



TheFirst

Corporate

Social Responsibility

Report 2021

A MESSAGE FROM OUR PRESIDENT AND CEO

In 1996, a group of local business leaders in Hattiesburg, MS sat on a back porch to discuss their idea for a new financial institution. This new bank would be focused on supporting the communities it served and building sustainable long-term relationships with clients in those communities. The vision was to foster economic growth and generate superior returns to our stakeholders.

From a back porch in rural Mississippi to a \$6.1 billion asset multi-state financial institution, with 91 locations and 800 team members across the southeast, our success has been based upon the vision of our founders. They believed that our Company had a responsibility to improve economic growth in all segments of the markets we serve, and that the success of our Company would be closely tied to the success of our markets.

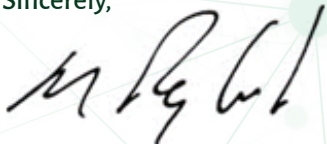
The First Bank has a primary mission to invest and serve under-served markets. We are one of the largest Certified Community Development Institutions (CDFI) in the country. This is a designation by the U.S. Treasury for financial institutions in which 60% of its business activities are in distressed markets. We have been a CDFI since 2010 and have been awarded over \$7.2 million grants for our investments in these communities to help support economic growth and job creation.

Our Company believes that supporting its markets by investing in distressed communities, providing financial education and generating access to affordable housing are fundamental building blocks to improve the standard of living across all of our markets.

This report documents how we accomplish our mission of supporting our communities by helping to provide long-term sustainable changes in those markets. Our Company has a long history of being mission driven and of being a good corporate citizen. It is embedded in our culture as set out by the vision of our original founders.

On behalf of our 800 team members and our Board of Directors, it is a pleasure to serve you.

Sincerely,



M. Ray "Hoppy" Cole, Jr. President and CEO
The First Bank Bancshares, Inc.
The First Bank A National Banking Association
The First Bank



OVERVIEW

This report highlights material topics and impacts of our Environmental, Social and Corporate Social Responsibility activities. Throughout this report, "The First", "The First Bank" or "the bank" refers to The First Bank, A National Banking Association. "FBMS" or "the Company" refers to The First Bank Bancshares, Inc. "We," "us" or "our" refers to both FBMS and The First Bank.

FORWARD-LOOKING STATEMENTS

This document contains statements that constitute "forward looking statements" within the meaning of, and subject to the protections of, the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on the information known to, and current beliefs and expectations of, the Company's management and are subject to significant risks and uncertainties. There are several factors that could cause results to differ materially from those described in the forward-looking statements. For a discussion of such factors, as well as a discussion of the risks and uncertainties that may affect our business, can be found in our Annual Report on Form 10-K and in other filings we make with the Securities and Exchange Commission, which are available on the SEC's website, <http://www.sec.gov>. Undue reliance should not be placed on forward-looking statements. The First Bank Bancshares, Inc. 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.

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Risk Management and Cybersecurity

The First Bank is a certified community development financial institution with a **PRIMARY MISSION** to promote community development in the communities we serve by providing financial products and services to residents and businesses located there, and to provide technical assistance in conjunction with its provision of financial products and services, all while maximizing shareholder value. In fulfilling this mission, we strive to:

1. Continue to maintain public confidence by managing a safe and sound bank.
2. Meet the financial needs of our customers with quality financial products and services.
3. Invest in the communities we serve to foster economic growth with particular emphasis on the under-served markets within our franchise area.
4. Ensure that the makeup of our employees, management team, and board of directors are reflective of the diversity of the communities we serve.
5. Focus on profitable, controlled growth thereby enhancing shareholder value.
6. Create opportunities for our employees to attain personal goals and professional achievement while fostering an inclusive environment through policies and procedures designed to nurture and develop the diverse talents of all of our associates.
7. Contribute to the quality of life in our communities by being a good corporate citizen.

HIGHLIGHTS

2021 Bauer Financial 5 Stars!

The First Bank was rated a **Superior Bank** from **Bauer Financial**. Financial data is compiled for U.S. banks and thrifts from call report data as reported to federal regulators. 5 Stars is the highest rating a financial institution can receive. Bauer Financial is completely independent. It does not get paid (nor has it ever) to rate any institution, nor can any institution avoid its rating.

