

FIRST BANCSHARES INC /MS/  
Form 10QSB  
August 11, 2005

---

**U. S. SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D. C. 20549

---

**FORM 10-QSB**

---

**x QUARTERLY REPORT UNDER SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED: June 30, 2005**

**OR**

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

**COMMISSION FILE NUMBER: 33-94288**

---

**THE FIRST BANCSHARES, INC.**

**(EXACT NAME OF SMALL BUSINESS ISSUER AS SPECIFIED IN ITS CHARTER)**

---

**MISSISSIPPI  
(STATE OF INCORPORATION)**

**6480 U.S. HIGHWAY 98 WEST**

**64-0862173  
(I.R.S. EMPLOYER IDENTIFICATION NO.)**

**39404-5549**

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form 10QSB

**HATTIESBURG, MISSISSIPPI**  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

(601) 268-8998

(ISSUER S TELEPHONE NUMBER, INCLUDING AREA CODE)

NONE

(FORMER NAME, ADDRESS AND FISCAL YEAR, IF CHANGED SINCE LAST REPORT)

---

INDICATE BY CHECK MARK WHETHER THE ISSUER: (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15 (D) OF THE SECURITIES 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

ON JUNE 30, 2005, 1,185,256 SHARES OF THE ISSUER S COMMON STOCK, PAR VALUE \$1.00 PER SHARE, WERE OUTSTANDING.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (CHECK ONE): YES  NO

---

## PART I - FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

## THE FIRST BANCSHARES, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(\$ amounts in thousands)	(Unaudited) June 30, 2005	December 31, 2004
<b>ASSETS</b>		
Cash and due from banks	\$ 6,591	\$ 5,577
Interest-bearing deposits with banks	707	650
Federal funds sold	1,240	919
<b>Total cash and cash equivalents</b>	<b>8,538</b>	<b>7,146</b>
Securities held-to-maturity, at amortized cost	14	14
Securities available-for-sale, at fair value	26,300	26,351
Other securities	2,177	2,156
Loans held for sale	4,673	3,073
Loans	193,837	161,302
Allowance for loan losses	(2,040)	(1,659)
<b>LOANS, NET</b>	<b>191,797</b>	<b>159,643</b>
Premises and equipment	8,460	8,670
Interest receivable	1,378	1,088
Cash surrender value	3,358	3,320
Other assets	1,074	935
	<b>\$ 247,769</b>	<b>\$ 212,396</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 33,272	\$ 30,365
Time, \$100,000 or more	42,128	29,769
Interest-bearing	121,145	96,696
<b>TOTAL DEPOSITS</b>	<b>196,545</b>	<b>156,830</b>
Interest payable	320	191
Borrowed funds	25,507	30,850
Subordinated debentures	7,217	7,217
Other liabilities	633	568
<b>TOTAL LIABILITIES</b>	<b>230,222</b>	<b>195,656</b>

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form 10QSB

SHAREHOLDERS EQUITY:

Common stock, \$1 par value. Authorized 10,000,000 shares; 1,211,750 issued at June 30, 2005 and 1,194,940 issued at December 31, 2004.	1,212	1,195
Preferred stock, par value \$1 per share, 10,000,000 shares authorized; no shares issued or outstanding		
Treasury stock, at cost, 26,494 shares at June 30, 2005 and December 31, 2004	(464)	(464)
Additional paid-in capital	13,197	12,986
Retained earnings	3,644	3,019
Accumulated other comprehensive income (loss)	(42)	4
	<u>17,547</u>	<u>16,740</u>
<b>TOTAL SHAREHOLDERS EQUITY</b>	<u>\$ 247,769</u>	<u>\$ 212,396</u>

