	$ 57	$ —	$ 250
Consumer real estate:								
Risk Rating								
Pass	$ 176,144	$ 334,056	$ 219,071	$ 127,539	$ 59,615	$ 163,464	$ 153,821	$ 1,233,710
Special mention	—	1,081	—	—	643	3,246	412	5,382
Substandard	502	404	511	1,559	514	6,988	3,225	13,703
Doubtful	—	—	—	—	—	—	—	—
Total consumer real estate	$ 176,646	$ 335,541	$ 219,582	$ 129,098	$ 60,772	$ 173,698	$ 157,458	$ 1,252,795
Current period gross write offs	$ 5	$ 19	$ —	$ —	$ —	$ 25	$ —	$ 49
Consumer installment:								
Risk Rating								
Pass	$ 24,482	$ 12,408	$ 7,316	$ 2,919	$ 1,213	$ 1,195	$ 8,156	$ 57,689
Special mention	—	—	—	—	—	—	—	—
Substandard	—	8	17	42	11	—	1	79
Doubtful	—	—	—	—	—	—	—	—
Total consumer installment	$ 24,482	$ 12,416	$ 7,333	$ 2,961	$ 1,224	$ 1,195	$ 8,157	$ 57,768
Current period gross write offs	$ 226	$ 567	$ 223	$ 179	$ 156	$ 576	$ 121	$ 2,048
Total								
Pass	$ 688,843	$ 1,322,389	$ 898,616	$ 554,856	$ 350,639	$ 798,107	$ 450,020	$ 5,063,470
Special mention	—	1,741	6,118	3,252	10,985	25,897	422	48,415
Substandard	1,089	8,035	1,042	2,352	6,502	35,283	3,854	58,157
Doubtful	—	—	—	—	—	—	—	—
Total	$ 689,932	$ 1,332,165	$ 905,776	$ 560,460	$ 368,126	$ 859,287	$ 454,296	$ 5,170,042
Current period gross write offs	$ 245	$ 637	$ 641	$ 318	$ 362	$ 768	$ 121	$ 3,092

($ in thousands)	Term Loans Amortized Cost Basis by Origination Year							
As of December 31, 2022	2022	2021	2020	2019	2018	Prior	Revolving Loans	Total
Commercial, financial and agriculture:								
Risk Rating								
Pass	$ 181,761	$ 141,174	$ 55,690	$ 53,954	$ 43,441	$ 52,038	$ 181	$ 528,239
Special mention	380	5,188	1,664	—	—	412	—	7,644
Substandard	50	—	—	34	33	192	—	309
Doubtful	—	—	—	—	—	—	—	—
Total commercial, financial and agriculture	$ 182,191	$ 146,362	$ 57,354	$ 53,988	$ 43,474	$ 52,642	$ 181	$ 536,192
Commercial real estate:								
Risk Rating								
Pass	$ 582,895	$ 436,661	$ 305,140	$ 217,626	$ 140,682	$ 368,185	$ 1,765	$ 2,052,954
Special mention	672	1,345	3,938	11,643	9,885	16,612	—	44,095
Substandard	50	2,830	908	1,694	4,797	27,935	—	38,214
Doubtful	—	—	—	—	—	—	—	—
Total commercial real estate	$ 583,617	$ 440,836	$ 309,986	$ 230,963	$ 155,364	$ 412,732	$ 1,765	$ 2,135,263
Consumer real estate:								
Risk Rating								
Pass	$ 325,853	$ 226,355	$ 136,052	$ 59,376	$ 51,515	$ 129,923	$ 112,278	$ 1,041,352
Special mention	—	—	—	—	823	3,846	—	4,669
Substandard	519	554	1,481	648	1,706	6,894	1,176	12,978
Doubtful	—	—	—	—	—	—	—	—
Total consumer real estate	$ 326,372	$ 226,909	$ 137,533	$ 60,024	$ 54,044	$ 140,663	$ 113,454	$ 1,058,999
Consumer installment:								
Risk Rating								
Pass	$ 18,925	$ 11,618	$ 5,031	$ 2,078	$ 832	$ 1,445	$ 3,725	$ 43,654
Special mention	—	—	—	—	—	—	—	—
Substandard	4	13	24	—	3	5	—	49
Doubtful	—	—	—	—	—	—	—	—
Total consumer installment	$ 18,929	$ 11,631	$ 5,055	$ 2,078	$ 835	$ 1,450	$ 3,725	$ 43,703
Total								
Pass	$ 1,109,434	$ 815,808	$ 501,913	$ 333,034	$ 236,470	$ 551,591	$ 117,949	$ 3,666,199
Special mention	1,052	6,533	5,602	11,643	10,708	20,870	—	56,408
Substandard	623	3,397	2,413	2,376	6,539	35,026	1,176	51,550
Doubtful	—	—	—	—	—	—	—	—
Total	$ 1,111,109	$ 825,738	$ 509,928	$ 347,053	$ 253,717	$ 607,487	$ 119,125	$ 3,774,157

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 comprised of a general allowance for loans that are collectively assessed in pools with similar risk characteristics and a specific allowance for individually assessed loans. The allowance is continuously monitored by management to maintain a level adequate to absorb expected credit losses 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 information, from internal and external sources, about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environment conditions, such as changes in unemployment rates, property values, or other relevant factors. Management may selectively apply external market data to subjectively adjust the Company's own loss history including index or peer data. Expected losses are estimated over the contractual term of the loans, adjusted for expected prepayments. The contractual term excludes expected extensions, renewals, and modifications. Loans are 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. Expected recovery amounts may not exceed the aggregate of amounts previously charged-off.

The ACL is measured on a collective basis when similar risk characteristics exist. Generally, collectively assessed loans are grouped by call code (segments). Segmenting loans by call code will group loans that contain similar types of collateral, purposes, and are usually structured with similar terms making each loan's risk profile very similar to the rest in that segment. 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 Installment. In accordance with the guidance in ASC 326, the Company redefined its LHFI portfolio segments and related loan classes based on the level at which risk is monitored within the ACL methodology. Construction loans for 1-4 family residential properties with a call code 1A1, and other construction, all land development and other land loans with a call code 1A2 were previously separated between the Commercial Real Estate or Consumer Real Estate bands based on loan type code. Under our ASC 326 methodology 1A1 loans are all defined as part of 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 as a loan that has moved to past due 90 days and greater, nonaccrual status, or experienced a charge-off during the period. The model observes loans over a 12-month window, detecting 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 then repeated for all dates within the historical data range. These averaged PDs are used for an immediate reversion back to the historical mean. The historical data used to calculate this input was captured by the Company 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 also includes a 24-month forecasted PD based on a regression model that calculated a comparison of the Company's historical loan data to various national economic metrics during the same periods. The results showed the Company's past losses having a high rate of correlation to unemployment, both regionally and nationally. Using this information, along with the most recently published Wall Street Journal survey of sixty economists' forecasts predicting unemployment rates out over the next eight quarters, a corresponding future PD can be calculated for the forward-looking 24-month period. 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 forecast period, PD rates revert to the historical mean of the entire data set.

The LGD calculation is based on actual losses (charge-offs, net recoveries) at a loan level experienced over the entire lookback period aggregated to get a total for each segment of loans. The aggregate loss amount is divided by the exposure at default to determine an LGD rate. Defaults occurring during the lookback period are included in 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 a minimum of five past defaults in a loan segment, or less than 15.0% calculated LGD rate, or the total balance at default is less than 1.0% of the balance in the respective call code as of the model run date, a proxy index is 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 vendor also provides a "crisis" index derived from loss data between the post-recessionary years of 2008-2013 that the Company uses.

The model then uses these inputs in a non-discounted version of DCF methodology to calculate the quantitative portion of estimated losses. The model creates loan level amortization schedules that detail out the expected monthly payments for a loan including estimated prepayments and payoffs. These expected cash flows are discounted back to 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 changes in portfolio volume and composition, underwriting practices, and levels of past due loans, nonaccruals and classified assets along with other external information not used in the quantitative calculation 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.

The following table presents the activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2023, 2022, and 2021.

	December 31, 2023				
($ in thousands)	Commercial, Financial and Agriculture	Commercial Real Estate	Consumer Real Estate	Consumer Installment	Total
Allowance for credit losses:					
Beginning balance	$ 6,349	$ 20,389	$ 11,599	$ 580	$ 38,917
Initial allowance on PCD loans	727	2,260	182	7	3,176
Provision for credit losses	2,164	6,610	3,279	1,697	13,750
Loans charged-off	(745)	(250)	(49)	(2,048)	(3,092)
Recoveries	349	116	249	567	1,281
Total ending allowance balance	$ 8,844	$ 29,125	$ 15,260	$ 803	$ 54,032

	December 31, 2022				
($ in thousands)	Commercial, Financial and Agriculture	Commercial Real Estate	Consumer Real Estate	Consumer Installment	Total
Allowance for credit losses:					
Beginning balance	$ 4,873	$ 17,552	$ 7,889	$ 428	$ 30,742
Initial allowance on PCD loans	614	576	113	—	1,303
Provision for credit losses	688	1,742	2,786	134	5,350
Loans charged-off	(259)	(72)	(204)	(683)	(1,218)
Recoveries	433	591	1,015	701	2,740
Total ending allowance balance	$ 6,349	$ 20,389	$ 11,599	$ 580	$ 38,917

($ in thousands)	December 31, 2021				
	Commercial, Financial and Agriculture	Commercial Real Estate	Consumer Real Estate	Consumer Installment	Total
Allowance for credit losses:					
Beginning balance	$ 6,214	$ 24,319	$ 4,736	$ 551	$ 35,820
Impact of ASC 326 adoption on non-PCD loans	(1,319)	(4,607)	5,257	(49)	(718)
Impact of ASC 326 adoption on PCD loans	166	575	372	2	1,115
Provision for credit losses (1)	1,041	(100)	(2,314)	(83)	(1,456)
Loans charged-off	(1,662)	(3,523)	(473)	(555)	(6,213)
Recoveries	433	888	311	562	2,194
Total ending allowance balance	$ 4,873	$ 17,552	$ 7,889	$ 428	$ 30,742

(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 marks in the Cadence Bank Branches loans acquired for the year ended December 31, 2022.