Bauer uses the same strict barometer to rate all banks and all credit unions and makes those ratings available to all people—for free—on its web site. Since 1983, this practice, along with an excellent track record, has earned the respect of regulators, bankers and consumers across the country. Bauer has been analyzing and reporting on the industry since 1983. Nobody knows this business better, nor is better respected.



Safe Account Recertified!

The Cities for Financial Empowerment (CFE) Fund works directly with national and regional financial institutions to encourage the widespread availability of safe, low cost transactional products. One key challenge facing unbanked and underbanked individuals has been a lack of safe and appropriate accounts offered by mainstream financial institutions, particularly those without overdraft. The CFE Fund has worked closely with the BankOn National Advisory Board and other key stakeholders to develop the BankOn National Account Standards. Inspired by the Federal Deposit Insurance Corporation's Model Safe Accounts Template, these standards provide local programs with a benchmark for account partnerships with financial institutions, including their local partners. In 2021, The First Bank's First AID checking account was recertified by the Cities for Financial Empowerment Fund as an account that met the newly updated BankOn National Account Standards. Accounts certified as meeting these Standards support local Bank On coalition efforts to expand access to safe and appropriate financial products and services to the over 63 million people outside of the mainstream financial system. The First Bank's First AID checking account was re-recertified by the Cities for Financial Empowerment Fund in 2021.



FBMS has recorded 9 years of record earnings. During its growth over the past 9 years, the Company has continuously diversified its balance sheet.

COMMUNITY INVOLVEMENT

In furtherance of fulfilling our mission to provide financial services to the communities we serve while maximizing shareholder value, we invest in the communities we serve to foster economic growth. We put a particular emphasis on investing in the under-served markets within our franchise area and contributing to the quality of life in our communities by being a good corporate citizen.

CDFI FUND

In 2010, the Company became a certified Community Development Financial Institution (CDFI). CDFIs play an important role in generating economic growth and opportunity in low-income communities by providing access to financial products and services for local residents and businesses. In 2021, The First Bank received \$2,527,795 from the CDFI Fund, a division of the US Treasury, to assist our communities with financial products and services from two programs the Rapid Response Program (RRP) and the Financial Assistance Program. The Consolidated Appropriations Act of 2021 provided \$1.25 billion to the Community Development Financial Institutions Fund (CDFI Fund) to award Community Development Financial Institutions (CDFIs) with RRP grants to deliver immediate assistance in communities impacted by the COVID-19 pandemic. Financial Assistance awards are which CDFIs are required to match dollar-for-dollar with non-federal funds. This requirement enables CDFIs to multiply the impact of federal investment to meet the demand for affordable financial products in economically distressed communities. These program have helped The First Bank leverage that support for over \$30,000,000 in direct financial services.



FHLB GRANTS

The First Bank is a member of the Federal Home Loan Bank (FHLB) of Dallas. FHLB is a member-owned cooperative that supports housing and economic development in the communities served by their member financial institutions in Arkansas, Louisiana, Mississippi, New Mexico, and Texas. Each year, the FHLB returns 10 percent of its profits in the form of Affordable Housing Program (AHP) grants issued through member financial institutions to assist in the development of affordable owner-occupied and rental housing for very low- to moderate-income households. During 2021, through The First Bank awarded more than \$1.5 million in AHP grants to fund the creation, rehabilitation, or purchase of 172 housing units. The First Bank has utilized the FHLB's Homebuyer Equity Leverage Partnership (HELP) program, an AHP set-aside program that provides down payment and closing cost assistance to very low- to moderate-income, first-time homebuyers. This program is available on a first-come, first-served basis. During 2021, The First Bank, has utilized \$117,000 in HELP funds to assist 17 first time homebuyers. The First Bank utilized FHLB's Special Needs Rehabilitation Assistance Program (SNAP), an AHP set-aside program that provides rehabilitation assistance to very low- to moderate-income, special needs homeowners. This program is available on a first-come, first-served basis. During 2021, The First Bank utilized \$57,500 in SNAP funds to assist 10 special needs homeowners with needed home rehabilitation. The First Bank utilized the FHLB's Disaster Rebuilding Assistance (DRA), an AHP set-aside program that provides rehabilitation assistance to very low- to moderate income, affected by a disaster in federally declared disaster areas. This program is available on a first-come, first-served basis. During 2021, The First Bank utilized \$248,180 in DRA funds to assist 34 homeowners with needed home repairs. In 2021, The First Bank partnered with 2 community-based organization to obtain \$10,026 in Partnership Grant Program (PGP) funds from FHLB to assist the organization with operating and administrative costs.