## THE FIRST BANCSHARES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(\$ amounts in thousands except earnings per share)	(Unaudited)		(Unaudited)	
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
<b>INTEREST INCOME:</b>				
Loans, including fees	\$ 3,429	\$ 2,427	\$ 6,449	\$ 4,678
Securities:				
Taxable	217	140	421	318
Tax exempt	46	35	88	61
Federal funds sold	26	6	62	10
Other		3		28
<b>TOTAL INTEREST INCOME</b>	<b>3,718</b>	<b>2,611</b>	<b>7,020</b>	<b>5,095</b>
<b>INTEREST EXPENSE:</b>				
Deposits	914	459	1,628	927
Other borrowings	360	277	719	535
<b>TOTAL INTEREST EXPENSE</b>	<b>1,274</b>	<b>736</b>	<b>2,347</b>	<b>1,462</b>
<b>NET INTEREST INCOME</b>	<b>2,444</b>	<b>1,875</b>	<b>4,673</b>	<b>3,633</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>233</b>	<b>154</b>	<b>437</b>	<b>288</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>2,211</b>	<b>1,721</b>	<b>4,236</b>	<b>3,345</b>
<b>NONINTEREST INCOME:</b>				
Service charges on deposit accounts	351	377	669	725
Other service charges, commissions and fees	82	110	223	183
Gain on sale of properties				152
<b>TOTAL NONINTEREST INCOME</b>	<b>433</b>	<b>487</b>	<b>892</b>	<b>1,060</b>
<b>NONINTEREST EXPENSES:</b>				
Salaries and employee benefits	1,144	979	2,298	1,930
Occupancy and equipment expense	232	282	508	568
Other operating expenses	524	481	1,031	953
<b>TOTAL NONINTEREST EXPENSES</b>	<b>1,900</b>	<b>1,742</b>	<b>3,837</b>	<b>3,451</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>744</b>	<b>466</b>	<b>1,291</b>	<b>954</b>
<b>INCOME TAXES</b>	<b>250</b>	<b>164</b>	<b>432</b>	<b>325</b>
<b>NET INCOME</b>	<b>\$ 494</b>	<b>\$ 302</b>	<b>859</b>	<b>\$ 629</b>

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form 10QSB

EARNINGS PER SHARE - BASIC	\$	.42	\$	.26	\$	.73	\$	.54
EARNINGS PER SHARE - ASSUMING DILUTION	\$	.39	\$	.25	\$	.69	\$	.53
DIVIDENDS PER SHARE	\$		\$		\$	.20	\$	.15

## THE FIRST BANCSHARES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, January 1, 2004	1,192	\$ 12,949	\$ 1,951	\$ 23	\$ (464)	\$ 15,651
Net earnings			629			629
Net change in unrealized gain (loss) on available-for-sale securities, net of tax				(77)		(77)
Cash dividend declared, \$.15 per share			(175)			(175)
Balance, June 30, 2004	1,192	\$ 12,949	\$ 2,405	\$ (54)	\$ (464)	\$ 16,028
Balance, January 1, 2005	1,195	\$ 12,986	\$ 3,019	\$ 4	\$ (464)	\$ 16,740
Net earnings			859			859
Net change in unrealized gain (loss) on available-for-sale securities, net of tax				(46)		(46)
Exercise of stock Options	17	211				228
Cash dividend declared, \$.20 per share			(234)			(234)
Balance, June 30, 2005	1,212	\$ 13,197	\$ 3,644	\$ (42)	\$ (464)	\$ 17,547

The accompanying notes are an integral part of these statements.

## THE FIRST BANCSHARES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ Amounts in Thousands)	(Unaudited)	
	Six Months Ended	
	June 30,	
	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
NET INCOME	\$ 859	\$ 629
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	285	278
Provision for loan losses	437	288
Changes in:		
Interest receivable	(290)	(134)
Loans held-for-sale	(1,600)	(1,631)
Interest payable	129	(8)
Other, net	(74)	501
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(254)</b>	<b>(77)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Maturities and calls of securities available for sale	3,716	11,981
Maturities and calls of securities held-to-maturity		
Purchases of securities available-for-sale	(3,732)	(2,437)
Net increase in loans	(32,591)	(24,009)
Purchases of premises and equipment	(75)	(619)
Increase in cash surrender value	(38)	(79)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(32,720)</b>	<b>(15,163)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase in deposits	39,715	8,559
Net increase (decrease) in borrowed funds	(5,343)	7,660
Issuance of common stock	228	
Dividends paid on common stock	(234)	(175)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>34,366</b>	<b>16,044</b>
<b>NET INCREASE IN CASH</b>	<b>1,392</b>	<b>804</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>7,146</b>	<b>5,865</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 8,538</b>	<b>\$ 6,669</b>
<b>CASH PAYMENTS FOR INTEREST</b>	<b>\$ 2,057</b>	<b>\$ 1,470</b>
<b>CASH PAYMENTS FOR INCOME TAXES</b>	<b>727</b>	<b>240</b>



THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2005, are not necessarily indicative of the results that may be expected for the year ended December 31, 2005. For further information, please refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-KSB for the year ended December 31, 2004.

NOTE B SUMMARY OF ORGANIZATION

The First Bancshares, Inc., Hattiesburg, Mississippi (the Company), was incorporated June 23, 1995, under the laws of the State of Mississippi for the purpose of operating as a bank holding company with respect to a then proposed de novo bank, The First National Bank of South Mississippi, Hattiesburg, Mississippi (the Hattiesburg Bank). The Hattiesburg Bank opened for business on August 5, 1996, with a total capitalization of \$5.2 million.

On August 10, 1998, the Company filed a registration statement on Form SB-2 relating to the issuance of up to 533,333 shares of Common Stock in connection with the formation of the First National Bank of the Pine Belt (Laurel Bank). The offering was closed on December 31, 1998, with 428,843 shares subscribed with an aggregate purchase price of \$6.4 million. On January 19, 1999, the Laurel Bank received approval from its banking regulator to begin banking operations, and the Company used \$5 million of the net proceeds to purchase 100% of the capital stock of the Laurel Bank. Simultaneously, the 428,843 shares subscribed to in the offering were issued.

In January, 2004, the two banks merged to become The First, a National Banking Association (The First). The banks were merged to take advantage of operating efficiencies and marketing opportunities. The First engages in general commercial banking business, emphasizing in its marketing the Bank's local management and ownership. The First offers a full range of banking services designed to meet the basic financial needs of its customers. These services include checking accounts, NOW accounts, money market deposit accounts, savings accounts, certificates of deposit, and individual retirement accounts. The First also offers short- to medium-term commercial, mortgage, and personal loans.

At June 30, 2005, the Company had approximately \$247.8 million in consolidated assets, \$198.5 million in consolidated loans, \$196.5 million in consolidated deposits, and \$17.5 million in consolidated shareholders' equity. For the six months ended June 30, 2005, the Company reported a consolidated net income of \$859,000.

In the first quarter of 2004 and 2005, the Company declared and paid dividends of \$.15 and \$.20 per common share, respectively.

NOTE C EARNINGS PER COMMON SHARE

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 potential common stock outstanding, such as exercise of stock options.

	For the Three Months Ended		
	June 30, 2005		
	Net Income (Numerator)	Shares (Denominator)	Per Share Data
Basic per share	\$ 494,000	1,174,533	\$ .42
Effect of dilutive shares: Stock options		58,367	
Diluted per share	\$ 494,000	1,232,900	\$ .39

	For the Six Months Ended		
	June 30, 2005		
	Net Income (Numerator)	Shares (Denominator)	Per Share Data
Basic per share	\$ 859,000	1,178,373	\$ .73
Effect of dilutive shares: Stock options		58,367	
Diluted per share	\$ 859,000	1,236,740	\$ .69

	For the Three Months Ended		
	June 30, 2004		
	Net Income (Numerator)	Shares (Denominator)	Per Share Data
Basic per share	\$ 302,000	1,165,165	\$ .26
Effect of dilutive shares: Stock options		31,701	
Diluted per share	\$ 302,000	1,196,866	\$ .25

	For the Six Months Ended		
	June 30, 2004		
	Net Income (Numerator)	Shares (Denominator)	Per Share Data

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form 10QSB

Basic per share	\$ 629,000	1,165,165	\$ .54
Effect of dilutive shares:			
Stock options		31,701	
Diluted per share	\$ 629,000	1,196,866	\$ .53

## NOTE D - STOCK-BASED COMPENSATION

The Company has a stock-based employee compensation plan which is accounted for under the recognition and measurement principles of Accounting Principles Board ( APB ) Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all stock options granted under these plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of Financial Accounting Standards Board ( FASB ) SFAS No. 123, Accounting for Stock- Based Compensation, to stock-based employee compensation.