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. The 2023 provision for credit losses increase is attributable to loan growth and the acquisition of HSBI in January 2023. Total loans were $5.116 billion at December 31, 2023, compared to $3.735 billion at 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 adjustments, were acquired as part of the HSBI 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 includes $10.7 million associated with day one post-merger accounting provision recorded for non-PCD loans and unfunded commitments acquired in the HSBI acquisition. The 2022 provision includes $3.9 million associated with day one post-merger accounting provision recorded for non-PCD loans and unfunded commitments and a $1.3 million initial allowance recorded on PCD loans acquired as part of the BBI merger.

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 for the year ended December 31, 2021. The 2022 provision for credit losses includes $3.9 million associated with day one post-merger accounting provision recorded for non-PCD loans and unfunded commitments. 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 $1.5 million decrease in the ACL for LHFI, net of $370 thousand provision for credit marks on the Cadence Bank Branches loans acquired. The negative provision for credit losses in 2021 was primarily due to the improved macroeconomic outlook for 2021.

The following table provides the ending balance in the Company's LHFI and the ACL, broken down by portfolio segment as of December 31, 2023 and 2022. The table also provides additional detail as to the amount of our loans and allowance that correspond to individual versus collective impairment evaluation.

($ in thousands) December 31, 2023	Commercial, Financial and Agriculture	Commercial Real Estate	Consumer Real Estate	Consumer Installment	Total
LHFI					
Individually evaluated	$ 1,414	$ 710	$ 778	$ —	$ 2,902
Collectively evaluated	798,910	3,058,445	1,252,017	57,768	5,167,140
Total	$ 800,324	$ 3,059,155	$ 1,252,795	$ 57,768	$ 5,170,042
Allowance for Credit Losses					
Individually evaluated	$ 408	$ —	$ —	$ —	$ 408
Collectively evaluated	8,436	29,125	15,260	803	53,624
Total	$ 8,844	$ 29,125	$ 15,260	$ 803	$ 54,032

($ in thousands) December 31, 2022	Commercial, Financial and Agriculture	Commercial Real Estate	Consumer Real Estate	Consumer Installment	Total
LHFI					
Individually evaluated	$ —	$ 4,560	$ 998	$ —	$ 5,558
Collectively evaluated	536,192	2,130,703	1,058,001	43,703	3,768,599
Total	$ 536,192	$ 2,135,263	$ 1,058,999	$ 43,703	$ 3,774,157
Allowance for Credit Losses					
Individually evaluated	$ —	$ —	$ 5	$ —	$ 5
Collectively evaluated	6,349	20,389	11,594	580	38,912
Total	$ 6,349	$ 20,389	$ 11,599	$ 580	$ 38,917

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)	2023	2022
Premises:		
Land	$ 48,460	$ 40,846
Buildings and improvements	126,013	100,830
Equipment	41,788	32,486
Construction in progress	1,808	6,447
	218,069	180,609
Less accumulated depreciation and amortization	43,760	37,091
Total	$ 174,309	$ 143,518

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

NOTE G - DEPOSITS

Time deposits that meet or exceed the FDIC Insurance limit of $250,000 at December 31, 2023 and 2022, were $292.9 million and $146.6 million, respectively.

At December 31, 2023, the scheduled maturities of time deposits included in interest-bearing deposits were as follows:

($ in thousands)

Year	Amount
2024	$ 971,259
2025	59,867
2026	13,593
2027	7,575
2028	14,935
Thereafter	8,527
Total	$ 1,075,756

NOTE H - BORROWED FUNDS

At December 31, 2023 and 2022, borrowed funds consisted of the following:

($ in thousands)	2023	2022
Bank Term Funding Program	$ 390,000	$ —
FHLB advances	—	130,100
Total	$ 390,000	$ 130,100

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 one year. The loans are secured by pledging the banks' U.S. treasuries, agency securities, agency securities, agency mortgage-backed securities, and any other qualifying asset. These pledged securities will be valued at 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 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 pledged have a par value of $398.1 million. The Bank's BTFP borrowings, which were drawn between March 15, 2023 and December 28, 2023, bear interest rates ranging from 4.69% to 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 at rates ranging from 4.55% to 4.58%. Advances due to the FHLB are collateralized by a blanket lien on first mortgage loans in the amount of the outstanding borrowings, FHLB capital stock, and amounts on deposit with the FHLB. In 2022, advances due to the FHLB were collateralized by $3.651 billion in loans. Based on this collateral and holdings of FHLB stock, the Company is eligible to borrow up to a total of $2.051 billion and $1.679 billion at December 31, 2023 and 2022, respectively.

Payments over the next five years are as follows:

($ in thousands)		
2024	$	390,000
2025		—
2026		—
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 development offices. The Company's leases have remaining terms ranging from 1 to 8 years.

The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. In addition, the Company has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Company has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) 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 and is recorded in net occupancy and equipment expense in the consolidated statements of income and other comprehensive income. 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 recognized at the lease commencement date and based on the estimated present value of lease payments over the lease term.

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 known. The Company's incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors.

The following table details balance sheet information, as well as weighted-average lease terms and discount rates, related to leases at December 31, 2023 and 2022.

($ in thousands)	December 31, 2023	December 31, 2022
Right-of-use assets:		
Operating leases	$ 6,387	$ 7,620
Finance leases, net of accumulated depreciation	1,466	1,930
Total right-of-use assets	$ 7,853	$ 9,550
Lease liabilities:		
Operating lease	$ 6,550	$ 7,810
Finance lease	1,739	1,918
Total lease liabilities	$ 8,289	$ 9,728
Weighted average remaining lease term		
Operating leases	7.2 years	7.5 years
Finance leases	7.9 years	8.9 years
Weighted average discount rate		
Operating leases	2.0%	1.8%
Finance leases	2.2%	2.2%

The table below summarizes our net lease costs.

($ in thousands)	December 31,		
	2023	2022	2021
Operating lease cost	$ 1,504	$ 1,464	$ 1,657
Finance lease cost:			
Interest on lease liabilities	40	44	7
Amortization of right-of-use	464	464	263
Net lease cost	$ 2,008	$ 1,972	$ 1,927

The table below summarizes the maturity of remaining lease liabilities at December 31, 2023.

($ in thousands)	December 31, 2023	
	Operating Leases	Finance Leases
2024	$ 1,144	$ 220
2025	1,043	220
2026	945	222
2027	777	252
2028	691	252
Thereafter	2,439	735
Total lease payments	7,039	1,901
Less: Interest	(489)	(162)
Present value of lease liabilities	$ 6,550	$ 1,739

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 Mississippi state-chartered bank and changed its name to The First Bank. The First Bank is a member of the Federal Reserve System through the Federal Reserve Bank of Atlanta.

The Company and its subsidiary bank are subject to regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and its subsidiary bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgment by 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 amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined) to risk-weighted assets (as defined), Tier 1 capital to adjusted total assets (leverage) and common equity Tier 1.

Management believes, as of December 31, 2023, that the Company met all capital adequacy requirements to which they are subject. Under Basel III requirements, a financial institution is considered to be well-capitalized if it has a total risk-based capital ratio of 10% or more, has a Tier 1 risk-based capital ratio of 8% or more, has a common equity Tier 1 of 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, 2023 and 2022 are presented in the following table. No amount was deducted from capital for interest-rate risk exposure.

($ in thousands)

December 31, 2023	Company (Consolidated)		Subsidiary The First	
	Amount	Ratio	Amount	Ratio
Total risk-based	$ 892,310	15.0 %	$ 875,071	14.8 %
Common equity Tier 1	715,858	12.1 %	821,246	13.8 %
Tier 1 risk-based	740,113	12.5 %	821,246	13.8 %
Tier 1 leverage	740,113	9.7 %	821,246	10.7 %
December 31, 2022	**Amount**	**Ratio**	**Amount**	**Ratio**
Total risk-based	$ 753,708	16.7 %	$ 739,616	16.4 %
Common equity Tier 1	570,660	12.7 %	701,099	15.6 %
Tier 1 risk-based	586,068	13.0 %	701,099	15.6 %
Tier 1 leverage	586,068	9.3 %	701,099	11.1 %

The minimum amounts of capital and ratios, not including Accumulated Other Comprehensive Income, as established by banking regulators at December 31, 2023, and 2022, were as follows:

($ in thousands)

December 31, 2023	Company (Consolidated)		Subsidiary The First	
	Amount	Ratio	Amount	Ratio
Total risk-based	$ 475,183	8.0 %	$ 474,679	8.0 %
Common equity Tier 1	267,291	4.5 %	267,007	4.5 %
Tier 1 risk-based	356,387	6.0 %	356,009	6.0 %
Tier 1 leverage	237,592	4.0 %	237,339	4.0 %
December 31, 2022	**Amount**	**Ratio**	**Amount**	**Ratio**
Total risk-based	$ 360,597	8.0 %	$ 360,071	8.0 %
Common equity Tier 1	202,836	4.5 %	202,540	4.5 %
Tier 1 risk-based	270,447	6.0 %	270,053	6.0 %
Tier 1 leverage	180,298	4.0 %	180,035	4.0 %

The principal sources of funds to the Company to pay dividends are the dividends received from the Bank. Consequently, dividends are dependent upon The First's earnings, capital needs, regulatory policies, as well as statutory and regulatory limitations. Federal Reserve regulations limit dividends, stock repurchases and discretionary bonuses to executive officers if 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 restrict the amount of dividends and loans a bank may make to its parent company. Approval by the Company's regulators is required if the total of all dividends declared in any calendar year exceed the total of its net income for that year combined with its retained net income of the preceding two years. In 2023, the Bank had available $147.3 million to pay dividends.