FINANCIAL EDUCATION

Despite the difficulties presented by the COVID-19 pandemic in 2020, we continued to provide financial education throughout the year through virtual programming.

Teach A Child to Save

The First Bank participated in 'Teach a Child to Save Day' a national initiative that encourages children to develop good saving habits. The First Bank had employees visit 18 schools and non-profits across our 5 state footprint, reaching 1364 students.

Get Smart About Credit

The First Bank participated in 'Get Smart about Credit' Day, a national campaign created by the American Banking Association designed to help counsel young people on responsible credit habits. The First Bank had employees visit 21 schools across our 5 state footprint, reaching 1058 students.

Junior Achievement

The First Bank participated in Junior Achievement's course curriculum in 2021, including 'JA in a Day' and 'Career Success' with a purpose to inspire and prepare young people to succeed in a global economy. The First Bank employees impacted a total of 236 students. In the future, The First Bank is creating a program to assist with all JA's in our markets.

COMMUNITY IMPACT

"Our company is thrilled to participate in and be a part of the campaign to grow and strengthen Children's of Mississippi," said M. Ray "Hoppy" Cole, president and CEO of The First Bank. "Our company is proud to support Kathy and Joe Sanderson's vision to further medical research and care specifically for the children of our state."

Guy Giesecke, CEO of Children's of Mississippi, said parents are finding the new Sanderson Tower to be convenient and family friendly. "The construction of this tower was made possible because of donations to the Campaign for Children's of Mississippi," he said. "We're getting closer to the campaign's \$100 million goal, so this gift couldn't have come at a better time. We extend our heartfelt thanks to The First Bank for this incredible commitment to our state's children and families."

Joe Sanderson, Chairman and CEO of Sanderson Farms thanked The First Bank for helping the Campaign reach more than 88 percent of its goal. "Providing the care children need close to home is good business," Sanderson said. "Employers want the children of their workers to get the care they need in Mississippi instead of leaving the state. We are grateful that The First Bank values the health of Mississippi's children enough to make such a generous investment in the state's future."

In 2021, The First Bank gave a \$1 million dollar boost for the expansion of the Mississippi's only children's hospital. The gift to the University of Mississippi's Medical Center Campaign for Children's of Mississippi was presented on June 29, 2021 for the continued construction of the Kathy and Joe Sanderson Tower.



EDUCATION

The First Bank contributed \$100,000 to three Historically Black Colleges & Universities, Florida Agricultural & Mechanical University in Tallahassee, Florida, Jackson State University in Jackson, Mississippi and Southern University in Baton Rouge, Louisiana to support their College of Business, the Small Business Development Centers, Athletics and Scholarships. The First Bank has created a partnership with all three Universities where their business students will be paired with bank personnel. This will help the bank recruit and identify potential employees that supports the bank's diversity and inclusive initiatives.

The First Bank believes that education helps pave the way for success.

The Economic Outlook Forum is a program for the Hattiesburg Pine Belt region to learn about the economy within our area. The First Bank is a sponsor, partnering with the University of Southern Mississippi. The annual event has hosted Top Economic Leaders in the country, **Federal Reserve Economist, State Economist and Economic Development specialist**. This event was held virtually on March 4, 2021 because of the **Covid-19 Pandemic**.



In 2013, the **Mississippi Department of Education** created the **Early Learning collaborative Act**, a model through which school districts, nonprofit groups, Head Start centers and private childcare providers partner to deliver high- quality education to 4-year-olds in their communities. In 2021, **The First Bank** awarded **\$610,000** to the **Petal School District**, the **Hattiesburg Public School District**, the **Picayune School District**, the **Lamar County School District**, **Monroe County Schools**, and **Starkville Oktibbeha School District** to further early learning efforts in those districts.



The First Bank made contributions in October 2021 of **\$650,000** in Florida and **\$150,000** in Georgia to **AAA Scholarship Foundation**, an approved scholarship organization in both states authorized to utilize a company's income tax liability to fund scholarships for disadvantaged children.