(\$ amounts in thousands except for per share data)	Quarter Ended	
	June 30,	
	2005	2004
Net income, as reported	\$ 494	\$ 302
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects		(2)
Pro forma net income	\$ 494	\$ 300
Earnings per share:		
Basic - as reported	\$ .42	\$ .26
Basic - pro forma	.42	.26
Diluted - as reported	.39	.25
Diluted - pro forma	.39	.25
	Six Months Ended	
	June 30,	
	2005	2004
Net income, as reported	\$ 859	\$ 629
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1)	(3)
Pro forma net income	\$ 858	\$ 626
Earnings per share:		
Basic - as reported	\$ .73	\$ .54
Basic - pro forma	.73	.54
Diluted - as reported	.69	.53
Diluted - pro forma	.69	.52

## NOTE E - COMPREHENSIVE INCOME

The following table discloses Comprehensive Income for the periods reported in the Consolidated Statements of Income:

(In thousands)	Quarter Ended June 30,	
	2005	2004
Net Income	\$ 494	\$ 302
Other Comprehensive Income (loss) net of tax:		
Unrealized holding gains (losses) on securities during the period, net of taxes	71	(191)
Comprehensive Income	\$ 565	\$ 111
Accumulated Comprehensive Income (loss)	\$ (42)	\$ (54)
	Six Months Ended June 30,	
	2005	2004
Net Income	\$ 859	\$ 629
Other Comprehensive Income (Loss) net of tax:		
Unrealized holding gains (losses) on securities during the period, net of taxes	(46)	(77)
Comprehensive Income	\$ 813	\$ 552
Accumulated Comprehensive Income (loss)	\$ (42)	\$ (54)

## ITEM NO. 2 MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## FINANCIAL CONDITION

The following discussion contains forward-looking statements relating to, without limitation, future economic performance, plans and objectives of management for future operations, and projections of revenues and other financial items that are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. The words "expect," "estimate," "anticipate," and "believe," as well as similar expressions, are intended to identify forward-looking statements. The Company's actual results may differ materially from the results discussed in the forward-looking statements, and the Company's operating performance each quarter is subject to various risks and uncertainties that are discussed in detail in the Company's filings with the Securities and Exchange Commission, including the "Risk Factors" section in the Company's Registration Statement on Form SB-2 (Registration Number 333-61081) as filed with and declared effective by the Securities and Exchange Commission.

The First represents the primary asset of the Company. The First reported total assets of \$246.4 million at June 30, 2005, compared to \$210.9 million at December 31, 2004. Loans increased \$34.1 million, or 20.8%, during the first six months of 2005. Deposits at June 30, 2005, totaled \$200.7 million compared to \$161.2 million at December 31, 2004. For the six month period ended June 30, 2005, The First reported net income of \$998,000 compared to \$639,000 for the six months ended June 30, 2004.

NONPERFORMING ASSETS AND RISK ELEMENTS. Diversification within the loan portfolio is an important means of reducing inherent lending risks. At June 30, 2005, The First had no concentrations of ten percent or more of total loans in any single industry nor any geographical area outside their immediate market areas.

