FIRST BANCSHARES INC /MS/
Form S-4/A
November 23, 2016
As filed with the Securities and Exchange Commission on November 23, 2016

Registration No. 333-214426

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1 TO

FORM S-4

REGISTRATION STATEMENT
under
THE SECURITIES ACT OF 1933

THE FIRST BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

MISSISSIPPI	6021	64-0862173
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

6480 U.S. Hwy. 98 West

Hattiesburg, Mississippi 39402, Suite A

(601) 268-8998

(Address, including zip code, and telephone number,

including area code, of registrant’s principal executive offices)

Donna T. (Dee Dee) Lowery

Chief Financial Officer

6480 U.S. Hwy. 98 West, Suite A

Hattiesburg, Mississippi 39402

(601) 268-8998

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate Date of Commencement of Proposed Sale of the Securities to the Public:

As soon as practicable after the effective date of this Registration Statement and the satisfaction

or waiver of all other conditions to the merger described in the enclosed proxy statement/prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ __________

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ____________

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

Large accelerated filer o Accelerated filer x

Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ¨

Exchange Act Rule 143-1(d) (Cross-Border Third-Party Tender Offer) ¨

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

A registration statement relating to these securities has been filed with the Securities and Exchange Commission. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY—SUBJECT TO COMPLETION—DATED NOVEMBER 23, 2016

MERGER PROPOSED – YOUR VOTE IS VERY IMPORTANT

Dear Shareholder:

On October 12, 2016, The First Bancshares, Inc. ("First Bancshares"), First Bancshares' wholly-owned subsidiary, The First, A National Banking Association ("The First") and Gulf Coast Community Bank ("Gulf Coast") announced a strategic business combination in which Gulf Coast will merge (the "merger") with and into The First. We believe the proposed merger will result in a stronger financial institution, with a diverse revenue stream, a well-balanced loan portfolio and an attractive funding base. The combined company, which will retain The First's name, will have approximately $1.4 billion in assets and operate 28 full-service branches and one motorbank across the states of Mississippi, Alabama, Louisiana and Florida. We are sending you this proxy statement/prospectus to invite you to attend a special meeting of shareholders being held by Gulf Coast to allow you to vote on the merger agreement.

If the merger is completed, holders of Gulf Coast common stock will receive in exchange for each outstanding share of Gulf Coast common stock that is issued and outstanding (other than shares held by First Bancshares or Gulf Coast, or, shares with respect to which the holders thereof have perfected dissenters' rights) their pro rata portion of the number of whole shares of First Bancshares common stock obtained by (i) dividing $0.50 by (ii) the average of the closing prices of First Bancshares common stock as reported on the Nasdaq Stock Market on each of the thirty (30) trading days ending five (5) business days prior to the closing of the transaction and (iii) multiplied by the total number of shares of Gulf Coast common stock issued and outstanding. The total consideration to be paid in connection with the merger will be $2,257,718.50, as more specifically described in this document. Based on the total number of shares of Gulf Coast Class A common stock, par value $10.00 per share, and Gulf Coast Class B common stock, par value $1.00 per share, (collectively, "Gulf Coast common stock"), issued and outstanding as of October 12, 2016, and the exchange of each such share of Gulf Coast common stock for shares of First Bancshares common stock, First Bancshares anticipates that it will issue between 126,695 and 96,236 shares of First Bancshares common stock. This estimated range is based on the lowest and highest closing prices of First Bancshares common stock as reported on the Nasdaq Stock Market on each of the thirty (30) trading days ending five (5) business days prior to the date of this registration statement, which were $17.82 (October 13, 2016) and $23.46 (November 14, 2016), respectively. As

of the most recently practicable date prior to the date of this registration statement, which was November 18, 2016, and based on the foregoing formula, First Bancshares would issue 108,700 shares of its common stock to Gulf Coast shareholders.

We urge you to obtain current market quotations for First Bancshares (trading symbol "FBMS") on the NASDAQ Stock Exchange.

The merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and holders of Gulf Coast common stock are not expected to recognize any gain or loss for U.S. federal income tax purposes on the exchange of shares of Gulf Coast common stock for shares of First Bancshares common stock in the merger, except with respect to any cash received in lieu of fractional shares of First Bancshares common stock..

At the special meeting of Gulf Coast shareholders to be held on Wednesday, December 28, 2016, holders of Gulf Coast common stock will be asked to vote to adopt and approve the Agreement and Plan of Merger dated as of October 12, 2016 by and between First Bancshares, The First and Gulf Coast, which we refer to as the merger agreement, and certain other matters. Approval of the merger agreement requires the affirmative vote of the holders of two-thirds of the outstanding shares of Gulf Coast common stock, assuming that a quorum is present.

The Gulf Coast board of directors recommends that Gulf Coast common shareholders vote "FOR" the adoption and approval of the merger agreement.

This document describes the special meeting, the merger, the documents related to the merger and other related matters. **Please carefully read this entire document, including "Risk Factors" beginning on page 13 for a discussion of the risks relating to the proposed merger and owning First Bancshares common stock after the merger.**

If you have any questions concerning the merger, please contact Gulf Coast's Walter J. Ritchie, Jr. at 850-434-9300.

/s/ M. Ray (Hoppy) Cole, Jr. President and Chief Executive Officer	/s/ Walter J. Ritchie, Jr.
The First Bancshares, Inc.	Chairman of the Board and Chief Executive Officer of Gulf Coast Community Bank

Neither the Securities and Exchange Commission nor any state securities commission or bank regulatory agency has approved or disapproved of First Bancshares common stock to be issued under this document or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

The shares of First Bancshares common stock to be issued in the merger are not savings or deposit accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This proxy statement/prospectus is dated November 29, 2016, and it is first being mailed to Gulf Coast shareholders, along with the enclosed proxy card, on or about November 29, 2016.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

GULF COAST COMMUNITY BANK

40 N. PALAFOX ST.,

PENSACOLA, FL 32502

To be held on Wednesday, December 28, 2016

On Wednesday, December 28, 2016, Gulf Coast Community Bank ("Gulf Coast") will hold a Special Meeting of Shareholders at Heritage Hall located at 130 E. Government Street, Pensacola, Florida 32502 at 10:00 a.m., central time, to consider and vote upon the following matters:

- a proposal to approve the Agreement and Plan of Merger, dated as of October 12, 2016, by and among The First Bancshares, Inc. ("First Bancshares"), The First, A National Banking Association ("The First") and Gulf Coast, as it may be amended from time to time (referred to as the "merger agreement");

- a proposal to approve the adjournment of the special meeting, if necessary or appropriate, in the event that there are not sufficient votes at the time of the special meeting to approve the foregoing proposal; and

- any other business properly brought before the special meeting or any adjournment or postponement thereof.

The attached proxy statement/prospectus describes the terms and conditions of the merger agreement and includes the complete text of the merger agreement as Annex A. We urge you to read the enclosed materials carefully for a complete description of the merger agreement and the merger. The accompanying proxy statement/prospectus forms a part of this notice.

The Gulf Coast board of directors has fixed the close of business on November 22, 2016, as the record date for the special meeting. Only Gulf Coast shareholders of record at that time are entitled to notice of, and, if a holder of Gulf Coast common stock, to vote at, the special meeting, or any adjournment or postponement of the special meeting. Approval of the merger proposal requires the affirmative vote of the holders of two-thirds of the outstanding shares of Gulf Coast common stock and each of the other proposals requires the affirmative vote of a majority of the votes cast, in all cases assuming that a quorum is present.

Federal law provides that shareholders may dissent from the merger. Shareholders who wish to assert their dissenters' rights and comply with the procedural requirements set forth in the governing statute will be entitled to receive payment of the value of their shares in accordance with applicable law. A copy of the relevant law governing dissenters rights is attached as Annex D hereto. For more information, see "THE MERGER—Gulf Coast Shareholders Have Appraisal Rights in the Merger."

Whether or not you plan to attend the special meeting, please submit your proxy with voting instructions. Please vote as soon as possible by submitting your proxy card by mail or in person. To submit your proxy by mail, please complete, sign, date and return the accompanying proxy card in the enclosed self-addressed, stamped envelope. This will not prevent you from voting in person, but it will help to secure a quorum. Any holder of record of Gulf Coast common stock who is present at the special meeting may vote in person instead of by proxy, thereby cancelling any previous proxy. In any event, a proxy may be revoked in writing at any time before the special meeting in the manner described in the accompanying document.

The Gulf Coast board of directors has unanimously adopted and approved the merger agreement and recommends that Gulf Coast shareholders vote "FOR" the approval of the merger agreement and "FOR" the adjournment of the Gulf Coast special meeting, if necessary or appropriate, to permit further solicitation of proxies.

By Order of the Board of Directors

/s/ Walter J. Ritchie, Jr.

Walter J. Ritchie, Jr.

Chairman of the Board and Chief Executive Officer

YOUR VOTE IS VERY IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE SPECIAL MEETING IN PERSON, PLEASE VOTE YOUR SHARES PROMPTLY.

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QUESTIONS AND ANSWERS

The following are answers to certain questions that you may have regarding the Gulf Coast special meeting and the merger. We urge you to read carefully the remainder of this document (including the Risk Factors beginning on page 13) because the information in this section may not provide all the information that might be important to you in determining how to vote. Additional important information is also contained in the annexes to this document.

Q: What are holders of Gulf Coast common stock being asked to vote on?

A: Holders of Gulf Coast common stock are being asked to vote (1) to adopt and approve an Agreement and Plan of Merger by and among First Bancshares, The First and Gulf Coast, attached hereto as Annex A and (2) to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the adoption and approval of the merger agreement. Throughout the remainder of this proxy statement/prospectus, the agreement and plan of merger is referred to as the "merger agreement." In the merger, Gulf Coast will be merged with and into The First, and The First will be the surviving banking association. References to the "merger" refer to the merger of Gulf Coast with and into The First, unless the context clearly indicates otherwise.