The First Bank made contributions totaling **\$190,000** in November 2021 to twelve private schools/ organizations in Mississippi that would provide financial intervention for low income individuals who desire attend. These schools are designated as **Eligible Charitable Organizations** by the **Mississippi Department of Revenue**. This contribution was made possible by **The Children's Promise Act** of 2019. The Children's Promise Act of 2019 authorizes a tax credit for a business when the business donates to eligible charitable organizations. The schools who received our contribution are: **Presbyterian Christian, St. Andrews Episcopal, St. John's Day School, Canton Academy, Christ Covenant School, The 3 D School, Heritage Christian Academy, Hope Academy, Laurel Christian, Lamar Christian, Madison-Ridgeland Academy, Oseola McCarty Youth Center**.



ENGAGEMENT THROUGH PRODUCT OFFERINGS

THE FIRST BANK OFFERS MANY PRODUCTS THAT ARE DESIGNED TO ASSIST THOSE IN NEED IN ITS COMMUNITY, INCLUDING:

First AID Checking and Lending Programs

The First Bank AID program was developed to assist customers who need a small, short-term loan and second chance checking account. The products were designed for customers to learn more about financial education to enhance credit. The loan program is modeled after the FDIC Small dollar loan program requires financial education. In 2021 we had 65 loans totaling \$67,652. The First Bank AID Checking account has been certified by the Cities for Financial Empowerment Fund having met the Bank On National Account Standards since 2018. These standards help reduce the barriers to open a checking account. In 2021, we opened checking 1,358 accounts.

VA Home Loans

A mortgage loan available through a program established by the United States Department of Veterans Affairs - available to active and Veteran service personnel and their families with no down payment. The program allows up to 103.3% financing with no PMI. The First Bank has originated 30 loans for \$8,821,533.

FHA Home Loans

A mortgage insured by the FHA, designed for lower-income borrowers. Primarily for people who cannot afford a conventional down payment or otherwise do not qualify for PMI. The First Bank has originated 122 FHA loans for \$22,677,825.

USDA Rural Development Loans

A zero down payment mortgage for eligible rural and suburban homebuyers. Known as the USDA Rural Development Guaranteed Housing Loan Program by the United States Department of Agriculture. The program allows seller to pay for closing costs and the property purchased must be in an eligible area. The First Bank has originated 73 loans for \$12,079,004.

Mortgage Revenue Bonds

Mortgage Revenue Bonds are bonds issued by local or state Housing Finance Agencies (HFAs). The HFA issues the tax-free bonds to investors. Funding from the sale of these bonds is to finance affordable mortgages for low-and moderate-income individuals. The First Bank has originated 44 Mortgage Revenue Bond loans for \$6,727,995.

Visa Secured Credit Card and College Real Rewards Card

The Secured Credit Card is used to build or rebuild credit. This card is secured by cash and reports to the credit bureau. The card is linked to a savings account. The First Bank started this program in January 2018, and the program currently has 355 secured cards with 122 added in 2021.

COVID-19 PANDEMIC RESPONSE

WHEN THE COVID-19 PANDEMIC HIT, THE FIRST BANK MOVED QUICKLY TO PROTECT THE HEALTH OF OUR EMPLOYEES AND TO WORK WITH OUR CUSTOMERS EXPERIENCING DIFFICULTIES AS A RESULT OF THIS VIRUS. TO THAT END, WE:

- Informed employees of CDC and internal recommendations, procedures and protocols concerning: social distancing, business travel, sanitation and disinfection and keep team members up to date on current developments

- Distributed inventory of masks, sanitizers and disinfectants system-wide across our branch network

- Increased the frequency of facility janitorial services

- Assisted customers by granting modifications, peaking at \$676 million at April 30, 2020 or ~22% of loans; modifications have since declined to \$27.8 million as of September 30, 2021 or 0.97% of loans

- Participated actively in the Paycheck Protection Program (PPP) to assist our commercial customers

- As of September 30, 2021, we have 1,185 loans totaling \$87.1 with 1.8 million from Round 1 and \$85.3 million from Round 2. PPP have an average size of \$73,500.

EMPLOYEES

In fulfilling our mission, we strive to provide opportunities for our employees to attain personal goals and professional achievement. We also recognize that employees are our biggest asset and have developed programs to support them when needed.