At June 30, 2005, The First had loans past due as follows:

	(\$ In Thousands)
Past due 30 through 89 days	\$ 665
Past due 90 days or more and still accruing	424

The accrual of interest is discontinued on loans which become ninety days past due (principal and/or interest), unless the loans are adequately secured and in the process of collection. Nonaccrual loans totaled \$167,000 at June 30, 2005. Any other real estate owned is carried at fair value, determined by an appraisal. Other real estate owned totaled

\$188,000 at June 30, 2005. A loan is classified as a restructured loan when the interest rate is materially reduced or the term is extended beyond the original maturity date because of the inability of the borrower to service the debt under the original terms. The First had no restructured loans at June 30, 2005.

## LIQUIDITY AND CAPITAL RESOURCES

Liquidity is considered adequate with cash and cash equivalents of \$8.5 million as of June 30, 2005. In addition, loans and investment securities repricing or maturing within one year or less exceeded \$124.6 million at June 30, 2005. Approximately \$26.2 million in loan commitments are expected to be funded within the next six months and other commitments, primarily standby letters of credit, totaled \$1.2 million at June 30, 2005.

There are no known trends or any known commitments of uncertainties that will result in The First's liquidity increasing or decreasing in a material way. In addition, The First is not aware of any recommendations by any regulatory authorities which would have a material effect on its liquidity, capital resources or results of operations.

Total consolidated equity capital at June 30, 2005, is \$17.5 million, or approximately 7% of total assets. The First currently has adequate capital positions to meet the minimum capital requirements for all regulatory agencies. The capital ratios as of June 30, 2005, are as follows:

Tier 1 leverage	9.80%
Tier 1 risk-based	12.21%
Total risk-based	13.27%

On March 26, 2002, The First Bancshares Statutory Trust 1 (the Trust), a wholly-owned subsidiary trust of the Company, issued \$7,000,000 of redeemable cumulative trust preferred securities. The Trust used the funds to acquire floating rate subordinated debentures from the Company. The debentures bear an interest rate of the 3-month LIBOR plus 3.60%. The debentures have a maturity of 30 years but are callable 5 years after issuance. Presently, the trust preferred securities qualify as Tier 1 capital up to 25% of other components of Tier 1 capital. The Federal Reserve Board has issued a proposed rule that would retain trust preferred securities in Tier 1 capital but with stricter quantitative limits and clearer qualitative standards. In accordance with FIN 46, Consolidation of Variable Interest Entities the statutory trust is not included in the consolidated financial statements. Instead the subordinated debentures due to the statutory trust are included in the consolidated liabilities of the Company.

## RESULTS OF OPERATIONS - QUARTERLY

The Company had a consolidated net income of \$494,000 for the three months ending June 30, 2005, compared with consolidated net income of \$302,000 for the same period last year.

Net interest income increased to \$2,444,000 from \$1,875,000 for the three months ending June 30, 2005, or an increase of 30.3% as compared to the same period in 2004. Earning assets through June 30, 2005, increased \$18.4 million and interest-bearing liabilities also increased \$19.1 million when compared to March 31, 2005, reflecting increases of 7.9% and 11.2%, respectively.



Noninterest income for the three months ending June 30, 2005, was \$433,000 compared to \$487,000 for the same period in 2004, reflecting a decrease of \$54,000 or 11.1%. Included in noninterest income is service charges on deposit accounts, which for the three months ended June 30, 2005, totaled \$351,000, compared to \$377,000 for the same period in 2004.

The provision for loan losses was \$233,000 for the three months in 2005 compared with \$154,000 for the same period in 2004 and the additional provision reflects the continued growth of the loan portfolio.

Non interest expense increased by \$158,000 or 9.1% for the three months ended June 30, 2005, when compared with the same period in 2004. The increase is primarily due to the continued growth and the related services being offered.

#### RESULTS OF OPERATIONS - YEAR TO DATE

The Company had a consolidated net income of \$859,000 for the six months ending June 30, 2005, compared with consolidated net income of \$629,000 for the same period last year.

Net interest income increased to \$4,673,000 from \$3,633,000 for the first six months ending June 30, 2005, or an increase of 29% as compared to the same period in 2004. Earning assets through June 30, 2005, increased \$64.5 million and interest-bearing liabilities also increased \$55.5 million when compared to June 30, 2004, reflecting increases of 38.5% and 41.7%, respectively.