Q: What do holders of Gulf Coast common stock need to do now?

A: After you have carefully read this document and have decided how you wish to vote your shares, indicate on your proxy card how you want your shares to be voted with respect to (1) the adoption and approval of the merger agreement and (2) approval of the adjournment of the Gulf Coast special meeting, if necessary or appropriate, to solicit additional proxies. When complete, sign, date and mail your proxy card in the enclosed postage-paid return envelope as soon as possible. Submitting your proxy by mail or directing your bank or broker to vote your shares will ensure that your shares are represented and voted at the Gulf Coast special meeting. Your proxy card must be received prior to the special meeting on Wednesday, December 28, 2016, in order to be counted. If you would like to attend the Gulf Coast special meeting, see "Can I attend the Gulf Coast special meeting and vote my shares in person?" below.

Q: What will I receive in exchange for my shares of Gulf Coast common stock if the merger is approved?

A: If the merger is completed, you will receive in exchange for each outstanding share of Gulf Coast common stock that you own (other than shares with respect to which the you have perfected dissenters' rights) a pro rata portion of the number of whole shares of First Bancshares common stock obtained by (i) dividing $0.50 by (ii) the average of the closing prices of First Bancshares common stock as reported on the Nasdaq Stock Market on each of the thirty (30) trading days ending five (5) business days prior to the closing of the transaction and (iii) multiplied by the total

number of shares of Gulf Coast common stock issued and outstanding. Each shareholder's pro rata portion of the merger consideration is calculated by dividing the number of shares that such shareholder owns by the total number of shares of Gulf Coast common stock, which was 4,515,437 as of October 12, 2016. First Bancshares will not issue fractional shares of First Bancshares common stock, but will pay cash in lieu of any fractional shares of First Bancshares common stock. The total consideration to be paid in connection with the merger will be $2,257,718.50, as more specifically described in this document. Please see "THE MERGER AGREEMENT – Terms of the Merger" in this proxy statement/prospectus for more information on the method of calculating First Bancshares common stock to be received in the merger.

Q: Why is my vote as a holder of Gulf Coast common stock important?

A: If you do not vote by proxy or vote in person at the Gulf Coast special meeting, it will be more difficult for Gulf Coast to obtain the necessary quorum to hold its special meeting. In addition, approval of the merger agreement requires the affirmative vote of the holders of two-thirds of the outstanding shares of Gulf Coast common stock, assuming that a quorum is present. **The Gulf Coast board of directors recommends that you vote to adopt and approve the merger agreement.**

Q: If my shares are held in street name by my broker, will my broker automatically vote my shares for me?

A: No. Your broker cannot vote your shares without instructions from you. You should instruct your broker as to how to vote your shares, following the directions your broker provides to you. Please check the voting form used by your broker. Without instructions, your shares will not be voted and will not count toward a quorum.

Q: Can I attend the Gulf Coast special meeting and vote my shares in person?

A: Yes. All holders of Gulf Coast common stock, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the Gulf Coast special meeting. Holders of record of Gulf Coast common stock as of the record date can vote in person at the Gulf Coast special meeting. If you choose to vote in person at the special meeting and if you are a registered shareholder of record, you should bring the enclosed proxy card and proof of identity. If you hold your shares in street name, you must obtain and bring a broker representation letter in your name from your bank, broker or other holder of record and proof of identity. Even if you plan to attend the special meeting, Gulf Coast encourages you to vote by proxy through the mail so your vote will be counted if you later decide not to attend the special meeting.

Q: What constitutes a quorum for the Gulf Coast special meeting?

A: The presence at the Gulf Coast special meeting, in person or by proxy, of the holders of a majority of the stock issued and outstanding and entitled to vote thereat will constitute a quorum for the transaction of business. If a quorum is not present, the Gulf Coast special meeting will be postponed until the holders of the number of shares of Gulf Coast common stock required to constitute a quorum attend. If you submit a properly executed proxy card, even if you abstain from voting, your shares of Gulf Coast common stock will be counted for purposes of

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determining whether a quorum is present at the Gulf Coast special meeting. If additional votes must be solicited to approve the merger agreement, it is expected that the Gulf Coast special meeting will be adjourned to solicit additional proxies.

Q: Is the merger expected to be taxable to Gulf Coast shareholders?

A: The merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, and holders of Gulf Coast common stock are not expected to recognize any gain or loss for United States federal income tax purposes on the exchange of shares of Gulf Coast common stock for shares of First Bancshares common stock in the merger, except with respect to any cash received instead of fractional shares of First Bancshares common stock.

For further information, see "UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER."

The U.S. federal income tax consequences described above may not apply to all holders of Gulf Coast common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.

Q: If I am a holder of Gulf Coast common stock, can I change or revoke my vote?

A: Yes. You may revoke any proxy at any time before it is voted in any of the following ways: (1) by personally appearing and choosing to vote at the special meeting, if you are the shareholder of record, or you obtain and bring a broker representation letter in your name from your bank, broker or the holder of record and, in all cases, you bring proof of identity; (2) by written notification to Gulf Coast which is received prior to the exercise of the proxy; or (3) by a subsequent proxy executed by the person executing the prior proxy and presented at the special meeting. Gulf Coast shareholders should send their written revocation letter to Gulf Coast Community Bank, Attention: Corporate Secretary, 40 N. Palafox Street Pensacola, FL 32503.

Any shareholder entitled to vote in person at the Gulf Coast special meeting may vote in person regardless of whether a proxy previously has been given, but the mere presence of a shareholder at the special meeting will not constitute revocation of a previously given proxy.

Q: Do I have dissenters' rights in connection with the merger?

Yes. Gulf Coast shareholders have dissenters' rights in connection with the proposed merger under federal law, which provides that a dissenting shareholder is entitled to receive the value of his or her shares in cash (which may be more or less than the value of the consideration that such holder would receive in the merger) if the dissenting shareholder complies with all of the requirements set forth in the applicable statute.

To perfect dissenters' rights, a Gulf Coast shareholder must (i) either give Gulf Coast written notice of his or her intent to dissent from the merger prior to Gulf Coast's special meeting or vote against the merger at Gulf Coast's special meeting, and (ii) deliver to First Bancshares a written request for appraisal and any certificates representing the shareholder's shares of Gulf Coast common stock within 30 days after consummation of the merger.

Pursuant to the merger agreement, First Bancshares' board of directors may terminate the merger agreement and abandon the merger transaction if dissenters' rights of appraisal are properly asserted with respect to more than 10% of the outstanding shares of Gulf Coast common stock. See "THE MERGER - Dissenters' Rights of Appraisal" as well as the full text of the relevant statutory provisions, which are attached to this proxy statement/prospectus as Annex D for additional information on how to assert dissenters' rights.

Q: Should I send in my Gulf Coast stock certificates now?

A: No. You should not send in your Gulf Coast stock certificates at this time. After completion of the merger, First Bancshares will cause instructions to be sent to you for exchanging Gulf Coast stock certificates for shares of First Bancshares common stock and/or cash to be paid in lieu of a fractional share of First Bancshares common stock. The shares of First Bancshares common stock that holders of Gulf Coast common stock will receive in the merger will be issued in book-entry form unless you specifically elect to receive your shares of First Bancshares common stock in certificated form (the instructions that First Bancshares provides you will give you the option to elect to receive certificated shares). Please do not send in your stock certificates with your proxy card.

Q: Whom can I contact if I cannot locate my Gulf Coast stock certificate(s)?

A: If you are unable to locate your original Gulf Coast stock certificate(s), you should contact Jean Nelson, Senior Vice President Investor Relations at 850-434-9300. Generally, merger consideration for lost certificates cannot be delivered except upon the making of an affidavit claiming such certificate to be lost, stolen or destroyed and the posting of a bond in such amount as First Bancshares may determine is reasonably necessary as indemnity against any claim that may be made with respect to such lost certificate.

Q: When do you expect to complete the merger?

A: We currently expect to complete the merger during the fourth quarter of 2016. However, we cannot assure you when or if the merger will occur. We must, among other things, first obtain the approvals of holders of Gulf Coast common stock at its special meeting and the required regulatory approvals described below in “The Merger—Regulatory and Third Party Approvals.”

Q: Whom should I call with questions?

A: Gulf Coast shareholders should contact Walter J. Ritchie, Jr., Gulf Coast’s President and CEO, by telephone at 850-434-9300.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus and the documents that are made part of this proxy statement/prospectus by reference to other documents filed with the Securities and Exchange Commission, which is sometimes referred to as the SEC, include various forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 about First Bancshares and Gulf Coast that are subject to risks and uncertainties. Congress passed the Private Securities Litigation Reform Act of 1995 in an effort to encourage corporations to provide information about companies' anticipated future financial performance. This act provides a safe harbor for such disclosure, which protects the companies from unwarranted litigation if actual results are different from management expectations. This document reflects management's current views and estimates of future economic circumstances, industry conditions, company performance, and financial results. These forward-looking statements are subject to a number of factors and uncertainties which could cause First Bancshares', Gulf Coast's or the combined company's actual results and experience to differ from the anticipated results and expectations expressed in such forward-looking statements. Forward-looking statements speak only as of the date they are made and neither First Bancshares nor Gulf Coast assumes any duty to update forward-looking statements.