NOTE K - INCOME TAXES

The components of income tax expense are as follows:

($ in thousands)	Years Ended December 31,		
	2023	2022	2021
Current:			
Federal	$ 11,754	$ 12,071	$ 12,546
State	2,587	2,759	2,630
Deferred	7,006	940	1,739
Total income tax expense	$ 21,347	$ 15,770	$ 16,915

The Company's income tax expense differs from the amounts computed by applying the federal income tax statutory rates to income before income taxes. A reconciliation of the differences is as follows:

($ in thousands)	Years Ended December 31,					
	2023		2022		2021	
	Amount	%	Amount	%	Amount	%
Income taxes at statutory rate	$ 20,289	21 %	$ 16,525	21 %	$ 17,027	21 %
Tax-exempt income, net	(1,696)	(2)%	(2,369)	(3)%	(1,692)	(2)%
Nondeductible expenses	144	— %	391	— %	29	— %
State income tax, net of federal tax effect	3,064	4 %	2,251	3 %	2,299	3 %
Federal tax credits, net	(715)	(1)%	(715)	(1)%	(715)	(1)%
Other, net	261	— %	(313)	— %	(33)	— %
	$ 21,347	22 %	$ 15,770	20 %	$ 16,915	21 %

The components of deferred income taxes included in the consolidated financial statements were as follows:

($ in thousands)	December 31,	
	2023	2022
Deferred tax assets:		
Allowance for credit losses	$ 13,276	$ 9,581
Net operating loss carryover	27,256	24,531
Nonaccrual loan interest	826	600
Other real estate	1,092	894
Deferred compensation	1,161	1,205
Loan purchase accounting	6,438	2,554
Unrealized loss on available-for-sale securities	38,776	48,738
Lease liability	2,037	2,395
Other	5,014	3,299
	95,876	93,797
Deferred tax liabilities:		
Securities	(560)	(627)
Premises and equipment	(9,017)	(6,588)
Core deposit intangible	(16,094)	(7,628)
Goodwill	(2,651)	(2,388)
Right-of-use asset	(1,929)	(2,517)
Other	(1,461)	(596)
	(31,712)	(20,344)
Net deferred tax asset/(liability), included in other assets/(liabilities)	$ 64,164	$ 73,453

With the acquisition of Baldwin Bancshares, Inc. in 2013, BCB Holding Company, Inc. in 2014, Gulf Coast Community Bank in 2017, Sunshine Financial, Inc. in 2018, and FPB Financial Corp. in 2019, SWG in 2020, BBI in 2022, and HSBI in 2023, the Company assumed federal tax net operating loss carryovers. $228.9 million of 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 financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of 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 to 2019.

NOTE L - EMPLOYEE BENEFITS

The Company and the Bank provide a deferred compensation arrangement (401k plan) whereby employees contribute a percentage of their compensation. For employee contributions of six percent or less, the Company and its subsidiary bank provide a 50% matching contribution. Contributions totaled $1.5 million in 2023, $1.2 million in 2022, and $1.1 million in 2021.

The Company sponsors an Employee Stock Ownership Plan (ESOP) for employees who have completed one year of service for the Company and attained age 21. Employees become fully vested after five years of service. Contributions to

the plan are at the discretion of the Board of Directors. At December 31, 2023, the ESOP held 5,728 shares valued at $168 thousand of Company common stock and had no debt obligation. All shares held by the plan were considered outstanding for net income per share purposes. Total ESOP expense was $24 thousand for 2023, $33 thousand for 2022, and $3 thousand for 2021.

In 2014, the Company established a Supplemental Executive Retirement Plan ("SERP") for three active key executives. During 2016, the Company established a SERP for eight additional active key executives. Pursuant to the SERP, these officers are entitled to receive 180 equal monthly payments commencing at the later of obtaining age 65 or separation from service. 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 Sheets. The SERP balance at December 31, 2023 and 2022 was $4.6 million and $3.7 million, respectively. The Company accrued to expense $951 thousand for 2023, $945 thousand for 2022, and $945 thousand for 2021 for future benefits payable under the SERP. The SERP is an unfunded plan and is considered a general contractual obligation of the Company.

Upon the acquisition of Iberville Bank, Southwest Banc Shares, Inc., FMB Banking Corporation, and SWG, the Bank assumed deferred compensation agreements with directors and employees. At December 31, 2023, the total liability of the deferred compensation agreements was $763 thousand, $1.1 million, $2.6 million, and $273 thousand, respectively. Deferred compensation expense totaled $24 thousand, $152 thousand, $112 thousand, and $19 thousand, respectively for 2023.

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, $1.00 par value per share. In 2015, the Company adopted an amendment to the 2007 Stock Incentive Plan which provided for the issuance of an additional 300,000 shares of Company Common Stock, $1.00 par 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 an additional 500,000 shares of Company Common Stock, $1.00 par value per share, for a total of 1,115,000 shares. Shares issued under the 2007 Plan may consist in whole or in part of authorized but unissued shares or treasury shares. Total shares issuable under the plan are 239,964 at year-end 2023, and 167,173 and 129,950 shares were issued in 2023 and 2022, respectively.

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

Nonvested shares	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2023	364,056	$ 31.88
Granted	167,173	
Vested	(54,094)	
Forfeited	(12,194)	
Nonvested at December 31, 2023	464,941	$ 31.08

As of December 31, 2023, there was $8.5 million of total unrecognized compensation cost related to nonvested shares granted under the Plan. The costs are expected to be recognized over the remaining term of the vesting period (approximately 5 years). The total fair value of shares vested during the years ended December 31, 2023, 2022 and 2021 was $1.7 million, $2.5 million, and $3.2 million.

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 $3.1 million for the year ended December 31, 2021.

Shares of restricted stock granted to employees under this stock 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 the Grantee has not incurred a termination of employment prior to that date, 2) the Grantee's retirement, or 3) the Grantee's death. During this period, the holder is entitled to full voting rights and dividends. The dividends are 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 unvested shares of stock granted through the plan will be accelerated upon a change in control if the executive is terminated without cause as a result of the transaction (as long as the shares granted remain part of 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 ("legacy BBI options"). In connection with the assumption of the legacy BBI 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 average exercise price of $29.23 and were fully vested upon acquisition.

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 Statutory Trust 2 ("Trust 2"). The debentures are the sole asset of Trust 2, and the Company is the sole owner of the common equity of Trust 2. Trust 2 issued $4.0 million of Trust Preferred Securities to investors. The Company's obligations under the debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the Trust 2's obligations under the preferred securities. The preferred securities 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 securities is the three-month term Secured Overnight Financing Rate ("SOFR") plus 1.65% plus a tenor spread adjustment of 0.026161% and is payable quarterly. The terms of the subordinated debentures are identical to those of the preferred securities.

On July 27, 2007, the Company issued $6.2 million of floating rate junior subordinated deferrable interest debentures to The First Bancshares Statutory Trust 3 ("Trust 3"). The Company owns all of the common equity of Trust 3, and the debentures are the sole asset of Trust 3. Trust 3 issued $6.0 million of Trust Preferred Securities to investors. The Company's obligations under the debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the Trust 3's obligations under the preferred securities. The preferred securities are redeemable by the Company at its option. The preferred securities must be redeemed upon maturity of the debentures in 2037. Interest on the preferred securities is the three-month term SOFR plus 1.40% plus a tenor spread adjustment of 0.026161% and is payable quarterly. The terms of the subordinated debentures are identical to those of the preferred securities.

In 2018, as a result of the acquisition of FMB Banking Corporation ("FMB"), the Company became the successor to FMB's obligations in respect of $6.2 million of floating rate junior subordinated debentures issued to FMB Capital Trust 1 ("FMB Trust"). The debentures are the sole asset of FMB Trust, and the Company is the sole owner of the common equity of FMB Trust. FMB Trust issued $6.0 million of Trust Preferred Securities to investors. The Company's obligations under the debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of FMB Trust's obligations under the preferred securities. The preferred securities issued by 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 preferred securities is the three-month term SOFR plus 2.85% plus a tenor spread adjustment of 0.026161% and is payable quarterly.

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 subordinated debentures issued to Liberty Shares Statutory Trust II ("Liberty Trust"). The debentures are the sole asset of Liberty Trust, and the Company is the sole owner of the common equity of Liberty Trust. Liberty Trust issued $10.0 million of preferred securities to an investor. The Company's obligations under the debentures

and related documents, taken together, constitute a full and unconditional guarantee by the Company of 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 preferred securities must be redeemed upon maturity of the debentures in 2036. Interest on the preferred securities is the three-month term SOFR plus 1.48% plus a tenor spread adjustment of 0.026161% and is payable quarterly.

In accordance with the provisions of ASC Topic 810, Consolidation, the Trust 2, Trust 3, FMB Trust, and Liberty Trust are not included in the consolidated financial statements.

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 in aggregate principal amount of 5.875% fixed-to-floating rate subordinated notes due 2028 (the "Notes due 2028") and $42.0 million in aggregate principal amount of 6.40% fixed-to-floating rate subordinated notes due 2033 (the “Notes due 2033”). In May of 2023, the Company redeemed all $24.0 million of the outstanding 5.875% fixed-to-floating rate subordinated notes due 2028.

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 due 2033 are not subject to redemption at the option of the holder. Principal and interest on the Notes due 2033 are subject to acceleration only in limited circumstances. The Notes due 2033 are unsecured, subordinated 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 payment with respect to the other Notes. The Notes due 2033 have a fifteen year term, maturing May 1, 2033, and will bear interest at a fixed annual rate of 6.40%, payable quarterly in arrears, for the first ten years of 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 SOFR plus 3.39% plus a tenor spread adjustment of 0.026161%), payable quarterly in arrears. As provided in the Notes due 2033, under specified conditions the interest rate on the Notes due 2033 during the applicable 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, on any interest payment date on or after May 1, 2028, and to redeem the Notes due 2033 at any time in whole upon certain other specified events.