Noninterest income for the six months ending June 30, 2005, was \$892,000 compared to \$1,060,000 for the same period in 2004, reflecting a decrease of \$168,000 or 16%. For the six months ending June 30, 2004, the company reported a gain of \$152,000 related to the sale of property. Included in noninterest income is service charges on deposit accounts, which for the six months ended June 30, 2005, totaled \$669,000, compared to \$725,000 for the same period in 2004.

The provision for loan losses was \$437,000 in the first six months of 2005 compared with \$288,000 for the same period in 2004. The allowance for loan losses of \$2.0 million at June 30, 2005 (approximately 1% of loans) is considered by management to be adequate to cover losses inherent in the loan portfolio. The level of this allowance is dependent upon a number of factors, including the total amount of past due loans, general economic conditions, and management's assessment of potential losses. This evaluation is inherently subjective as it requires estimates that are susceptible to significant change. Ultimately, losses may vary from current estimates and future additions to the allowance may be necessary. Thus, there can be no assurance that charge-offs in future periods will not exceed the allowance for loan losses or that additional increases in the loan loss allowance will not be required. Management evaluates the adequacy of the allowance for loan losses quarterly and makes provisions for loan losses based on this evaluation.

Noninterest expenses increased by \$386,000 or 11% for the six months ended June 30, 2005, when compared with the same period in 2004. The increase is primarily due to the continued growth and the related services being offered.

ITEM NO. 3. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, an evaluation under the direction and with the participation of our principal executive officer and principal financial officer was performed to determine the effectiveness of the design and operation of the disclosure controls and procedures. The principal executive officer and the principal financial officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC reports. There have been no significant changes in the Corporation's internal controls or in other factors subsequent to the date of the evaluation that could significantly affect these controls.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company's annual meeting of stockholders held April 28, 2005, the following proposals were approved:

The following individuals were elected to serve as Class I directors of the Company for terms that expire at the annual meeting of stockholders to be held in 2008:

Perry E. Parker  
Ted E. Parker  
Dennis L. Pierce

J. Douglas Seidenburg  
A. L. Smith  
Gregory H. Mitchell

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form 10QSB

Set forth below is the number of votes cast for, against, or withheld, with respect to each nominee for office:

	<u>For</u>	<u>Against</u>	<u>Withheld</u>
Perry E. Parker	596,241		4,400
Ted E. Parker	596,241		4,400
Dennis L. Pierce	596,641		4,000
J. Douglas Seidenburg	596,741		3,900
A. L. Smith	596,741		3,900
Gregory H. Mitchell	596,741		3,900

The terms of the Class I directors expire at the 2008

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form 10QSB

Annual Shareholders Meeting, the terms of the Class II directors will expire at the 2006 Annual Shareholders Meeting, and the terms of the Class III directors will expire at the 2007 Annual Shareholders Meeting. The directors and their classes are:

### Class I

Perry E. Parker  
Ted E. Parker  
Dennis L. Pierce  
J. Douglas Seidenburg  
A. L. Smith  
Gregory H. Mitchell

### Class II

Trent A. Mulloy  
David E. Johnson  
Andrew D. Stetelman  
Ralph T. Simmons  
Charles R. Lightsey

### Class III

David W. Bomboy, M.D.  
E. Ricky Gibson  
Fred A. McMurry  
M. Ray (Hoppy) Cole  
Gerald C. Patch  
Peeler G. Lacey, M.D.

#### ITEM 5. OTHER INFORMATION

None

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

##### Exhibit No.

31.1	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) The Company did not file any reports on Form 8-K during the quarter ended June 30, 2005.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registration has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE FIRST BANCSHARES, INC.  
(Registrant)

August 10, 2005

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
/s/ David E. Johnson

\_\_\_\_\_  
David E. Johnson,  
Chief Executive Officer

August 10, 2005

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
/s/ Donna T. Rutland

\_\_\_\_\_  
Donna T. Rutland  
Executive Vice President and  
Chief Financial Officer