In addition to factors previously disclosed in reports filed with the SEC and those identified elsewhere herein, forward-looking statements include, but are not limited to, statements about (1) the expected benefits of the transaction between The First and Gulf Coast, including future financial and operating results, cost savings, enhanced revenues and the expected market position of the combined company that may be realized from the transaction, and (2) First Bancshares' and Gulf Coast's plans, objectives, expectations and intentions and other statements contained herein that are not historical facts. Other statements identified by words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "targets," "projects" or words of similar meaning generally are intended to identify forward-looking statements. The statements are based upon the current beliefs and expectations of First Bancshares' and Gulf Coast's management and are inherently subject to significant business, economic and competitive risks and uncertainties, many of which are beyond their respective control. In addition, the forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from those indicated or implied in the forward-looking statements.

The following risks, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- the businesses of First Bancshares, The First and Gulf Coast may not be integrated successfully or the integration may be more difficult, time-consuming or costly than expected;
- the expected growth opportunities or costs savings from the transaction may not be fully realized or may take longer to realize than expected;
- revenues following the transaction may be lower than expected as a result of losses of customers or other reasons;
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deposit attrition, operating costs, customer loss and business disruption following the transaction, including difficulties in maintaining relationships with employees, may be greater than expected;

- governmental approvals of the transaction may not be obtained on the proposed terms or expected timeframe;
- the terms of the proposed transaction may need to be modified to satisfy such approvals or conditions;
- Gulf Coast common stock shareholders may fail to approve the transaction;
- reputational risks and the reaction of the companies' customers to the transaction;
- diversion of management time on merger related issues;
- changes in asset quality and credit risk;
- inflation;
- customer acceptance of the combined company's products and services;
- customer borrowing, repayment, investment and deposit practices;

- the introduction, withdrawal, success and timing of business initiatives;
- the impact, extent, and timing of technological changes;
- a weakening of the economies in which the combined company will conduct operations may adversely affect its operating results;
- the U.S. legal and regulatory framework, including those associated with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which we refer to as Dodd-Frank, could adversely affect the operating results of the combined company;
- the interest rate environment may compress margins and adversely affect net interest income; and
- competition from other financial services companies in the combined company’s markets could adversely affect operations.

All subsequent written and oral forward-looking statements concerning First Bancshares, The First, Gulf Coast or the proposed merger or other matters and attributable to First Bancshares, The First, Gulf Coast or any person acting on either of their behalf are expressly qualified in their entirety by the cautionary statements above. First Bancshares and Gulf Coast do not undertake any obligation to update any forward-looking statement, whether written or oral, to reflect circumstances or events that occur after the date the forward-looking statements are made.

SUMMARY

This summary highlights the material information from this document. It may not contain all of the information that is important to you. We urge you to carefully read the entire document in order to fully understand the merger and the related transactions, including the risk factors set forth on page 13. See "Where You Can Find More Information" on page 103. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary.

In the Merger, Holders of Gulf Coast Common Stock Will Have a Right to Receive Shares of First Bancshares Common Stock Subject to Certain Conditions (see page 71)

First Bancshares and Gulf Coast are proposing the merger of Gulf Coast with The First. If the merger is completed, Gulf Coast will merge with and into The First, with The First being the surviving banking association, and Gulf Coast common stock will no longer be outstanding. Under the terms of the merger agreement, holders of Gulf Coast common stock will receive in exchange for each outstanding share of Gulf Coast common stock that is issued and outstanding (other than shares held by First Bancshares or Gulf Coast, or, shares with respect to which the holders thereof have perfected dissenters' rights) their pro rata portion of the number of whole shares of First Bancshares common stock obtained by (i) dividing $0.50 by (ii) the average of the closing prices of First Bancshares common stock as reported on the Nasdaq Stock Market on each of the thirty (30) trading days ending five (5) business days prior to the closing of the transaction and (iii) multiplied by the total number of shares of Gulf Coast common stock issued and outstanding. The total consideration to be paid in connection with the merger will be $2,257,718.50, as more specifically described in this document.

First Bancshares will not issue any fractional shares of First Bancshares common stock in the merger. Instead, a holder of Gulf Coast common stock who otherwise would have received a fraction of a share of First Bancshares common stock will receive an amount in cash. This cash amount will be determined by multiplying the fraction of a share of First Bancshares common stock to which the holder would otherwise be entitled by the average closing price of one share of First Bancshares common stock as reported on the NASDAQ for the 30 trading days prior to the 5th business day prior to the date on which the merger is completed, and then rounded to the nearest cent.

The merger agreement between First Bancshares and Gulf Coast governs the merger. The merger agreement is included in this document as Annex A. Please read the merger agreement carefully. All descriptions in this summary and elsewhere in this document of the terms and conditions of the merger are qualified by reference to the merger agreement.

The Merger Is Intended to Be Tax-Free to Holders of Gulf Coast Common Stock as to the Shares of First Bancshares Common Stock They Receive (see page 80)

The merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Code. Accordingly, the merger generally will be tax-free to a holder of Gulf Coast common stock for U.S. federal income tax purposes as to the shares of First Bancshares common stock he or she receives in the merger, except for any gain or loss that may result from the receipt of cash instead of fractional shares of First Bancshares common stock that such holder of Gulf Coast common stock would otherwise be entitled to receive.

For further information, see "UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER" beginning on page 80**.**

The U.S. federal income tax consequences described above may not apply to all holders of Gulf Coast common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.

Accounting Treatment of Merger (see page 63)

The merger will be accounted for as an "acquisition," as that term is used under accounting principles generally accepted in the United States of America, for accounting and financial reporting purposes.

Comparative Market Prices and Share Information (see page 12)

First Bancshares common stock is listed on the NASDAQ under the symbol "FBMS." The following table shows the closing sale prices of First Bancshares common stock as reported on the NASDAQ on October 13, 2016, the last trading day before we announced the merger, and on November 18, 2016, the last practicable trading day before the distribution of this document.

	First Bancshares Common Stock
October 13, 2016	$17.82
November 18, 2016	$23.70

The market price of First Bancshares common stock will fluctuate prior to the merger. Gulf Coast shareholders are urged to obtain current market quotations for the shares prior to making any decision with respect to the merger.

Monroe Financial Partners, Inc. Has Provided an Opinion to the Gulf Coast Board of Directors Regarding the Merger Consideration (see page 50 and Annex B)

On September 7, 2016, Monroe Financial Partners, Inc., sometimes referred to as Monroe, rendered its oral opinion to the board of directors of Gulf Coast, subsequently confirmed in writing, that, as of such date and based upon and subject to the factors and assumptions described to the Gulf Coast board of directors during its presentation and set forth in its written opinion, the consideration to be paid to the holders of Gulf Coast common stock in the proposed merger was fair, from a financial point of view, to holders of Gulf Coast common stock. The full text of Monroe's written opinion, which sets forth the assumptions made, matters considered and limits on the review undertaken in connection with the opinion, is attached as Annex B to this proxy statement/prospectus. Gulf Coast shareholders are urged to read the opinion in its entirety. Pursuant to an engagement letter between Gulf Coast and Monroe, Gulf Coast has agreed to pay Monroe a customary transaction fee in connection with the merger, which is payable upon completion of the merger. Monroe's written opinion is addressed to the board of directors of Gulf Coast, is directed only to the consideration to be paid in the merger and does not constitute a recommendation as to how any holder of Gulf Coast common stock should vote with respect to the merger or any other matter. Monroe has consented to the use of its opinion letter dated October 12, 2016, and the references to such letter in this proxy statement/prospectus.

Performance Trust Capital Partners Has Provided an Opinion to First Bancshares' Board of Directors Regarding the Merger Consideration (see page 56)

In deciding to approve the merger, First Bancshares board of directors considered the opinion of its financial advisor, Performance Trust Capital Partners, sometimes referred to as Performance Trust, provided to First Bancshares' board of directors on August 18, 2016, (subsequently confirmed in writing) that as of the date of the opinion, and based upon and subject to the various assumptions, considerations, qualifications and limitations set forth in its written opinion, the merger consideration payable to holders of Gulf Coast common stock pursuant to the merger agreement was fair from a financial point of view to First Bancshares. The opinion of Performance Trust will not reflect any

developments that may occur or may have occurred after the date of its opinion and prior to the completion of the merger. Pursuant to an engagement letter between First Bancshares and Performance Trust, First Bancshares has agreed to pay Performance Trust fees in connection with the merger, which is contingent upon completion of the merger, and a fee for rendering its fairness opinion, which was due upon issuing its fairness opinion. Performance Trust addressed its opinion to First Bancshares' board of directors, and the opinion is not a recommendation as to any action that a shareholder should take relating to the merger.

The Gulf Coast Board of Directors Recommends that Holders of Gulf Coast Common Stock Vote "FOR" the Adoption and Approval of the Merger Agreement (see page 64)

The Gulf Coast board of directors believes that the merger is in the best interests of Gulf Coast and its shareholders and has unanimously approved the merger and the merger agreement. The Gulf Coast board of directors unanimously recommends that holders of Gulf Coast common stock vote "FOR" the adoption and approval of the merger agreement. In reaching its decision, the Gulf Coast board of directors considered a number of factors, which are described in more detail in "THE MERGER—Gulf Coast's Reasons for the Merger; Recommendation of the Gulf Coast Board of Directors." The Gulf Coast board of directors did not assign relative weights to the factors described in that section or the other factors considered by it. In addition, the Gulf Coast board of directors did not reach any specific conclusion on each factor considered, but conducted an overall analysis of these factors. Individual members of the Gulf Coast board of directors may have given weights to different factors.

Gulf Coast's Directors and Executive Officers May Receive Additional Benefits from the Merger (see page 64)

When considering the information contained in this proxy statement/prospectus, including the recommendation of Gulf Coast's board of directors to vote to adopt and approve the merger agreement, holders of Gulf Coast

common stock should be aware that Gulf Coast's executive officers and members of Gulf Coast's board of directors may have interests in the merger that are different from, or in addition to, those of Gulf Coast shareholders generally. Gulf Coast's board of directors was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger (to the extent these interests were in existence at the time of the evaluation and negotiation of the merger agreement and the merger), and in recommending that the merger agreement be adopted and approved by holders of Gulf Coast common stock. For information concerning these interests, please see the discussion under the caption "THE MERGER—Interests of Gulf Coast's Directors and Executive Officers in the Merger."