On September 25, 2020, The Company entered into a Subordinated Note Purchase Agreement with certain qualified institutional buyers pursuant to which the Company sold and issued $65.0 million in aggregate principal amount of its 4.25% Fixed to Floating Rate Subordinated Notes due 2030 (the "Notes due 2030"). The Notes due 2030 are unsecured and 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 of the term. Thereafter, the interest rate will reset quarterly to an interest rate per annum equal to a benchmark rate (which is expected to be the Three-Month Term SOFR plus 412.6 basis points), payable quarterly 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 determined based on a rate other than Three-Month Term SOFR. The Company is entitled to redeem the 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 certain other specified events.

The Company had $123.4 million of subordinated debt, net of deferred issuance costs $1.6 million and unamortized fair value mark $2.1 million, at December 31, 2023, compared to $145.0 million, net of deferred issuance costs $1.9 million and unamortized fair value mark $593 thousand, at December 31, 2022. The decrease in subordinated debt was attributable to the Company's redemption of $24.0 million of its Notes due 2028 and the Company's repayment of $2.0 million of its Notes due 2030 in May of 2023, which resulted in the Company recording a $217 thousand gain on the repurchased debt. The decrease in subordinated debt was partially offset by the addition of $9.0 million, net purchase accounting adjustments, of subordinated debt that the Company acquired as part of the HSBI acquisition.

NOTE O - 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.

On February 8, 2022, the Company announced the renewal of the 2021 Repurchase Program that previously expired on December 31, 2021. Under the renewed 2021 Repurchase Program, the Company could repurchase up to an aggregate of $30.0 million of the Company's issued and outstanding 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 2021 Repurchase Program was completed in February 2022 when the Company's repurchases under the program approached the maximum authorized amount. The Company repurchased 600,000 shares under the 2021 Repurchase Program in 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"), pursuant to which the Company could purchase up to an aggregate of $30.0 million in shares of the Company's issued and outstanding common stock during the 2022 calendar year. Under the program, the Company could, but was not required to, from time to time repurchase up $30.0 million of shares of its own common stock in any manner determined appropriate by the Company's management. The actual timing and method of any purchases, the target number of shares and the maximum price (or range of prices) under the program, was determined by management at is discretion and 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 2022 Repurchase Program expired on December 31, 2022.

The Inflation Reduction Act of 2022 signed into law in August 2022 includes a provision for an excise tax equal to 1% of the fair market value of any stock repurchased by covered corporations during a taxable year, subject to certain limits and provisions. The excise tax is effective beginning in fiscal year 2023. While we may complete 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"), pursuant to which the Company may purchase up to an aggregate of $50.0 million in shares of the Company's issued and outstanding common stock during the 2023 calendar year. Under the program, the Company 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's management. The actual timing and method of any purchases, the target number of shares and the maximum price (or range of prices) under the program, will be determined by management at is discretion and 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 2023 Repurchase Program expired on December 31, 2023.

On February 28, 2024, the Company announced that its Board of Directors has authorized a new share repurchase program (the "2024 Repurchase Program"), pursuant to which the Company may purchase up to an aggregate of $50.0 million in shares of the Company's issued and outstanding common stock during the 2024 calendar year. Under the program, the Company 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's management. The actual timing and method of any purchases, the target number of shares and the maximum price (or range of prices) under the program, will be determined by management at is discretion and 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 2024 Repurchase Program will expire on December 31, 2024.

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. Such loans amounted to approximately $23.7 million and $28.3 million at December 31, 2023 and 2022, respectively. The activity in loans to current directors, executive officers, and their affiliates during the year ended December 31, 2023, is summarized as follows:

($ in thousands)		
Loans outstanding at beginning of year	$	28,338
Advances/new loans		725
Removed/payments		(5,383)
Loans outstanding at end of year	$	23,680

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

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 guaranties, commitments to extend credit, overdraft protection, etc., which are not reflected in the accompanying financial statements. Commitments to extend credit and letters of credit include some exposure to credit loss in the event of nonperformance of 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. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit policies and procedures for such commitments are the same as those used for lending activities. Because these instruments have fixed maturity dates and because a number expire without being drawn upon, they generally do not present any significant liquidity risk. No significant losses on commitments were incurred during the years ended December 31, 2023 and 2022, nor are any significant losses as a result of these transactions anticipated.

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

	2023		2022	
($ in thousands)	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to make loans	$ 34,380	$ 50,226	$ 43,227	$ 15,758
Unused lines of credit	231,335	605,646	243,043	404,025
Standby letters of credit	15,573	13,114	4,260	9,909

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% to 18.0% and maturities ranging from 1 year to 30 years.

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 are not unconditionally cancellable. The Company maintains a separate ACL on OBSC exposures, including unfunded commitments and letters of credit, which is included on the accompanying consolidated balance sheet for the years ended December 31, 2023 and 2022. 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 expected credit losses on commitments expected to be funded over its estimated life.

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

($ in thousands)	2023	2022	2021
Balance at beginning of period	$ 1,325	$ 1,070	$ —
Adoption of ASU 326	—	—	718
Credit loss expense related to OBSC exposures	750	255	352
Balance at end of period	$ 2,075	$ 1,325	$ 1,070

Adjustments to the ACL on OBSC exposures are recorded to provision for credit losses OBSC exposures. The Company recorded $750 thousand, $255 thousand, and $352 thousand to the provision for credit losses OBSC exposures for the years ended December 31, 2023, 2022, and 2021 respectively. The increase in the ACL on OBSC exposures 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 acquisition and an increase in unfunded commitments.

No credit loss estimate is reported for OBSC exposures that are unconditionally cancellable by the Company or for undrawn amounts under such arrangements that may be drawn prior to the cancellation on the arrangement.

The Company currently has 110 full-service banking and financial service offices, one motor bank facility and five loan production offices across Mississippi, Alabama, Florida, Georgia, and Louisiana. Management closely monitors its credit concentrations and attempts to diversify the portfolio within its primary market area. As of 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 loan is dependent upon the economic stability of the area.

In the normal course of business, the Company and its subsidiary are subject to pending and threatened legal actions. Although the Company is not able to predict the outcome of such actions, after reviewing pending and threatened actions with counsel, management believes that based on the information currently available the outcome of such actions, individually or 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,* which establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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 market participants at the measurement date. It also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair 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 markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities;

quoted prices in markets that are not active; or other inputs that 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 pricing an asset or liability.

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 that value:

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 available in an active market, securities are classified within Level 1. If quoted market prices are not available, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics. Level 2 securities include obligations of U.S. government corporations and agencies, obligations of states and political subdivisions, mortgage-backed securities, and collateralized mortgage obligations. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. For securities where quoted prices or market 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 would be made for the same remaining maturities, in accordance with the exit price notion as defined by FASB ASC 820, *Fair Value Measurement* ("ASC 820"). Expected future cash flows were projected based on contractual 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 factors to calculate the exit price fair value in accordance with ASC 820.

Loans Held for Sale - Loans held for sale are carried at fair value in the aggregate as determined by the outstanding commitments from investors. As, such we classify those loans subjected to nonrecurring fair value adjustments as Level 2 of the fair value hierarchy.

Interest Rate Swaps - The Company offers interest rate swaps to certain commercial loan customers to allow them to hedge the risk of rising interest rates on their variable rate loans. The Company originates a variable rate loan and enters into a variable to fixed interest rate swap with the customer. The Company also enters into an offsetting swap with a correspondent 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 contract or fixed interest payments for the customer. In addition, the Company will enter into risk participation agreements ("RPA"). Under an RPA-in agreement, a derivative liability, the Company assumes, or 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 bank. Under an RPA-out agreement, a derivative asset, the Company participates out a portion of the credit risk associated with the interest rate swap position executed with the commercial borrower, for a fee paid to the participating bank. RPAs are derivative financial instruments recorded at fair value. Although we have determined that a majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit assumptions 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 receivable related to investments securities and Level 3 for accrued interest receivable related to loans.

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 non-interest-bearing demand deposits, savings accounts, NOW accounts,

and money market demand accounts. The fair value of variable rate term deposits, those repricing within six months or less, approximates 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 six months. The discount rate used is based on interest rates currently being offered on comparable deposits as to amount and term.

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 for similar types of borrowing arrangements. The carrying amount of any variable rate borrowing approximates its fair value.