Benefits Highlights

In addition to providing benefits we believe should be standard for any company (e.g., Health Insurance, Dental and Vision Insurance, 401(k)'s), we strive to provide a healthy work environment for its employees. A strong example of such commitment is our 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. In addition, we provide free banking services to our employees, and also provide beneficial loan and overdraft policies to help them achieve their financial goals. The Employee Support Program allows for an employee to seek funding support in the event of a disaster. The First Bank has fund at the Pinebelt Foundation that requires an application process for employees to make request.

Employee Development

Our Intranet Portal, known at FirstStop, utilizes technology to allow staff to work more efficiently in support of our strategic goals, enhances the effectiveness of our communication across the organization, and provides access to documents and knowledge in an organized, consistent fashion. FirstStop increases employee engagement and collaboration throughout the organization. The First Bank uses tools such as videos, discussion boards, and image files to increase familiarity with other employees throughout the organizational footprint. Our future goals include adding Management Blogs to increase communication between all levels of employees and implementing eLearning courses to share knowledge more efficiently.

Diversity and Inclusion

We believe in the importance of diversity and value the benefits that diversity can bring, and we are dedicated to fostering and maintaining an inclusive culture that solicits multiple perspectives and views and is free of conscious or unconscious bias and discrimination. To that end, we have implemented and maintain a detailed Diversity, Equity and Inclusion Policy.

ENVIRONMENT

We are dedicated to doing our part to reduce our environmental impact.

E-Statements

We encourage our customers to enroll in our paperless e-statement program free of charge. Approximately 51% of our customers have enrolled in the service, reducing the amount of paper that we use in connection with our product and service offerings.

Digital Banking

We also offer mobile and digital banking to our customers without any additional charge. These services enable our customers to perform account inquiries, deposit checks, transfer between accounts, pay bills, and manage their debit cards without the need to make a trip to the branch. We have 49,329 clients who are enrolled in mobile banking.

Commercial Remote Deposit Capture

Our Commercial Remote Deposit Capture service also reduces the need for our commercial clients to visit our branches to deposit checks. We currently have 225 active commercial clients who utilize this service.

Energy Efficiency

The First Bank, partnership with Shred-It has contributed greatly in producing an eco-friendly environment. In 2021, Shred-It reported that there were a total of 313,917lbs of paper shredded from The First Bank branches and a total of 802 trees saved in 2021. We are actively working to improve the energy efficiency at each of our branch locations. To date, we have replaced the original lighting in twenty of our branch locations with high-efficiency LED lighting. We plan to continue a phased implementation until all locations have been upgraded to high-efficiency LED lighting.

GOVERNANCE

Director Independence

As a part of our commitment to maintaining corporate governance best practices, and the independence of our board of directors, 9 out of 10 directors of FBMS are independent. In addition, the positions of Chief Executive Officer and Chairman of the Board of Directors are separated, with the Chairman of the Board being an independent, non-executive director.

Voicing concerns to the board

The Audit Committee of FBMS and the non-management directors have established procedures to enable any employee who has a concern about the Company's conduct, policies, accounting, internal accounting controls or auditing matters, to communicate that concern directly to the Board of Directors of the Company through written notification directed to the Chairman of the Audit Committee.

Clawback policy

As a matter of policy, the Company believes that incentive compensation awards that are made on the basis of financial metrics should contain clawback provisions that would allow the Company to recoup awards under certain circumstances, such as a material misstatement of financial results. The Compensation Committee of the Company implemented a clawback policy applicable to all short-term and long-term incentives beginning in 2018. The Company's philosophy provides that the Company will not reprice options, stock appreciation rights, or other equity awards, or buy back "underwater" stock options from those who hold option grants for cash. The Company's Board of Directors approved an amendment to the 2007 Plan to prohibit repricing of equity awards granted under the plan and to prohibit cash buyback or exchange for other stock awards of underwater options and stock appreciation rights.

Stock ownership guidelines

The Company has established expectations for ownership of its common stock by the Chief Executive Officer and Chief Financial Officer. Under these guidelines, the Company's Chief Executive Officer is expected to attain an investment position in FBMS's common shares equal to two times his or her base salary and the Company's Chief Financial Officer is expected to attain an investment position in FBMS's common shares equal to one times his or her base salary. Exceptions to these ownership guidelines may be approved by Compensation Committee of the Company for good reason. At December 31, 2019, all of the Company's Named Executive Officers were in compliance with the ownership guidelines.