Holders of Gulf Coast Common Stock Have Appraisal Rights (see page 62)

A Gulf Coast stockholder who wishes to exercise dissenters' rights of appraisal with respect to the merger must (i) either give written notice to Gulf Coast prior to the special meeting that he or she dissents from the plan of merger or vote against the merger at the special meeting, and (ii) deliver to The First a written request for an appraisal of his or her shares, along with any certificates representing such shares, within 30 days after the consummation of the merger. Failure to adhere strictly to the requirements and procedures of the applicable dissenters' rights provisions may result in the loss, termination or waiver of your right to dissent. The value of your shares determined for this purpose may be more or less than the per-share consideration to be paid in the merger. Pursuant to the merger agreement, First Bancshares's board of directors may terminate the merger agreement and abandon the merger if dissenters' rights of appraisal are properly asserted with respect to more than 10% of the outstanding shares of Gulf Coast common stock.

If you sign and send in your proxy card and do not indicate how you want to vote on the merger proposal, your proxy will be voted FOR the proposal to approve the merger agreement, and you will effectively waive your appraisal rights. Therefore, a Gulf Coast stockholder who submits a proxy and who also wishes to exercise appraisal rights must either (i) submit a proxy containing instructions to vote against the adoption of the merger agreement or (ii) abstain from voting on the adoption of the merger agreement and submit a written notice to Gulf Coast prior to the special meeting of his or her intent to dissent from the merger.

Appendix D includes the relevant statutory provisions regarding these rights. See "THE MERGER - Dissenters' Rights of Appraisal" for additional information on how to assert dissenters' rights. In view of the complexity of the procedures specified under applicable law, stockholders who wish to pursue dissenters' appraisal rights should promptly consult their legal, financial and tax advisors.

If you hold your shares of Gulf Coast common stock through a bank, brokerage firm, trust or other nominee and you wish to exercise dissenters' appraisal rights, you should consult with your bank, brokerage firm, trust or other nominee to determine the appropriate procedures for the making of a demand for appraisal through your nominee.

Conditions Exist That Must Be Satisfied or Waived for the Merger to Occur (see page 77)

Currently, First Bancshares and Gulf Coast expect to complete the merger during the fourth quarter of 2016. As more fully described in this document and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others, receipt of the requisite approvals of holders of Gulf Coast common stock, the receipt of all required regulatory approvals (including approval, or waiver therefrom, by the Board of Governors of the Federal Reserve System (the "Federal Reserve") and the Office of the Comptroller of the Currency (the "OCC"). The merger agreement also contains a condition that the Gulf Coast classified assets not exceed $28.5 million prior to the closing date of the merger. As of October 31, 2016, the Gulf Coast classified assets were approximately $27.0 million. For more information on the conditions that must be satisfied or waived for the merger to occur, please see "THE MERGER AGREEMENT - Conditions to the Completion of the Merger."

First Bancshares and Gulf Coast cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Gulf Coast or First Bancshares May Terminate the Merger Agreement Under Certain Circumstances (see page 78)

Gulf Coast and First Bancshares may mutually agree to terminate the merger agreement before completing the merger, even after Gulf Coast shareholder approval, as long as the termination is approved by each of the Gulf Coast and First Bancshares boards of directors.

The merger agreement may also be terminated by either party in the following circumstances:

- if the merger has not been completed on or before April 30, 2017, unless the required regulatory approvals are pending and have not been finally resolved, in which event such date shall be automatically extended 60 days, unless the failure to complete the merger by that date is due to the breach of the merger agreement by the party seeking to terminate;

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- if there has been a final, non-appealable denial of required regulatory approvals or an injunction prohibiting the transactions contemplated by the merger agreement;
- if the requisite shareholder vote in connection with the merger agreement is not obtained at the Gulf Coast shareholder meeting (or any adjournment or postponement thereof), unless the failure to obtain the requisite shareholder vote shall be due to the failure of the applicable party to perform or observe its agreements set forth in the merger agreement;
- if there is a breach of the merger agreement that would result in the failure of any of the closing conditions or a material breach of a representation, warranty, covenant or other agreement and such failure or breach cannot or has not been cured within 30 days after the breaching party receives written notice of such breach;
- by First Bancshares board of directors, if prior to receipt of the Gulf Coast's shareholder approval, the Gulf Coast board of directors (1) withdraws, changes or fails to make, the recommendation that its shareholders approve the merger agreement or (2) adopts, approves, recommends, endorses or otherwise declares advisable certain business combination proposals; or
- by First Bancshares board of directors, if the Gulf Coast shareholders exercising dissenter's rights represent more than 10% in the aggregate of the Gulf Coast common stock immediately prior to the record date for the Gulf Coast shareholders' meeting.

Expenses and Termination Fees (see page 79)

In general, each of Gulf Coast and First Bancshares will be responsible for all expenses incurred by it in connection with the negotiation and completion of the transactions contemplated by the merger agreement, subject to specific exceptions discussed in this document. Upon termination of the merger agreement under specified circumstances, Gulf Coast may be required to pay First Bancshares a termination fee of $500,000. See "THE MERGER AGREEMENT—Termination Fee" for a complete discussion of the circumstances under which the termination fee will be required to be paid.

Regulatory Approvals Required for the Merger (see page 63)

Gulf Coast and First Bancshares have agreed to use their reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. The required regulatory approvals include approval, or waiver therefrom, from the Federal Reserve, the OCC, the United States Department of Justice, state securities authorities, and various other federal and state regulatory authorities and self-regulatory organizations. Gulf Coast and First Bancshares have filed all applications and notifications believed to be necessary to obtain the required regulatory approvals.

Although we do not know of any reason why we cannot obtain the required regulatory approvals in a timely manner, we cannot be certain when or if we will obtain them.

The Rights of Holders of Gulf Coast Common Stock Will Change as a Result of the Merger (see page 65)

The rights of holders of Gulf Coast common stock are governed by Florida law, as well as Gulf Coast's Articles of Incorporation, as amended (which we refer to as the Gulf Coast Articles), and Gulf Coast's Bylaws (or, the Gulf Coast Bylaws). After completion of the merger, the rights of former Gulf Coast shareholders will be governed by Mississippi law and by First Bancshares' Amended and Restated Articles of Incorporation (which we refer to as the First Bancshares Articles), and First Bancshares' Amended and Restated Bylaws (or, the First Bancshares Bylaws).

Gulf Coast Will Hold its Special Meeting on Wednesday, December 28, 2016 (see page 25)

The Gulf Coast special meeting will be held on Wednesday, December 28, 2016, at Heritage Hall, located at 130 E. Government Street, Pensacola, FL at 10:00 a.m., central time. At the special meeting, holders of Gulf Coast common stock will be asked to:

· adopt and approve the merger agreement;

- approve the adjournment of the special meeting, if necessary or appropriate, in the event that there are not sufficient votes at the time of the special meeting to approve the foregoing proposal; and

- vote on any other business properly brought before the special meeting or any adjournment or postponement thereof.

Record Date. Only holders of record of Gulf Coast common stock at the close of business on November 22, 2016, will be entitled to vote at the special meeting. Each share of Gulf Coast common stock is entitled to one vote. As of the record date of November 22, 2016, there were 4,515,437 shares of Gulf Coast common stock entitled to vote at the special meeting.

Required Vote. Approval of the merger agreement requires the affirmative vote of the holders of two-thirds of the outstanding shares of Gulf Coast common stock, and the other proposals require the affirmative vote of a majority of the votes cast, in all cases assuming that a quorum is present.

All of the directors of Gulf Coast have entered into agreements with First Bancshares pursuant to which they have agreed, in their capacity as holders of Gulf Coast common stock, to vote all of their shares in favor of the adoption and approval of the merger agreement, subject to certain exceptions. As of the record date, these directors of Gulf Coast and their affiliates had the right to vote approximately 1,648,503 shares of Gulf Coast common stock, or approximately 36.5% of the outstanding Gulf Coast shares entitled to be voted at the special meeting. We expect these individuals to vote their Gulf Coast common stock in favor of the approval of the merger agreement in accordance with those agreements. If these directors each vote their shares in favor of the approval of the merger agreement, only approximately 1,361,788 additional shares will be needed to vote in favor of the merger agreement.

Information about the Companies **(see page 27)**

Gulf Coast Community Bank

Gulf Coast is a Florida-chartered bank established in 2003. Its main office is located at 40 N. Palafox St., Pensacola, FL 32502 (Telephone Number: (850) 434-9300). As of September 30, 2016, Gulf Coast had total assets of approximately $135.4 million, deposits of approximately $116.6 million and total stockholders’ equity of approximately $5.79 million. Gulf Coast operates five banking offices in Escambia and Santa Rosa Counties, Florida.

Gulf Coast's deposits are insured by the FDIC.

The First Bancshares, Inc.

First Bancshares is a Mississippi corporation incorporated in 1995 that is the owner of, The First, A National Banking Association, incorporated in 1996. As of September 30, 2016, First Bancshares had total assets of approximately $1.3 billion, deposits of approximately $1.1 billion and total shareholders' equity of approximately $112.7 million. First Bancshares operates 28 full service branches, one motor branch and four loan production offices throughout central and south Mississippi, Louisiana and south Alabama. The First's deposits are insured by the FDIC.

The principal executive offices of First Bancshares are located at 6480 U.S. Hwy. 98 West, Hattiesburg, Mississippi 39402, and its telephone number is (601) 268-8998. See "WHERE YOU CAN FIND MORE INFORMATION."