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. However, commitments to extend credit do not represent a significant value until such commitments are funded or closed. Management has determined that these instruments do not have a distinguishable fair value and 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 measurements fell as of December 31, 2023 and 2022:

December 31, 2023	Fair Value Measurements			
($ in thousands)	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale				
U.S. Treasury	$ 16,675	$ 16,675	$ —	$ —
Obligations of U.S. government agencies and sponsored entities	104,923	—	104,923	—
Municipal securities	438,466	—	420,283	18,183
Mortgage-backed Securities	441,661	—	441,661	—
Corporate obligations	37,597	—	37,567	30
Other	3,043	—	3,043	—
Total investment securities available-for-sale	$ 1,042,365	$ 16,675	$ 1,007,477	$ 18,213
Loans held for sale	2,914	—	2,914	—
Interest rate swaps	$ 12,170	$ —	$ 12,129	$ 41
Liabilities:				
Interest rate swaps	$ 12,175	$ —	$ 12,129	$ 46

December 31, 2022	Fair Value Measurements			
($ in thousands)	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale				
U.S. Treasury	$ 123,854	$ 123,854	$ —	$ —
Obligations of U.S. government agencies and sponsored entities	144,369	—	144,369	—
Municipal securities	457,857	—	442,740	15,117
Mortgage-backed securities	490,139	—	490,139	—
Corporate obligations	40,882	—	40,851	31
Total investment securities available-for-sale	$ 1,257,101	$ 123,854	$ 1,118,099	$ 15,148
Loans held for sale	$ 4,443	$ —	$ 4,443	$ —
Interest rate swaps	$ 12,825	$ —	$ 12,825	$ —
Liabilities:				
Interest rate swaps	$ 12,825	$ —	$ 12,825	$ —

The following is a reconciliation of activity for assets measured at fair value based on significant unobservable (Level 3) information:

	Bank-Issued Trust Preferred Securities	
($ in thousands)	2023	2022
Balance, January 1	$ 31	$ 43
Paydowns	(1)	(12)
Balance, December 31	$ 30	$ 31

	Municipal Securities	
($ in thousands)	2023	2022
Balance, January 1	$ 15,117	$ 20,123
Maturities, calls and paydowns	(2,639)	(2,328)
Transfer from level 2 to level 3	6,085	—
Unrealized (loss) gain included in comprehensive income	(380)	(2,678)
Balance, December 31	$ 18,183	$ 15,117

($ in thousands)	Interest Rate Swaps - Risk Participations 2023
Balance, January 1	$ —
RPA-in	(46)
RPA-out	41
Balance at December 31	$ (5)

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 December 31, 2023 and 2022. The following tables present quantitative information about recurring Level 3 fair value measurements:

($ in thousands)

Bank-Issued Trust Preferred Securities	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
December 31, 2023	$ 30	Discounted cash flow	Discount rate	7.81% - 7.89%
December 31, 2022	$ 31	Discounted cash flow	Discount rate	6.98% - 7.19%

Municipal Securities	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
December 31, 2023	$ 18,183	Discounted cash flow	Discount rate	2.34% - 5.50%
December 31, 2022	$ 15,117	Discounted cash flow	Discount rate	3.00% - 4.00%

Interest Rate Swaps - Risk Participations	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
December 31, 2023	$ (5)	Credit Value Adjustment	Credit Spread	225 bps - 300 bps
			Recovery Rate	70%

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a non-recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

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. If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires obtaining a current independent appraisal of the collateral. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income date available for similar loans and collateral underlying such loans. Such 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 and collections. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on

management's expertise and 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 credit losses. Fair value of other real estate owned is based on current independent appraisals of the collateral less costs to sell when acquired, establishing a new costs basis. These assets are subsequently accounted 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 no less frequently than annually. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach with data from comparable properties. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments, if any, result in a Level 3 classification of the inputs for determining fair value. In the determination of fair value subsequent to foreclosure, management also considers other factors or recent developments, such as changes in market conditions from the time of valuation and anticipated sales values considering plans for disposition, which could result in an adjustment to lower the collateral value estimates indicated in the appraisals. The Company adjust the appraisal 10 percent for carrying costs. Periodic revaluations are classified as Level 3 in the fair value 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 acquired, the actual fair value of the other real estate owned or foreclosed asset could differ from the original estimate. If it is determined the fair value declines subsequent to foreclosure, a valuation allowance is recorded 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 other real estate owned and foreclosed assets are netted and recorded in other income. Other real estate measured at fair value on a non-recurring basis at December 31, 2023, amounted to $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 in which the fair value measurements were reported at December 31, 2023 and 2022:

	Fair Value Measurements Using			
($ in thousands)	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2023				
Collateral dependent loans	$ 2,494	$ —	$ —	$ 2,494
Other real estate owned	8,320	—	—	8,320
December 31, 2022				
Collateral dependent loans	$ 5,552	$ —	$ —	$ 5,552
Other real estate owned	4,832	—	—	4,832

Estimated fair values for the Company's financial instruments are as follows, as of the dated noted:

December 31, 2023	Fair Value Measurements				
($ in thousands)	Carrying Amount	Estimated Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Instruments:					
Assets:					
Cash and cash equivalents	$ 355,147	$ 355,147	$ 355,147	$ —	$ —
Securities available-for-sale	1,042,365	1,042,365	16,675	1,007,477	18,213
Securities held-to-maturity	654,539	615,944	—	615,944	—
Loans held for sale	2,914	2,914	—	2,914	—
Loans, net	5,116,010	4,877,935	—	—	4,877,935
Accrued interest receivable	33,300	33,300	—	8,632	24,668
Interest rate swaps	12,170	12,170	—	12,129	41
Liabilities:					
Non-interest-bearing deposits	$ 1,849,013	$ 1,849,013	$ —	$ 1,849,013	$ —
Interest-bearing deposits	4,613,859	4,430,227	—	4,430,227	—
Subordinated debentures	123,386	109,426	—	—	109,426
FHLB and other borrowings	390,000	390,000	—	390,000	—
Accrued interest payable	22,702	22,702	—	22,702	—
Interest rate swaps	12,175	12,175	—	12,129	46

December 31, 2022	Fair Value Measurements				
($ in thousands)	Carrying Amount	Estimated Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Instruments:					
Assets:					
Cash and cash equivalents	$ 145,315	$ 145,315	$ 145,315	$ —	$ —
Securities available-for-sale	1,257,101	1,257,101	123,854	1,118,099	15,148
Securities held-to-maturity	691,484	642,097	—	642,097	—
Loans held for sale	4,443	4,443	—	4,443	—
Loans, net	3,735,240	3,681,313	—	—	3,681,313
Accrued interest receivable	27,723	27,723	—	9,757	17,966
Interest rate swaps	12,825	12,825	—	12,825	—
Liabilities:					
Non-interest-bearing deposits	$ 1,630,203	$ 1,630,203	$ —	$ 1,630,203	$ —
Interest-bearing deposits	3,864,201	3,505,990	—	3,505,990	—
Subordinated debentures	145,027	133,816	—	—	133,816
FHLB and other borrowings	130,100	130,100	—	130,100	—
Accrued interest payable	3,324	3,324	—	3,324	—
Interest rate swaps	12,825	12,825	—	12,825	—

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 apply to revenue associated with financial instruments, including loans and investment securities that are accounted for under other GAAP, which comprise a significant portion of our revenue stream. A description of 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. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed at the point in the time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from 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 from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided by the cardholder.

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 generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and 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 recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component 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 Company's sources of non-interest income for December 31, 2023, 2022, and 2021. Items outside the scope of ASC 606 are noted as such.

($ in thousands)	Year Ended December 31, 2023			
Revenue by Operating Segments	Commercial/ Retail Bank	Mortgage Banking Division	Holding Company	Total
Non-interest income				
Service charges on deposits				
Overdraft fees	$ 8,154	$ —	$ —	$ 8,154
Other	6,021	—	—	6,021
Interchange income	18,914	—	—	18,914
Investment brokerage fees	1,623	—	—	1,623
Net gains on OREO	6	—	—	6
Net losses on sales of securities (1)	(9,716)	—	—	(9,716)
Gain on premises and equipment	35	—	—	35
Gain on sale of loans	1,512	—	—	1,512
Other	10,307	2,866	6,983	20,156
Total non-interest income	$ 36,856	$ 2,866	$ 6,983	$ 46,705

($ in thousands)	Year Ended December 31, 2022			
Revenue by Operating Segments	Commercial/ Retail Bank	Mortgage Banking Division	Holding Company	Total
Non-interest income				
Service charges on deposits				
Overdraft fees	$ 4,023	$ 93	$ —	$ 4,116
Other	8,679	—	—	8,679
Interchange income	12,702	—	—	12,702
Investment brokerage fees	1,566	—	—	1,566
Net gains on OREO	214	—	—	214
Net losses on sales of securities (1)	(82)	—	—	(82)
Gain on acquisition (1)	281	—	—	281
Loss on premises and equipment	(116)	—	—	(116)
Other	2,724	4,210	2,667	9,601
Total non-interest income	$ 29,991	$ 4,303	$ 2,667	$ 36,961

($ in thousands)	Year Ended December 31, 2021			
Revenue by Operating Segments	Commercial/ Retail Bank	Mortgage Banking Division	Holding Company	Total
Non-interest income				
Service charges on deposits				
Overdraft fees	$ 3,122	$ —	$ —	$ 3,122
Other	4,140	2	—	4,142
Interchange income	11,562	—	—	11,562
Investment brokerage fees	1,349	—	—	1,349
Net (losses) on OREO	(300)	—	—	(300)
Net gains on sales of securities (1)	143	—	—	143
Gain on acquisition (1)	1,300	—	—	1,300
Loss on premises and equipment	(264)	—	—	(264)
Other	7,487	8,821	111	16,419
Total non-interest income	$ 28,539	$ 8,823	$ 111	$ 37,473

(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:

Condensed Balance Sheets

($ in thousands)	December 31, 2023	December 31, 2022
Assets:		
Cash and cash equivalents	$ 13,485	$ 9,843
Investment in subsidiary bank	1,056,369	778,885
Investments in statutory trusts	806	496
Bank owned life insurance	348	333
Other	3,275	3,962
	$ 1,074,283	$ 793,519
Liabilities and Stockholders' Equity:		
Subordinated debentures	$ 123,386	$ 145,027
Other	1,863	1,830
Stockholders' equity	949,034	646,663
	$ 1,074,283	$ 793,519

Condensed Statements of Income

($ in thousands)	Years Ended December 31, 2023	2022	2021
Income:			
Interest and dividends	$ 36	$ 17	$ 10
Dividend income	65,000	16,000	—
Other	6,983	2,667	111
	72,019	18,684	121
Expenses:			
Interest on borrowed funds	7,970	7,492	7,375
Legal and professional	1,136	593	941
Other	6,266	7,498	4,828
	15,372	15,583	13,144
Income (loss) before income taxes and equity in undistributed income of subsidiary	56,647	3,101	(13,023)
Income tax benefit	2,005	3,263	3,295
Income (loss) before equity in undistributed income of subsidiary	58,652	6,364	(9,728)
Equity in undistributed income of subsidiary	16,805	56,555	73,895
Net income	$ 75,457	$ 62,919	$ 64,167