Hedging

Certain transactions in the Company's equity securities, or which are linked to the value of the Company's equity securities, may be considered short term or speculative in nature. The Board of Directors of the Company discourages directors and officers from engaging in derivative or speculative transactions involving unvested Company stock, including hedging, holding unvested stock in a margin account, or pledging unvested stock as collateral for a loan. The Board of Directors of the Company has not yet implemented a policy that prohibits directors and officers from engaging in derivative or speculative transactions, but plans to do so in the near future.

Policy for board nominations

The Board of Directors of the Company has adopted a written Diversity Policy to assist in its search for qualified individuals to serve on the Board of Directors of the Company and The First Bank. The Diversity Policy states that the Corporate Governance Committee of the Company should strive for inclusion of diverse groups, knowledge, and viewpoints. For purposes of the composition of the Board of Directors, diversity includes, but is not limited to, business experience, geography, age, gender, ethnicity, race, sexual orientation, marital and family status, gender identity, personal style, disabilities, nationality, religion, veteran and active armed service status, or other similar characteristics. To accomplish this, the Corporate Governance Committee of the Company may retain an executive search firm to help further the its diversity objectives. The Company's Corporate Governance Committee will also periodically review the Board Diversity Policy and the director selection process to assess the policy's effectiveness in promoting a diverse Board of Directors and to ensure that diverse candidates are included in the consideration and selection process.

RISK MANAGEMENT AND CYBERSECURITY

The Board of Directors of The First Bank (the "Board") recognizes the need to monitor the various types of risk inherent within the business of banking. As such, the Board has created a Risk Department to aid in the identification, evaluation, measurement, monitoring and reporting of risks associated with the activities conducted by The First Bank. The Risk Department helps management address and understand their responsibilities and requirements in fulfilling risk management duties that aid in maintaining a safe and sound institution while enhancing shareholder value.

The First Bank's cybersecurity strategy includes:

- Top-down focus on cybersecurity, led by the Board, executive management, and senior leadership
- Implementation of cybersecurity through highly skilled personnel, leveraging proven technologies to identify and mitigate threats
- Deployment of multilayered defenses to identify, protect, detect, respond, and recover from any threats
- Robust governance and oversight to enforce adherence to cybersecurity policies and standards
- Promotion of cybersecurity through employee awareness and job-specific training
- Collaboration with threat intelligence organizations, law enforcement agencies, and partners to keep abreast of cyber security threats

The Board takes a positive approach to risk management, not only looking at the negative risks applicable to the banking industry, but also reviewing the impact of not taking opportunities or not capitalizing on corporate strengths. All risk management activity is aligned to the aims, objectives and priorities of The First Bank, and is designed to protect and enhance the reputation and standing of The First Bank. The Risk Department aids in ensuring that the Board is apprised of the aggregate amount of risk identified in its ongoing risk monitoring processes.

The Risk Management department helps to ensure that the management of risk in the organization is proactive and reasonable. Risks are identified, objectively assessed, and appropriately managed. The aim is to anticipate and, where possible, control risks rather than dealing with their consequences. All risk is not equal, the Company recognizes the variances of risk and also considers the significance of each issue in terms of financial, reputation and regulatory consequences. For some key areas, the likelihood of a risk occurring is relatively low but the impact on the bank is high. Those areas are still monitored, even though the risk appears small. This allows The First Bank to minimize the negative effect of unlikely events which might occur.

The First Bank is committed to protecting the personal and financial information of its customers. Our policies, processes, and controls regarding information security are subject to numerous federal laws and regulations, including the Sarbanes-Oxley Act and the Gramm Leach Bliley Act. Examinations and audits are conducted on a regular basis to ensure appropriate safeguards are in place. All employees receive information security training annually. Cybersecurity controls are reviewed and updated routinely to ensure appropriate threat mitigants are in place. The First Bank's networks and systems are monitored 24/7, every day of the year. The First Bank makes ongoing investments in new and improved cybersecurity solutions as they become available in order to protect the confidentiality and integrity of customer data.