Pending Acquisition with Iberville Bank

On October 12, 2016, we executed a Stock Purchase Agreement (the "Iberville Acquisition Agreement") with A. Wilbert's Sons Lumber and Shingle Co. ("Iberville Parent") pursuant to which, if consummated in accordance with its terms, the Company would acquire 100% of the common stock of Iberville Bank, Plaquemine, Louisiana, and immediately thereafter would merge Iberville Bank with and into The First. Under the terms of the Iberville Acquisition Agreement, the Company has agreed to pay Iberville Parent a total of $31.1 million in cash. Approximately 8% of the purchase price payable to Iberville Parent would be held in escrow as contingency for flood-related losses in the loan portfolio that may be incurred due to recent flooding in Iberville Bank's market area.

At June 30, 2016, Iberville Bank had $258.5 million in total assets, $140.8 million loans net of allowance for loan losses, $230.6 million in deposits and $26.2 million in stockholders' equity.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF FIRST BANCSHARES

First Bancshares is providing the following information to help you analyze the financial aspects of the merger. First Bancshares derived this information from its audited financial statements for the years 2011 through 2015, and from its unaudited financial statements for the nine months ended September 30, 2016 and 2015. This information is only a summary, and you should read it in conjunction with the historical financial information for First Bancshares filed attached hereto as Annex E. You should not assume the results of operations for past periods and for any interim period indicate results for any future period.

(In Thousands, Except Share Data)	**As of and for the Nine Months Ended September 30,**		**As of and for the Year Ended December 31,**				
	2016	2015	2015	2014	2013	2012	2011
Consolidated Statements of Income:							
Net interest income	$29,597	$27,382	$36,994	$33,398	$28,401	$22,194	$19,079
Provision for loan losses	538	400	410	1,418	1,076	1,228	1,468
Noninterest income	8,542	5,686	7,588	7,803	7,083	6,324	4,598
Noninterest expense	26,730	23,887	32,161	30,734	28,165	22,164	18,870
Net income	7,811	6,441	8,799	6,614	4,639	4,049	2,871
Net income applicable to common stockholders	7,554	6,184	8,456	6,251	4,215	3,624	2,529
Per common share data:							
Basic net income per Share	$1.39	$1.15	$1.57	$1.20	$.98	$1.17	$.83
Diluted net income per Share	1.38	1.14	1.55	1.19	.96	1.16	.82
Per share data:							
Basic net income per share	$1.44	$1.20	$1.64	$1.27	$1.07	$1.31	$.94
Diluted net income per share	1.43	1.18	1.62	1.25	1.06	1.29	.93
Consolidated Balance Sheets:							

Total assets	$1,266,638	$1,137,849	$1,145,131	$1,093,768	$940,890	$721,385	$681,413
Securities	251,684	253,113	254,959	270,174	258,023	226,301	221,176
Loans, net of allowance	856,322	740,912	769,742	700,540	577,574	408,970	383,418
Deposits	1,071,789	963,840	916,695	892,775	779,971	596,627	573,394
Stockholders’ equity	112,658	101,622	103,436	96,216	85,108	65,885	60,425

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF Gulf Coast

Gulf Coast is providing the following information to help you analyze the financial aspects of the merger. Gulf Coast derived this information from its audited financial statements for the years 2011 through 2015, and from its unaudited financial statements for the nine months ended September 30, 2016 and 2015. This information is only a summary, and you should read it in conjunction with the historical financial information for Gulf Coast, which can be obtained from Gulf Coast. You should not assume the results of operations for past periods and for any interim period indicate results for any future period.

(In Thousands, Except Share Data)	**As of and for the Nine Months Ended September 30,**		**As of and for the Year Ended December 31,**				
	2016	2015	2015	2014	2013	2012	2011
Statements of Income:							
Net interest income	$3,566	3,927	$4,628	$4,984	$5,090	$5,492	$5,921
Provision for loan losses	-	-	-	-	193	146	3,107
Noninterest income	1,162	886	1,496	1,455	1,505	2,573	1,918
Noninterest expense	4,905	4,784	6,599	6,224	6,603	11,372	6,608
Net income (loss)	(96)	(313)	(476)	215	(201)	(3,453)	(6,491)
Net income (loss) applicable to common stockholders	(96)	(313)	(476)	215	(201)	(3,453)	(6,491)
Per common share data:							
Basic net income (loss) per share	$(0.02)	(0.07)	$(0.11)	$0.05	$(0.16)	$(2.71)	$(2.55)
Balance Sheets:							
Total assets	$135,417	137,741	$132,094	$137,283	$159,236	$185,164	$218,476
Securities	14,377	18,287	18,273	20,868	22,609	29,203	31,383
	87,133	80,234	83,237	82,636	94,200	110,608	135,163

Loans, net of allowance							
Deposits	116,615	120,773	114,498	120,108	146,081	162,176	185,636
Stockholders' equity	5,788	5,761	5,585	6,098	2,142	3,775	7.733

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COMPARATIVE PER SHARE MARKET PRICE INFORMATION

First Bancshares common stock trades on the NASDAQ under the symbol "FBMS." The following table sets forth, for the periods indicated, the high and low sales prices of shares of First Bancshares common stock, as reported on the NASDAQ and the quarterly cash dividends declared per share. As of November 18, 2016, the last date prior to the printing of this document for which it was practicable to obtain this information, there were 5,428,017 shares of First Bancshares common stock issued and outstanding, and approximately 1,734 shareholders of record.

		High	Low	Dividends Paid
2016				
	4th quarter (through November 18)	$ 23.75	$ 17.82	$ 0.0375
	3rd quarter	$ 19.55	$ 16.99	$ 0.0375
	2nd quarter	$ 17.72	$ 15.50	$ 0.0375
	1st quarter	$ 18.50	$ 15.32	$ 0.0375
2015	4th quarter	$ 18.34	$ 15.58	$ 0.0375
	3rd quarter	$ 18.46	$ 16.10	$ 0.0375
	2nd quarter	$ 16.99	$ 15.50	$ 0.0375
	1st quarter	$ 17.70	$ 13.80	$ 0.0375
2014	4th quarter	$ 15.50	$ 14.29	$ 0.0375
	3rd quarter	$ 14.98	$ 14.20	$ 0.0375
	2nd quarter	$ 14.74	$ 14.11	$ 0.0375
	1st quarter	$ 14.82	$ 13.83	$ 0.0375

There is no established public trading market in which shares of Gulf Coast common stock are regularly traded, nor are there any uniformly quoted prices for shares of Gulf Coast common stock. The last sale of Gulf Coast common stock prior to the execution of the merger agreement known to Gulf Coast management occurred on September 30, 2014, at $1.00 per share. Gulf Coast has not paid any cash dividends on its shares of common stock.

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RISK FACTORS

In addition to the other information included in this proxy statement/prospectus, including the matters addressed under the heading "SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS" of this proxy statement/prospectus, holders of Gulf Coast common stock should consider the matters described below in determining whether to adopt and approve the merger agreement. If any of the following risks or other risks, which have not been identified or which First Bancshares and Gulf Coast may believe are immaterial or unlikely, actually occur, the business, financial condition and results of operations of the combined company could be harmed. Many factors, including those described below, could cause actual results to differ materially from those discussed in forward-looking statements. For purposes of this section entitled Risk Factors, the terms "we", "us", "our", "the Company" and similar words refer to First Bancshares unless the context clearly demonstrates otherwise.

Risks Related To The Merger

Holders of Gulf Coast common stock will have a reduced ownership and voting interest after the merger and will exercise less influence over management.

Holders of Gulf Coast common stock currently have the right to vote in the election of the Gulf Coast board of directors and on other matters affecting Gulf Coast. When the merger occurs, each holder of Gulf Coast common stock that receives shares of First Bancshares common stock will become a shareholder of First Bancshares with a percentage ownership of the combined organization that is smaller than such shareholder's current percentage ownership of Gulf Coast. Because of this, holders of Gulf Coast common stock will have less influence on the management and policies of First Bancshares than they now have on the management and policies of Gulf Coast.

The market price of First Bancshares common stock after the merger may be affected by factors different from those affecting the shares of Gulf Coast or First Bancshares currently.

Upon the effective time of the merger, holders of Gulf Coast common stock will become holders of First Bancshares common stock. First Bancshares' business differs from that of Gulf Coast, and, accordingly, the results of operations of the combined company and the market price of the combined company's shares of common stock may be affected by factors different from those currently affecting the independent results of operations of each of First Bancshares and Gulf Coast. For a discussion of the business of Gulf Coast and of certain factors to consider in connection with that business, see "CERTAIN INFORMATION ABOUT GULF COAST." For a discussion of the business of First

Bancshares and of certain factors to consider in connection with that business, “INFORMATION ABOUT FIRST BANCSHARES.”

First Bancshares may not be able to successfully integrate Gulf Coast or realize the anticipated benefits of the merger.

The First’s merger with Gulf Coast involves the combination of two banks that previously have operated independently. A successful combination of the operations of the two entities will depend substantially on First Bancshares’ and The First’s ability to consolidate operations, systems and procedures and to eliminate redundancies and costs. First Bancshares and The First may not be able to combine the operations of Gulf Coast with their operations without encountering difficulties, such as:

- the loss of key employees and customers;
- the disruption of operations and business;
- inability to maintain and increase competitive presence;
- deposit attrition, customer loss and revenue loss;
- possible inconsistencies in standards, control procedures and policies;
- unexpected problems with costs, operations, personnel, technology and credit; and/or
- problems with the assimilation of new operations, sites or personnel, which could divert resources from regular banking operations.