Condensed Statements of Cash Flows

($ in thousands)	Years Ended December 31, 2023	2022	2021
Cash flows from operating activities:			
Net income	$ 75,457	$ 62,919	$ 64,167
Adjustments to reconcile net income to net cash used in operating activities:			
Equity in undistributed income of Subsidiary	(16,805)	(56,555)	(73,895)
Restricted stock expense	2,302	2,425	3,100
Other, net	9,263	6,255	(3,343)
Net cash provided by (used in) operating activities	70,217	15,044	(9,970)
Cash flows from investing activities:			
Investment in bank	—	(1,300)	—
Other, net	—	290	—
Net cash (used in) investing activities	—	(1,010)	—
Cash flows from financing activities:			
Dividends paid on common stock	(27,550)	(16,275)	(11,991)
Repurchase of restricted stock for payment of taxes	(361)	(683)	(721)
Common stock repurchased	—	(22,180)	(5,171)
Repayment of borrowed funds	—	—	(4,647)
Called/repayment of subordinated debt	(31,000)	—	—
Other, net	(7,664)	216	—
Net cash (used in) financing activities	(66,575)	(38,922)	(22,530)
Net increase (decrease) in cash and cash equivalents	3,642	(24,888)	(32,500)
Cash and cash equivalents at beginning of year	9,843	34,731	67,231
Cash and cash equivalents at end of year	$ 13,485	$ 9,843	$ 34,731

NOTE U - OPERATING SEGMENTS

The Company is considered to have three principal business segments in 2023, 2022, and 2021, the Commercial/Retail Bank, the Mortgage Banking Division, and the Holding Company.

($ in thousands)	Year Ended December 31, 2023			
	Commercial/ Retail Bank	Mortgage Banking Division	Holding Company	Total
Interest income	$ 340,566	$ 331	$ 36	$ 340,933
Interest expense	83,497	141	7,970	91,608
Net interest income (loss)	257,069	190	(7,934)	249,325
Provision (credit) for credit losses	14,500	—	—	14,500
Net interest income (loss) after provision for loan losses	242,569	190	(7,934)	234,825
Non-interest income	36,856	2,866	6,983	46,705
Non-interest expense	172,133	5,191	7,402	184,726
Income (loss) before income taxes	107,292	(2,135)	(8,353)	96,804
Income tax (benefit) expense	23,892	(540)	(2,005)	21,347
Net income (loss)	$ 83,400	$ (1,595)	$ (6,348)	$ 75,457
Total Assets	$ 7,971,373	$ 10,058	$ 17,914	$ 7,999,345
Net Loans	5,114,434	4,490	—	5,118,924

($ in thousands)	Year Ended December 31, 2022			
	Commercial/ Retail Bank	Mortgage Banking Division	Holding Company	Total
Interest income	$ 199,937	$ 439	$ 17	$ 200,393
Interest expense	14,979	106	7,492	22,577
Net interest income (loss)	184,958	333	(7,475)	177,816
Provision (credit) for loan losses	5,605	—	—	5,605
Net interest income (loss) after provision for loan losses	179,353	333	(7,475)	172,211
Non-interest income	29,991	4,303	2,667	36,961
Non-interest expense	116,899	5,493	8,091	130,483
Income (loss) before income taxes	92,445	(857)	(12,899)	78,689
Income tax (benefit) expense	19,250	(217)	(3,263)	15,770
Net income (loss)	$ 73,195	$ (640)	$ (9,636)	$ 62,919
Total Assets	$ 6,428,889	$ 18,194	$ 14,634	$ 6,461,717
Net Loans	3,734,659	5,024	—	3,739,683

($ in thousands)	Year Ended December 31, 2021			
	Commercial/ Retail Bank	Mortgage Banking Division	Holding Company	Total
Interest income	$ 176,153	$ 582	$ 10	$ 176,745
Interest expense	12,166	140	7,375	19,681
Net interest income (loss)	163,987	442	(7,365)	157,064
Provision (credit) for loan losses	(1,104)	—	—	(1,104)
Net interest income (loss) after provision for loan losses	165,091	442	(7,365)	158,168
Non-interest income	28,539	8,823	111	37,473
Non-interest expense	103,430	5,361	5,768	114,559
Income (loss) before income taxes	90,200	3,904	(13,022)	81,082
Income tax (benefit) expense	19,222	988	(3,295)	16,915
Net income (loss)	$ 70,978	$ 2,916	$ (9,727)	$ 64,167
Total Assets	$ 6,015,664	$ 16,519	$ 45,231	$ 6,077,414
Net Loans	2,929,995	6,494	—	2,936,489

NOTE V - SUMMARY OF QUARTERLY RESULTS OF OPERATIONS AND PER SHARE AMOUNTS (UNAUDITED)

($ in thousands, except per share amounts)	March 31	June 30	Sept. 30	Dec. 31
2023				
Total interest income	$ 80,338	$ 86,194	$ 85,681	$ 88,720
Total interest expense	15,412	20,164	24,977	31,055
Net interest income	$ 64,926	$ 66,030	$ 60,704	$ 57,665
Provision for credit losses	11,000	1,250	1,000	1,250
Net interest income after provision for credit losses	53,926	64,780	59,704	56,415
Total non-interest income	12,612	12,423	19,324	2,346
Total non-interest expense	45,670	46,899	47,724	44,433
Income tax expense	4,597	6,525	6,944	3,281
Net income available to common stockholders	$ 16,271	$ 23,779	$ 24,360	$ 11,047
Per common share:				
Net income, basic	$ 0.52	$ 0.76	$ 0.78	$ 0.35
Net income, diluted	0.52	0.75	0.77	0.35
Cash dividends declared	0.21	0.22	0.23	0.24
2022				
Total interest income	$ 42,741	$ 45,847	$ 53,874	$ 57,931
Total interest expense	4,102	3,746	4,726	10,003
Net interest income	$ 38,639	$ 42,101	$ 49,148	$ 47,928
Provision for credit losses	—	600	4,300	705
Net interest income after provision for credit losses	38,639	41,501	44,848	47,223
Total non-interest income	11,157	8,664	9,022	8,118
Total non-interest expense	28,590	30,955	35,903	35,035
Income tax expense	4,377	3,457	3,924	4,012
Net income available to common stockholders	$ 16,829	$ 15,753	$ 14,043	$ 16,294
Per common share:				
Net income, basic	$ 0.81	$ 0.77	$ 0.61	$ 0.68
Net income, diluted	0.81	0.76	0.61	0.67
Cash dividends declared	0.17	0.18	0.19	0.20
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 loan losses	—	—	—	(1,104)
Net interest income after provision for loan 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

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 interest rate swap agreements entered into by the Company are all entered into under what is referred to as a back-to-back interest rate swap, as such, the net positions are offsetting assets and liabilities, as well as income and expenses and risk participation. 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.

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 counterparty. The result is two mirrored interest rate swaps, absent a credit event, which will offset in the financial statements. These swaps are not designated as hedging instruments and are recorded at fair value in other assets and other liabilities. The change in fair value is recognized in the income statement as other income and fees.

Risk participation agreements are derivative financial instruments and are recorded at fair value. These derivatives are not designated as hedges and therefore, changes in fair value are recorded directly through earnings at each reporting period. Under a risk participation-out agreement, a derivative asset, the Company participates out a portion of the credit risk associated with the interest rate swap position executed with the commercial borrower, for a fee paid to the participating bank. Under a risk participation-in agreement, a derivative liability, the Company assumes, or 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 bank. The Company has two risk participation-in swaps and one risk participation-out swap at December 31, 2023.

The following table provides outstanding interest rate swaps at December 31, 2023 and December 31, 2022.

($ in thousands)	December 31, 2023	December 31, 2022
Notional amount	$ 493,290	$ 328,756
Weighted average pay rate	5.2 %	4.6 %
Weighted average receive rate	5.2 %	4.3 %
Weighted average maturity in years	5.39	6.11

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)	December 31, 2023		December 31, 2022	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Interest rate swap contracts	$ 12,170	12,175	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 credit risk in the transaction. At December 31, 2023 and December 31, 2022, the Company had $500 thousand of collateral posted with its counterparties, which is included in the consolidated statement of financial condition as cash and cash equivalents as "restricted cash". The Company also receives a swap spread to compensate it for the credit exposure it takes on the customer-facing portion of the transaction and this upfront cash payment from the counterparty is recorded in other income, net of any transaction execution expenses, in the consolidated statement of operations. 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, potential amounts due or payable under each derivative contract. Notional principal amounts are often used to express the volume of these transactions, but the amounts potentially subject to credit risk are much smaller. The Company assesses the credit risk of its dealer counterparties by regularly monitoring

publicly available credit rating information, evaluating other market indicators, and periodically reviewing detailed financials.

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 permit the netting of customer and counterparty fair value amounts in the consolidated statement of financial condition.

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 Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of December 31, 2023. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information 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. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. No changes were made to the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the last fiscal quarter that materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The First Bancshares, Inc.
Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed under the supervision of the Chief Executive Officer and the Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

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, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. 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.

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 effectiveness of internal control over financial reporting as of December 31, 2023 based on the framework 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, 2023, the Company's internal control over financial reporting was effective based on those criteria.

As permitted by SEC guidance, management has excluded the operations of the HSBI acquisition from the scope of management's report on internal control over financial reporting. HSBI was acquired during the year ended December 31, 2023. For the year ended December 31, 2023, HSBI represented approximately 19.6% 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 for the fiscal year ended December 31, 2023 pursuant to the rules of the SEC. Their report appears in the section captioned "Report of Independent Registered Public Accounting Firm" included in Part II. Item 8 – Financial Statements and Supplementary Data of this report.