Additionally, general market and economic conditions of governmental actions affecting the financial industry generally may inhibit First Bancshares’ and The First’s successful integration of Gulf Coast.

Further, First Bancshares entered into the merger agreement with the expectation that the merger will result in various benefits including, among other things, benefits relating to enhanced revenues, a strengthened market

position for the combined company throughout First Bancshares' footprint, cross-selling opportunities, technology, cost savings and operating efficiencies. Achieving the anticipated benefits of the merger is subject to a number of uncertainties, including whether First Bancshares and The First integrate Gulf Coast in an efficient and effective manner, and general competitive factors in the marketplace. First Bancshares also believes that its ability to successfully integrate Gulf Coast with The First's operations will depend to a large degree upon its ability to retain Gulf Coast's existing management personnel. Although First Bancshares has entered into retention agreements with certain key employees of Gulf Coast since the merger agreement was signed, there can be no assurances that these key employees will not depart. See "THE MERGER—Interests of Certain Gulf Coast Directors and Executive Officers in the Merger."

First Bancshares' failure to achieve these anticipated benefits could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy and could materially impact its business, financial condition and operating results. In addition, the attention and effort devoted to the integration of Gulf Coast with The First's existing operations may divert management's attention from other important issues and could seriously harm its business. Finally, any cost savings that are realized may be offset by losses in revenues or other charges to earnings.

The merger agreement limits Gulf Coast's ability to pursue an alternative acquisition proposal and requires Gulf Coast to pay a termination fee of $500,000 under limited circumstances relating to alternative acquisition proposals.

The merger agreement prohibits Gulf Coast from soliciting, initiating, encouraging or facilitating certain alternative acquisition proposals with any third party, unless the directors determine in good faith (after consultation with legal and financial advisors) that (1) a proposed acquisition transaction with an entity other than First Bancshares would be required in order for its directors to comply with their fiduciary duties and (2) that such alternative transaction is reasonably likely to be consummated and would result in a transaction more favorable to Gulf Coast's shareholders from a financial point of view than the merger with First Bancshares. See "THE MERGER Agreement—No Solicitation." The merger agreement also provides for the payment by Gulf Coast to First Bancshares of a termination fee in the amount of $500,000 in the event that Gulf Coast terminates the merger agreement for certain reasons. These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of Gulf Coast from considering or proposing such an acquisition. See "THE MERGER AGREEMENT—Termination Fee."

Gulf Coast has not obtained an updated fairness opinion from Monroe Financial Partners reflecting changes in circumstances that may have occurred since the signing of the merger agreement.

Gulf Coast has not obtained an updated opinion as of the date of this document from Monroe Financial Partners, which is Gulf Coast's financial advisor, regarding the fairness, from a financial point of view, of the consideration to be paid in connection with the merger. Changes in the operations and prospects of First Bancshares or Gulf Coast,

general market and economic conditions and other factors which may be beyond the control of First Bancshares and Gulf Coast, and on which the fairness opinion was based, may have altered the value of First Bancshares or Gulf Coast or the prices of shares of First Bancshares common stock and shares of Gulf Coast common stock as of the date of this document, or may alter such values and prices by the time the merger is completed. The opinion does not speak as of any date other than the date of that opinion. For a description of the opinion Gulf Coast received from its financial advisor, please refer to "THE MERGER—Opinion of Gulf Coast's Financial Advisor." For a description of the other factors considered by Gulf Coast's board of directors in determining to approve the merger, please refer to "THE MERGER—Gulf Coast's Reasons for the Merger; Recommendation of the Gulf Coast Board of Directors."

The merger is subject to the receipt of consents and approvals from government entities that may impose conditions that could have an adverse effect on the combined company following the merger.

Before the merger may be completed, various approvals or consents must be obtained from the Federal Reserve, the OCC, and various bank, securities, antitrust and other regulatory authorities. These government entities, including the Federal Reserve, may impose conditions on the completion of the merger or require changes to the terms of the merger. Although First Bancshares and Gulf Coast do not currently expect that any material conditions or changes would be imposed, there can be no assurances that they will not be. Such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the revenues of the combined company following the merger, any of which might have an adverse effect on the combined company following the merger.

If the merger is not completed, First Bancshares and Gulf Coast will have incurred substantial expenses without realizing the expected benefits of the merger.

Each of First Bancshares and Gulf Coast has incurred substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement, as well as the costs and expenses of filing, printing and mailing this proxy statement/prospectus and all filing and other fees paid to the SEC in connection with the merger. If the merger is not completed, First Bancshares and Gulf Coast would have to recognize these expenses without realizing the expected benefits of the merger.

Gulf Coast's directors and certain executive officers have interests in the merger that may differ from the interests of Gulf Coast's shareholders including, if the merger is completed, the receipt of financial and other benefits.

Gulf Coast's directors and certain of Gulf Coast's executive officers have interests in the merger that are in addition to, and may be different from, the interests of Gulf Coast shareholders generally. In the case of directors, they will receive ongoing indemnification for their acts as directors. In the case of certain executive officers, these interests are eighteen (18) month employment agreements to continue their employment under certain circumstances. See "THE MERGER—Interests of Certain Gulf Coast Directors and Executive Officers in the Merger" for a discussion of these interests.

The shares of First Bancshares common stock to be received by Gulf Coast shareholders as a result of the merger will have different rights from the shares of Gulf Coast common stock.

Upon completion of the merger, Gulf Coast shareholders will (unless dissenters' rights are properly exercised) become First Bancshares shareholders and, in such event, their rights as shareholders will be governed by First Bancshares Articles and First Bancshares Bylaws. The rights associated with Gulf Coast common stock are different from the rights associated with First Bancshares common stock. Please see "COMPARISON OF RIGHTS OF SHAREHOLDERS OF GULF COAST AND FIRST BANCSHARES" for a discussion of the different rights associated with First Bancshares common stock.

Risks Related To First Bancshares

We may be vulnerable to certain sectors of the economy.

A significant portion of our loan portfolio is secured by real estate. If the economy deteriorates and real estate values depress beyond a certain point, as happened during the recent recession, the collateral value of the portfolio and the revenue stream from those loans could come under stress and possibly require additional loan 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 adversely affected, causing additional losses.

Our use of appraisals in deciding whether to make a loan on or secured by real property does not ensure the value of the real property collateral.

In considering whether to make a loan secured by real property, we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made. If the appraisal does not reflect the amount that may be obtained upon any sale or foreclosure of the property, we may not realize an amount equal to the indebtedness secured by the property.

Difficult market conditions in past years have adversely affected 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 our mortgage loans and result in significant write-downs of asset values, including government-sponsored entities as well as major commercial and investment banks. Still wary about the stability of the financial markets generally and the strength of counterparties, many lenders still have reduced funding to borrowers, including to other financial institutions. Further 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 generally, particularly in our real estate markets, as lower home prices and increased foreclosures would result in higher charge-offs and delinquencies.

The Company participates in the U.S. Treasury's Community Development Capital Initiative ("CDCI").

The Company received $17,123,000 in funding under the CDCI in exchange for preferred stock and common stock warrants on September 29, 2010. Participation in this program constrains the Company's ability to raise dividends and also places certain constraints on executive compensation arrangements. The dividend rate on the preferred stock issued under the CDCI increases from two percent (2%) to nine percent (9%) in 2018, and therefore the Company may have to repay these funds if it would like to avoid this increased payment. The CDCI is part of the Troubled Asset Relief Program ("TARP") and the Company may repay the preferred stock at any time without penalty. The rules that govern the TARP include restrictions on certain compensation to executive officers and a number of others in the Company. Among other things, these rules include a prohibition on golden parachute payments, a prohibition on providing tax gross-ups, a bonus claw-back provision, and a prohibition on paying any bonus payment to the Company's most highly compensated employee. It is possible that compensation restrictions imposed on TARP participants could impede our ability to attract and retain qualified executive officers. Our participation in the TARP limits our annual dividend payments to no more than $0.15 per share. Our ability to repurchase our common stock would also be restricted in the event that we failed to make our dividend payments.

General economic conditions in the areas where our operations or loans are concentrated may adversely affect our customers' ability to meet their obligations.

A sudden or severe downturn in the economy in the geographic markets we serve in the states of Mississippi, Louisiana, or Alabama 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. Changes resulting in adverse economic conditions of these market areas could negatively impact the financial results of the Company's banking operations, earnings, and profitability.

Additionally, adverse economic changes may cause customers to withdraw deposit balances, thereby causing a strain on our liquidity.

We are subject to a risk of rapid and significant changes in market interest rates.

Our assets and liabilities are primarily monetary in nature, and as a result we are subject to significant risks tied to changes in interest rates. Our ability to operate profitably 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.

At present the Company’s one-year interest rate sensitivity position is slightly asset sensitive, but a gradual increase in interest rates during the next twelve months should not have a significant impact on net interest income during that period. However, as with most financial institutions, the Company’s results of operations are affected by changes in interest rates and the Company’s ability to manage this risk. The difference between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities may be affected by changes in market interest rates, changes in relationships between interest rate indices, and/or

changes in the relationships between long-term and short-term market interest rates. A change in this difference might result in an increase in interest expense relative to interest income, or a decrease in the Company’s interest rate spread.

Greater loan losses than expected may adversely affect our earnings.

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 operating results. Credit risk with respect to our real estate and construction loan portfolio will relate principally to the creditworthiness of corporations and the value of the real estate serving as security for the repayment of loans. Credit risk with respect to its commercial and consumer loan portfolio will relate principally to the general creditworthiness of businesses and individuals within our local markets.

The First makes various assumptions and judgments about the collectability of its loan portfolio and provides an allowance for estimated loan losses based on a number of factors. The First believes that its current allowance for loan losses is adequate. However, if our assumptions or judgments prove to be incorrect, the allowance for loan

losses may not be sufficient to cover actual loan losses. We may have to increase the allowance in the future in response to the request of the OCC to adjust for changing conditions and assumptions, or as a result of any deterioration in the quality of the loan portfolio. The actual amount of future provisions for loan losses cannot be determined at this time and may vary from the amounts of past provisions.

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 refinancings, and therefore loan revenues, could be adversely impacted by sharply rising interest rates. Conversely, sharply falling rates could increase prepayments within our loan and securities portfolio lowering interest earnings from those assets. An unanticipated increase in inflation could cause operating costs related to salaries and benefits, technology, and supplies to increase at a faster pace than revenues.

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.

Changes in the policies of monetary authorities and other government action could adversely affect our 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 in the money markets, particularly in light of the continuing threat of terrorist attacks, Great Britain's vote to leave the European Union, unrest in Eastern Europe and the current military operations in the Middle East, we cannot predict possible 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 these developing situations may result in currency fluctuations, exchange controls, market disruption and other adverse effects.

Natural disasters 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 securing our loan assets and negatively affect the local economies in which we operate. The Company 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 securing the loans and an increase in the risk of delinquencies, foreclosures or loan losses.

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

The Company's common stock is listed and traded on the NASDAQ stock market. Although the Company anticipates that its capital resources will be adequate for the foreseeable future to meet its capital requirements, at times we may depend on the liquidity of the NASDAQ stock market to raise equity capital. If the market should fail to operate, or if conditions in the capital markets are adverse, the Company may be constrained in raising capital. Should these risks materialize, the ability to further expand its operations through internal growth may be limited.

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

The Company and The First are subject to the regulations of the Securities and Exchange Commission ("SEC"), the Consumer Financial Protection Bureau, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the OCC. New regulations issued by these agencies may adversely affect the Company's ability to carry on its 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 Financial Accounting Standards Board. 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.

We may engage in acquisitions of other businesses from time to time, which may not be well-received.

On occasion, the Company may engage in acquisitions of other businesses. Acquisitions may result in customer and employee turnover, thus increasing the cost of operating the new businesses. The acquired companies may also have legal contingencies, beyond those that the Company is aware of, that could result in unexpected costs. Difficulty in integrating an acquired business or company may cause the Company 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 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 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 and loan associations, 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.

Another competitive factor is that the financial services market, including banking services, is undergoing rapid changes with frequent introductions of new technology-driven products and services. Our future success may depend, in part, on our ability to use technology competitively to provide products and services that provide convenience to customers and create additional efficiencies in operations.

Future issuances of additional securities could result in dilution of shareholders' ownership.

The Company may determine from time to time to issue additional securities to raise additional capital, support growth, or to make acquisitions. Further, the Company may issue stock options or other stock grants to retain and

motivate our employees. Such issuances of Company securities could dilute the ownership interests of the Company's shareholders.

Anti-takeover laws and certain agreements and charter provisions may adversely affect share value.

Certain provisions of state and federal law and the Company's 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 the Company's articles of incorporation that may be used to delay or block a takeover attempt. As a result, these statutory provisions and provisions in the Company's articles of incorporation could result in the Company being less attractive to a potential acquiror.

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

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

The Company's ability to engage in routine funding transactions could be adversely affected by the actions and potential failures of other financial institutions. Financial institutions are interrelated as a result of trading, clearing, counterparty and other relationships. As a result, defaults by, or even rumors or concerns about, one or more

financial institutions or the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by the Company or by other institutions.

Concern by customers over deposit insurance may cause a decrease in deposits and changes in the mix of funding sources available to the Company.

With increased concerns about bank failures, customers increasingly are concerned about the extent to which their deposits are insured by the FDIC. Customers may withdraw deposits in an effort to ensure that the amount they have on deposit with their bank is fully insured and some may seek deposit products or other bank savings and investment products that are collateralized. Decreases in deposits and changes in the mix of funding sources may adversely affect the Company's funding costs and net income.

Evaluation of investment securities for other-than-temporary impairment involves subjective determinations and could materially impact the Company's 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 other-than-temporary 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, the Company's 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 would have a material adverse effect on our results of operations and financial condition.

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

Pursuant to the Dodd-Frank Act, the limit on FDIC coverage has been permanently increased to $250,000, causing the premiums assessed to the Bank by the FDIC to increase. Depending upon any future losses that the Deposit Insurance Fund may suffer, there can be no assurance that there will not be additional premium increases in order to replenish the fund. The FDIC may need to set a higher base rate schedule or impose special assessments due to future financial institution failures and updated failure and loss projections. Potentially higher FDIC assessment rates than those currently projected could have an adverse impact on the Company's results of operations.

Risks Related to Our Common Stock

Our common stock is not insured by the FDIC.

Shares of our common stock are not bank deposits and, therefore, are not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in our common stock is inherently risky for the reasons described in this section and elsewhere in this prospectus and is subject to the same market forces that affect the price of securities in any company. As a result, if you acquire our common stock, you may lose some or all of your investment.

The price of our common stock is volatile and may decline.

The trading price of our common stock may fluctuate widely as a result of a number of factors, many of which are outside our control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations have adversely affected and may continue to adversely affect the market price of our common stock. Among the factors that could affect our stock price are:

- actual or anticipated quarterly fluctuations in our operating results and financial condition;

- changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to our securities or those of other financial institutions;
- failure to meet analysts' revenue or earnings estimates;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- actions by institutional shareholders;
- fluctuations in the stock price and operating results of our competitors;
- general market conditions and, in particular, developments related to market conditions for the financial services industry;
- proposed or adopted regulatory changes or developments;
- anticipated or pending investigations, proceedings or litigation that involve or affect us; or
- domestic and international economic factors unrelated to our performance.

A significant decline in our stock price could result in substantial losses for individual shareholders and could lead to costly and disruptive securities litigation.

Sales of a significant number of shares of our common stock in the public markets, or the perception of such sales, could depress the market price of our common stock.

Sales of a substantial number of shares of our common stock in the public markets and the availability of those shares for sale could adversely affect the market price of our common stock. In addition, future issuances of equity securities, including pursuant to outstanding options, could dilute the interests of our existing stockholders, including you, and could cause the market price of our common stock to decline. We may issue such additional equity or convertible securities to raise additional capital. The issuance of any additional shares of common or preferred stock could be substantially dilutive to shareholders of our common stock. Moreover, to the extent that we issue restricted stock units, phantom shares, stock appreciation rights, options or warrants to purchase our common stock in the future and

those stock appreciation rights, options or warrants are exercised or as the restricted stock units vest, our shareholders may experience further dilution. Holders of our shares of common stock have no preemptive rights that entitle holders to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to our shareholders. We cannot predict the effect that future sales of our common stock would have on the market price of our common stock.

We may issue debt and equity securities or securities convertible into equity securities, any of which may be senior to our common stock as to distributions and in liquidation, which could negatively affect the value of our common stock.

In the future, we may attempt to increase our capital resources by entering into debt or debt-like financing that is unsecured or secured by all or up to all of our assets, or by issuing additional debt or equity securities, which could include issuances of secured or unsecured commercial paper, medium-term notes, senior notes, subordinated notes, preferred stock or securities convertible into or exchangeable for equity securities. In the event of our liquidation, our lenders and holders of our debt and preferred securities would receive a distribution of our available assets before distributions to the holders of our common stock. Because our decision to incur debt and issue securities in our future offerings will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings and debt financings. Further, market conditions could require us to accept less favorable terms for the issuance of our securities in the future.

Risks Related to Our Banking Operations

Our results of operations depend upon the results of operations of our subsidiaries, primarily, The First.

We are a bank holding company that conducts substantially all of our operations through our subsidiary bank, The First. As a result, our ability to make dividend payments on our common stock will depend primarily upon the receipt of dividends and other distributions from The First.

The ability of The First to pay dividends or make other payments to us is limited by its obligation to maintain sufficient capital and by other general regulatory restrictions on its dividends. If these requirements are not satisfied, we will be unable to pay dividends on our common stock. Additionally, our participation in the CDCI program constrains our ability to raise dividends by limiting our annual dividend payments to no more than $0.15 per share annually. For more information, see "Dividend Policy" below.

We are subject to significant competition within our market area as well as through financial technology companies.

The First faces 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 First's market area. Some of these competitors are not subject to the same degree of regulation and restriction imposed upon The First. 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 and through mobile applications. Recent technology advances and other changes have allowed non-bank 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 obtain loans from non-regulated companies over the internet or through mobile applications that have historically been originated at a bank. 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 and interest 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.

We may invest or spend the proceeds in this offering in ways with which you may not agree and in ways that may not earn a profit.

We intend to use the net proceeds from this offering to finance a portion of the Iberville Bank Acquisition and pay related expenses, to support our capital ratios in connection with the Iberville Bank and Gulf Coast Acquisitions and for general corporate purposes. To the extent either the Iberville Bank Acquisition or the Gulf Coast Acquisition is not completed, the shares will remain outstanding and we will use the proceeds of this offering for general corporate purposes to support our growth strategy, which may include organic growth, funding acquisition opportunities, *de*

novo branching into new markets or other organic expansion of our business and/or redeeming the preferred stock issued under the CDCI program, although we do not anticipate redeeming the CDCI preferred stock at this time. For more information, see "Use of Proceeds." Accordingly, in the event the Iberville Bank Acquisition is not completed, we will retain broad discretion over the use of the proceeds from this offering and may use them for purposes other than those contemplated at the time of this offering. In such event you may not agree with the ways we decide to use these proceeds, and our use of the proceeds may not yield any profits.

A failure or breach of our operational or security systems or infrastructure, or those of our third party vendors and other service providers or other third parties, including as a result of cyber-attacks, could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs, and cause losses.