Report of Independent Registered Public Accounting Firm

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, 2023, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established 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 of the Company as of December 31, 2023 and 2022 and for each of the years in the three-year period ended December 31, 2023, and our report dated February 29, 2024 expressed an unqualified opinion on those consolidated financial statements.

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, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting 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 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating 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. We believe that our audit provides a reasonable basis for our opinion.

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 as of December 31, 2023, has excluded Heritage Southeast Bancorporation, Inc. which was acquired during the year ended December 31, 2023. We have also excluded Heritage Southeast Bancorporation, Inc. from the scope of our audit of internal control over financial reporting. Heritage Southeast Bancorporation, Inc. represented approximately 22.4 percent of consolidated revenues for the year ended December 31, 2023, and approximately 19.6 percent of consolidated total assets as of December 31, 2023.

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 reliable financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of 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 that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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.

/s/ FORVIS, LLP

Jackson, Mississippi
February 29, 2024

ITEM 9B. OTHER INFORMATION

SERP Amendments

On November 16, 2023, the Board approved amendments to the Supplemental Executive Retirement Plan Agreement dated January 1, 2020 with M. Ray (Hoppy) Cole, Jr. (the "Cole 2020 SERP Amendment") and the Supplemental Executive Retirement Plan Agreement dated January 1, 2021 with Donna T. (Dee Dee) Lowery (the "2021 Lowery SERP Amendment"). 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 2020 SERP), less any amounts payable under his 2014 SERP, which will be payable in equal monthly installments upon Mr. Cole's separation from service following attainment of age 65 while in the employment of 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, then he will receive an annual benefit equal to the "early termination benefit" (as defined in the 2020 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 2020 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 17, less any amounts already paid under the 2021 or 2014 SERPs, plus an additional lump sum death benefit payment determined by Mr. Cole's age at death.

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 2021 SERP), less any amounts payable under her 2014 SERP, which will be payable in equal monthly installments upon Ms. Lowery's separation from service following attainment of age 65 while in the employment of the Bank (except in the case of Ms. Lowery's death, in which case the death 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 a change in control, then she will receive an annual benefit equal to the "early termination benefit" (as defined in the 2021 SERP).
- 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" (as defined in the 2021 SERP).

- 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 a factor of 21, less any amounts already paid under the 2021 or 2014 SERPs.

On November 16, 2023, the Board also approved amendments to the Supplemental Executive Retirement Plan Agreement dated May 15, 2014 with Mr. Cole (the "2014 Cole SERP Amendment") and the Supplemental Executive Retirement Plan Agreement dated May 19, 2014 with Ms. Lowery (the "2014 Lowery SERP Amendment"), to remove the death benefit 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, the 2014 Cole SERP Amendment and the 2014 Lowery SERP Amendment, which are attached hereto as Exhibits 10.13, 10.17, 10.11 and 10.15, respectively.

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 written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-(c) or any "non-Rule 10b5-1 trading arrangement.

PART III

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 23, 2024, which proxy materials will be filed with the SEC on or about April 10, 2024.

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 23, 2024, which proxy materials will be filed with the SEC on or about April 10, 2024.

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 23, 2024, which proxy materials will be filed with the SEC on or about April 10, 2024.

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 23, 2024, which proxy materials will be filed with the SEC on or about April 10, 2024.

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 23, 2024, which proxy materials will be filed with the SEC on or about April 10, 2024.

PART IV

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 and Supplementary Data.

Consolidated balance sheets – December 31, 2023 and 2022

Consolidated statements of income – Years ended December 31, 2023, 2022, and 2021

Consolidated statements of other comprehensive income (loss) – Years ended December 31, 2023, 2022, and 2021

Consolidated statements of changes in stockholders' equity– Years ended December 31, 2023, 2022 and 2021

Consolidated statements of cash flows –Years ended December 31, 2023, 2022, and 2021

Notes to consolidated financial statements – December 31, 2023, 2022, and 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 financial statements or related notes.

(a) 3. Exhibits:

Exhibit No.	Description of Exhibit
2.1	Agreement and Plan of Merger, dated October 12, 2016, by and among The First Bancshares, Inc., The First, A National Banking Association, and Gulf Coast Community Bank (incorporated herein by reference to Exhibit 1.2 to the Company's Current Report on Form 8-K filed on October 14, 2016).
2.2	Agreement and Plan of Merger by and between The First Bancshares, Inc. and Southwest Banc Shares, Inc., dated October 24, 2017 (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2017).
2.3	Agreement and Plan of Merger by and between The First Bancshares, Inc. and Sunshine Financial, Inc., dated December 6, 2017 (incorporated herein by reference to Exhibit 2.4 to the Company's Annual Report on Form 10-K filed on March 16, 2018).
2.4	Agreement and Plan of Merger by and between The First Bancshares, Inc. and FMB Banking Corporation, dated July 23, 2018 (incorporated by reference to Exhibit 2.1 of the Company's Registration Statement on Form S-4 filed on September 13, 2018).

2.5 Agreement and Plan of Merger by and between The First Bancshares, Inc. and FPB Financial Corp., dated November 6, 2018 (incorporated herein by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed on November 6, 2018).

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).

2.7 Agreement and Plan of Merger, dated as of April 26, 2022, by and between The First Bancshares, Inc. and Beach Bancorp, Inc. (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on May 2, 2022).

2.8 Agreement and Plan of Merger, dated as of July 27, 2022, by and between The First Bancshares, Inc. and Heritage Southeast Bancorporation, Inc. (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on August 1, 2022).

3.1 Amended and Restated Articles of Incorporation of The First Bancshares, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 29, 2016).

3.2 Amendment to Amended and Restated Articles of Incorporation of The First Bancshares, Inc. (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 10-Q filed on August 9, 2018).

3.3 Amendment to Amended and Restated Articles of Incorporation of The First Bancshares, Inc. (incorporated herein by reference to 3.1 to the Company's Current Report on Form 8-K filed on May 26, 2023.

3.4 Amended and Restated Bylaws of The First Bancshares, Inc., effective as of March 17, 2016 (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on March 18, 2016).

3.5 Amendment No. 1 to the Amended and Restated Bylaws of The First Bancshares, Inc. effective as of May 7, 2020 (incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q filed on May 11, 2020).

4.1 Form of Certificate of Common Stock (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement No. 333-220491 on Form S-3 filed on September 15, 2017).

4.2 Form of Global Subordinated Note for The First Bancshares, Inc. 5.875% Fixed-to-Floating Rate Subordinated Notes Due 2028 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 1, 2018).

4.3 Form of Global Subordinated Note for The First Bancshares, Inc. 6.4% Fixed-to-Floating Rate Subordinated Notes Due 2023 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on May 1, 2018).

4.4 Indenture by and between The First Bancshares, Inc. and U.S. Bank National Association, dated September 25, 2020 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed on September 25, 2020).

4.5 Form of Global Subordinated Note for The First Bancshares, Inc. 4.25% Fixed-to-Floating Rate Subordinated Notes Due 2030 (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on September 25, 2020).

4.6 Description of Securities.

10.1 Note Purchase Agreement between the Company and the several purchasers of the Subordinated Notes, dated April 30, 2018 (incorporated herein by reference to Exhibit 10.1 to The Company's Current Report on Form 8-K filed on May 1, 2018).

10.2 Subordinated Note Purchase Agreement between the Company and the several purchasers of the Subordinated Notes, dated April 30, 2018 (incorporated herein by reference to Exhibit 10.2 to The Company's Current Report on Form 8-K filed on May 1, 2018).

10.3 Loan Agreement, dated as of December 5, 2016, by and between the Company, as Borrower, and First Tennessee Bank National Association, as Lender (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 9, 2016).

10.4 Employment Agreement dated May 31, 2011, between The First, A National Banking Association, and M. Ray Cole, Jr. (incorporated herein by reference to Exhibit 10.5 of The First Bancshares' Annual Report on Form 10-K filed on March 29, 2012).+

10.5 Amendment to Employment Agreement dated January 16, 2020, between The First, A National Banking Association, and M. Ray Cole, Jr. (incorporated herein by reference to Exhibit 10.3 to The First Bancshares Quarterly Report on Form 10-Q filed on May 11, 2020).+

10.6 Employment Agreement, dated as of October 17, 2019, by and between The First, A National Banking Association and Donna T. (Dee Dee) Lowery (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 21, 2019).+

10.7 Amendment to Employment Agreement dated January 16, 2020, between The First, A National Banking Association, and Donna T. (Dee Dee) Lowery (incorporated herein by reference to Exhibit 10.3 to The First Bancshares Quarterly Report on Form 10-Q filed on May 11, 2020).+

10.8 The First Bancshares, Inc. 2007 Stock Incentive Plan (incorporated herein by reference to Exhibit 4.3 to The First Bancshares' Registration Statement No. 333-171996 on Form S-8 filed on February 1, 2011).+

10.9 Amendment to 2007 Stock Incentive Plan effective May 28, 2015 (incorporated herein by reference to Exhibit 10.6 to The First Bancshares Annual Report on Form 10-K filed on March 30, 2016).+

10.10 Supplemental Executive Retirement Agreement between The First, A National Banking Association and M. Ray (Hoppy) Cole, Jr., as amended (incorporated herein by reference to Exhibit 10.9 to The First Bancshares Annual Report on Form 10-K filed on March 16, 2017).+

10.11 Amendment to Supplemental Executive Retirement Agreement dated February 26, 2024 between The First Bank and Milton R. Cole, Jr.*

10.12 Supplemental Executive Retirement Agreement effective January 1, 2020 between The First, A National Banking Association and Milton R. Cole, Jr. (incorporated herein by reference to Exhibit 10.3 to The First Bancshares Quarterly Report on Form 10-Q filed on May 11, 2020).+

10.13 Amendment to Supplemental Executive Retirement Agreement dated February 26, 2024 between The First Bank and Milton R. Cole, Jr.*

10.14 Supplemental Executive Retirement Agreement between The First, A National Banking Association and Donna T. Lowery, as amended (incorporated herein by reference to Exhibit 10.10 to The First Bancshares Annual Report on Form 10-K filed on March 16, 2017).+

10.15 Amendment to Supplemental Executive Retirement Agreement dated February 26, 2024 between The First Bank and Donna T. Lowery*

10.16	Supplemental Executive Retirement Agreement between The First, A National Banking Association and Donna T. Lowery (incorporated by reference to Exhibit 10.13 of the Company's Annual Report in Form 10-K filed in March 12,2021).+
10.17	Amendment to Supplemental Executive Retirement Agreement dated February 26, 2024 between The First Bank and Donna T. Lowery*
10.18	Form of Supplemental Executive Retirement Agreements for Executives of The First, A National Banking Association (incorporated herein by reference to Exhibit 10.11 to The First Bancshares Annual Report on Form 10-K filed on March 16, 2017).+
10.19	Form of Stock Incentive Agreement for Restricted Stock Award pursuant to The First Bancshares, Inc. 2007 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K filed on March 16, 2018).+
10.20	Amendment to Stock Incentive Agreement for Outstanding Shares of Restricted Stock, dated as of October 15, 2019 (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on October 21, 2019). +
10.21	Subordinated Note Purchase Agreement between The First Bancshares, Inc. and the several purchasers of the Subordinated Notes, dated September 25, 2020 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on September 25, 2020).
10.22	Registration Rights Agreement between The First Bancshares, Inc. and the several purchasers of the Subordinated Notes, dated September 25, 2020 (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on September 25, 2020).
10.23	Beach Community Bank 2018 Stock Option Plan (incorporated by reference to Exhibit 99.1 of The First Bancshares' Registration Statement No. 333-266436 on Form S-8 filed on August 1, 2022).
21.1	Subsidiaries of The First Bancshares, Inc.*
23.1	Consent of FORVIS, 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.

SIGNATURES

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 duly authorized.

THE FIRST BANCSHARES, INC.

Date: February 29, 2024 By: /s/ M. Ray (Hoppy) Cole, Jr.

M. Ray (Hoppy) Cole, Jr.
Chief Executive Officer and President (Principal Executive Officer), Chairman of the Board

Date: February 29, 2024 By: /s/ Dee Dee Lowery

Dee Dee Lowery
Executive VP and Chief Financial Officer
(Principal Financial and Principal Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints M. Ray (Hoppy) Cole, Jr. and Donna T. (Dee Dee) Lowery, with full power to act without the other, his or her true and lawful attorney-in-fact and agent, with full and several powers of substitution and resubsititution, for him or her and in his 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 exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and 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 person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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	DATE
/s/ E. Ricky Gibson	Director	February 29, 2024
/s/ David W. Bomboy	Director	February 29, 2024
/s/ Jonathan A. Levy	Director	February 29, 2024
/s/ Charles R. Lightsey	Director	February 29, 2024
/s/ Fred McMurry	Director	February 29, 2024
/s/ Thomas E. Mitchell	Director	February 29, 2024
/s/ Renee Moore	Director	February 29, 2024
/s/ Ted E. Parker	Lead Director	February 29, 2024
/s/ J. Douglas Seidenburg	Director	February 29, 2024
/s/ Andrew D. Stetelman	Director	February 29, 2024
/s/ Valencia M. Williamson	Director	February 29, 2024
/s/ M. Ray (Hoppy) Cole, Jr.	CEO, President, Director, and Chairman of the Board (Principal Executive Officer)	February 29, 2024
/s/ Donna T. (Dee Dee) Lowery	Executive VP & Chief Financial Officer (Principal Financial and Accounting Officer)	February 29, 2024

DIRECTORS & CORPORATE OFFICERS

DIRECTORS OF THE BANK & HOLDING COMPANY

M. RAY "HOPPY" COLE JR.
President, Chief Executive Officer & Chairman of the Board
for The First Bancshares, Inc. and The First

DR. DAVID W. BOMBOY
Retired Orthopedic Surgeon

E. RICKY GIBSON
President and Owner, N&H Electronics

JONATHAN A. LEVY
Managing Partner, Redstone Investments

CHARLES R. LIGHTSEY
Social Security Disability Representative

FRED A. MCMURRY
Vice President & General Manager, Havard Pest Control

THOMAS E. MITCHELL
President, Stuart Contracting Co., Inc.

RENEE MOORE
CPA, Topp McWhorter Harvey PLLC

TED E. PARKER
Lead Director
Ted Parker Cattle LLC

DOUG SEIDENBURG
President, Molloy-Seidenburg & Co., Ltd., Certified Public Accountants

ANDY STETELMAN
President, London & Stetelman Commercial Realtors

VALENCIA M. WILLIAMSON
President & Chief Executive Officer, Clayton County Chamber of Commerce

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CORPORATE OFFICERS

M. Ray "Hoppy" Cole Jr., President & Chief Executive Officer

Dee Dee Lowery, Chief Financial Officer

CORPORATE INFORMATION

ANNUAL MEETING
The annual meeting of shareholders will be held Thursday, May 23, 2024 at 2 p.m. CST in a virtual only meeting format via the internet.

STOCK TRANSFER AGENT
Computershare, Inc.
P.O. Box 43006
Providence, RI 02940-3006

INDEPENDENT AUDITOR
FORVIS LLP
Certified Public Accountants
Jackson, Mississippi

FINANCIAL INFORMATION
Copies of the form 10-K Annual Report to the Securities and Exchange Commission, including financial statements and financial statement schedules, are available without charge upon request at:

THE FIRST BANCSHARES, INC.
6480 U.S. Highway 98 West
Hattiesburg, MS 39402

P.O. Box 15549
Hattiesburg, MS 39404-5549

The Form 10-K Annual Report to the Securities and Exchange Commission, including financial statements and financial statement schedules, serves as the alternative annual disclosure statement pursuant to 12 CFR 350.5.

STOCK INFORMATION
The company's articles of incorporation authorize it to issue up to 80,000,000 shares of Common Stock. As of March 28, 2024, the company had 31,218,321 shares outstanding, held by shareholders of record. The Common Stock of the company is traded on Nasdaq Global Market under the symbol, FBMS.

ADVISORY BOARD

AILRICK D. YOUNG
Laurel Housing Authority

M.J. "TREY" BOBINGER, III
Lobbyist, Bobinger Law Firm

SALLIE DIER
Accountant, Watkins Construction

JIM STROO
Realty Executives

SCOTT FARMER
Farmer Commercial Properties

STEVEN CUNNINGHAM, M.D.
Comprehensive Radiology Services

KEVIN SMITH
Animal Health Clinic

JAMES "JIMMIE" A. LADNER
Tax Assessor, Hancock County

JOE CLOYD
Owner, The Cottages

MARSHALL SMITH
Gulf Sales and Supply

BILLY GUICE
Guice Offshore

JOHN ALLMOND
Allmond Printing Company

ROB GRAHAM
Go Box, LLC

MARY ROSE SIRIANNI
Retired, Tampa Electric and Peoples Gas

KAREN MILLER
Tallahassee Lenders Consortium

RYAN YEARY
Camienz & Yeary, P. A.

F. WILSON CARRAWAY III
Retired, FMB

GENE D. LORD
Retired, Flowers Foods

DARLENE K. TAYLOR
Taylor Benefit Resource

DANNY COPELAND
COGI Athletics

JOHNNY COCHRAN
J. Cochran Farms, Inc.

JOHN LAHOOD
Fellowship Home at Brookside

LEE SMITH
Outsource Logistics, LLC

JOEL HUBBARD
CPA and Wealth Management

WILLIAM "BILL" S. WALL JR.
IGA Grocery Store

HAROLD GEORGE MEYERS
Mia Madison Properties

LEONARD A. KAISER
Kaiser Sotheby's Real Estate Sales

RICHARD SCHWARTZ
Doc's Seafood Shack

ADVISORY BOARD

COLEMAN BRYARS
Alabama Land Title Company

DONALD P. ROBINSON
Retired, Superior Petroleum Services

JAMES ROBERTSON
Robertson, Andreoli & Covington, CPA

LEE "TRIP" PITTMAN
Pittman Tractor Company

MIKE REID
Associate Broker, Merrill P. Thomas Co., Inc.

JOHN SHELDON
Sheldon, Rogers & Bryan PC

DR. J. REID CUMMINGS
University of South Alabama

JIMMY LYONS
Retired, SSI Group

TOM BRAMLETT
Office Equipment Company

JUAN PEASANT
PM Group

ED RANELLI
UWF Business Enterprises

LLOYD RESHARD
Cognitive Big Data Systems

PATRICK ROONEY
Coastal CXO

FREDERICK "SCOTT" MEYER
Diceburg, LLC

MELISSA PILCHER
Florida Community Services, Inc.

DAVID "RANDY" WISE
Randy Wise Homes

LESLIE LANDRY
Northshore Community Foundation

DR. CHUCK CARR BROWN
Gulf Engineers and Consultants

VINCE GARAFOLA
V's Holding/V's Investments/ Windgate Properties

NICK GAGLIANO JR.
Gagliano Group, Inc.

ANTHONY MERCANTE
Ponchatoula Family Pharmacy

GEORGE ANTHON JR.
Anthon Chiropractic Care

VINCENT ROUBIQUE
Tangi Electric and Maintenance Company

RHAOUL GUILLAUME JR.
Pointe-Marie/Rag Development LLC/Gotech, Inc.

TROY HENRY
Henry Consulting LLC

JOHN HOLMES
True Title

TheFirst
BANCSHARES, INC.

6480 HIGHWAY 98 WEST | HATTIESBURG, MS 39402

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