The Company and The First rely heavily on communications and information systems to conduct business. Information security risks for financial institutions such as the Company and The First have generally increased in recent years in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, nation-states, terrorists, activists, and other external parties. As customer, public, and regulatory expectations regarding operational and information security have increased, our operating systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions, and breakdowns. Our business, financial, accounting, and data processing systems, or other operating systems and facilities, may stop operating

properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond our control. For example, there could be electrical or telecommunication outages, natural disasters such as earthquakes, tornadoes, and hurricanes, disease pandemics, events arising from local or larger scale political or social matters, including terrorist acts, and as described below, cyber-attacks.

As noted above, our business relies on our digital technologies, computer and email systems, software and networks to conduct our operations. Although we have information security procedures and controls in place, our technologies, systems and networks and our customers' devices may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss, or destruction of ours or our customers' or other third parties' confidential information. Third parties with whom we do business or that facilitate our business activities, including financial intermediaries, or vendors that provide service or security solutions for our operations, and other unaffiliated third parties, could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints.

While we have disaster recovery and other 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 any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. Our risk and exposure to these matters remain heightened because of the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of our controls, processes, and practices designed to protect our systems, computers, software, data, and networks from attack, damage or unauthorized access remain a significant focus for us. As threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate information security vulnerabilities. Disruptions or failures in the physical infrastructure or operating systems that support our businesses and clients, or cyber-attacks or security breaches of the networks, systems or devices that our clients use to access our products and services could result in client attrition, regulatory fines, penalties or intervention, reputation damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could have a material effect on our results of operations or financial condition.

Anti-takeover laws and provisions in our amended articles of incorporation could make a third party acquisition of us difficult.

In addition to certain provisions of state and federal law, provisions of our articles of incorporation may make it more difficult for someone to acquire control of the Company. Our articles of incorporation include a "control share acquisition" provision requiring any person who plans to acquire a control block of outstanding common stock (generally defined as 10%) to obtain approval by the majority vote of disinterested shareholders or the affirmative vote of 75% of eligible members of the Board in order to vote the control shares. If a control share is made without first obtaining this approval, all stock beneficially owned by the acquiring person in excess of 10% will be considered "excess stock" and will not be entitled to vote. Any person who proposes to make or has made a control share acquisition may deliver a statement to the Company describing the person's background and the control share acquisition and requesting a special meeting of shareholders of the Company to decide whether to grant voting rights to the shares acquired in the control share acquisition. The acquiring person must pay the expenses of this meeting. If

no request is made, the voting rights to be accorded the shares acquired in the control share acquisition shall be presented to the next special or annual meeting of the shareholders. If the acquiring person does not deliver his or her statement to the Company, the Company may elect to repurchase the acquiring person's shares at fair market value. Control shares acquired in a control share acquisition are not subject to redemption after an acquiring person's statement has been filed unless the shares are not accorded full voting rights by the shareholders. Additionally, our articles of incorporation provide for a Board composed of three separate classes, with each class being elected for a three-year term. These provisions and other provisions of state and federal banking laws could result in our Company being less attractive to a potential acquiror and could limit the price that investors might be willing to pay in the future for shares of our common stock. See "Description of Capital Stock – Common Stock" in the accompanying prospectus.

Our growth and financial performance may be negatively impacted if we are unable to successfully execute our growth plans.

There can be no assurances that we will be successful in continuing our organic or internal growth, which depends upon economic conditions, our ability to identify appropriate markets for expansion, our ability to recruit and retain qualified personnel, our ability to fund growth at a reasonable cost, sufficient capital to support our growth initiatives, competitive factors, banking laws, and other factors.

We expect to seek to supplement our internal growth through other acquisitions. We cannot predict the number, size or timing of such acquisitions, or whether any such acquisition will occur at all. Our acquisition efforts have traditionally focused on targeted banking entities in markets in which we currently operate and markets in which we believe we can compete effectively. However, as consolidation of the financial services industry continues, the competition for suitable acquisition candidates may increase. We may compete with other financial services companies for acquisition opportunities, and many of these competitors have greater financial resources than we have and may be able to pay more for an acquisition than we are able or willing to pay. We also may need additional debt or equity financing in the future to fund acquisitions. We may not be able to obtain additional financing or, if available, it may not be in amounts and on terms acceptable to us. If we are unable to locate suitable acquisition candidates willing to sell on terms acceptable to us, or we are otherwise unable to obtain additional debt or equity financing necessary for us to continue making acquisitions, we would be required to find other methods to grow our business and we may not grow at the same rate we have in the past, or at all.

In evaluating potential acquisition opportunities we may seek to acquire failed banks through FDIC-assisted transactions. While the FDIC may, in such transactions, provide assistance to mitigate certain risks, such as sharing in exposure to loan losses, and providing indemnification against certain liabilities, of the failed institution, we may not be able to accurately estimate our potential exposure to loan losses and other potential liabilities, or the difficulty of integration, in acquiring such institution.

We must generally receive federal regulatory approval before we can acquire a bank or bank holding company. In determining whether to approve a proposed bank acquisition, federal bank regulators will consider, among other factors, the effect of the acquisition on the competition, financial condition, and future prospects. The regulators also review current and projected capital ratios and levels, the competence, experience, and integrity of management and its record of compliance with laws and regulations, the convenience and needs of the communities to be served (including the acquiring institution’s record of compliance under the Community Reinvestment Act) and the effectiveness of the acquiring institution in combating money laundering activities. We cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. We may also be required to sell banks or branches as a condition to receiving regulatory approval, which condition may not be acceptable to us or, if acceptable to us, may reduce the benefit of any acquisition.

In addition to the acquisition of existing financial institutions, as opportunities arise we plan to continue de novo branching as a part of our internal growth strategy and possible entry into new markets through de novo branching. De novo branching and any acquisition carries with it numerous risks, including the following:

- significant costs and anticipated initial operating losses associated with establishing a de novo branch or a new bank;

- the inability to secure the services of qualified senior management;

-

failure of the local market to accept the services of a new bank owned and managed by a bank holding company headquartered outside of the market area of the new bank;

- economic downturns in the new market;

- the inability to obtain attractive locations within a new market at a reasonable cost;

- the additional strain on management resources and internal systems and controls; and

- the inability to obtain all required regulatory approvals.

We have experienced to some extent many of these risks with our *de novo* branching to date.

Acquisitions may not produce revenue or earnings enhancements or cost savings at levels or within timeframes originally anticipated and may result in unforeseen integration difficulties.

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 (also known as run-off), loss of key employees, disruption of our business or the business of the acquired company, or otherwise adversely affect our ability to maintain relationships with customers and employees or achieve the anticipated benefits of the acquisition. We are likely to 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 our earnings. Also, the negative

effect of any divestitures required by regulatory authorities in acquisitions or business combinations may be greater than expected.

Depending on the condition of any institution that we may acquire, any acquisition may, at least in the near term, adversely affect our capital, financial condition, and results of operations, and, if not successfully integrated following the acquisition, may continue to have such effects.

THE GULF COAST SPECIAL MEETING

This section contains information about the special meeting of Gulf Coast shareholders that has been called to consider and approve the merger agreement. Together with this document, Gulf Coast also is sending you a notice of the special meeting and a form of proxy that the Gulf Coast board of directors is soliciting. The Gulf Coast special meeting will be held on Wednesday, December 28, 2016, at Heritage Hall located at 130 E. Government St, Pensacola, FL 32502 at 10:00 a.m. central time.

Matters to Be Considered

The purpose of the special meeting is to vote on:

- a proposal to adopt and approve the merger agreement;
- a proposal to approve the adjournment of the special meeting, if necessary or appropriate, in the event that there are not sufficient votes at the time of the special meeting to approve the foregoing proposal; and
- any other business properly brought before the special meeting or any adjournment or postponement thereof.

Proxies

Each copy of this document mailed to holders of Gulf Coast common stock is accompanied by a form of proxy with instructions for voting by mail. If you hold stock in your name as a shareholder of record and are voting by mail, you should complete, sign, date and return the proxy card accompanying this document in the enclosed postage-paid return envelope to ensure that your vote is counted at the special meeting, or at any adjournment or postponement of the special meeting, regardless of whether you plan to attend the special meeting.

If you hold your stock in “street name” through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker.

If you hold common stock in your name as a shareholder of record, you may revoke any proxy at any time before it is voted by signing and returning a proxy card with a later date, delivering a written revocation letter to the Gulf Coast

Corporate Secretary, or by attending the special meeting in person and voting by ballot at the special meeting.

Any shareholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy previously has been given, but the mere presence of a shareholder at the special meeting will not constitute revocation of a previously given proxy.

Written notices of revocation and other communications about revoking your proxy should be addressed to:

Gulf Coast Community Bank
Attn: Corporate Secretary
40 N. Palafox Street

Pensacola, FL 32502

If your shares are held in "street name" by a bank or broker, you should follow the instructions of your bank or broker regarding the revocation of proxies. All shares represented by valid proxies that Gulf Coast receives through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted "FOR" approval of the merger agreement and merger and "FOR" approval of the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Solicitation of Proxies

Gulf Coast will bear the entire cost of soliciting proxies from holders of Gulf Coast common stock. In addition to solicitation of proxies by mail, Gulf Coast will request that banks, brokers, and other record holders send proxies and proxy material to the beneficial owners of Gulf Coast common stock and secure their voting instructions. If necessary, Gulf Coast may use several of its regular employees, who will not be specially compensated, to solicit proxies from holders of Gulf Coast common stock, either personally or by telephone, facsimile, letter or other electronic means.

Record Date

The close of business on November 22, 2016 has been fixed as the record date for determining the Gulf Coast shareholders entitled to receive notice of and to vote at the special meeting. At that time, 4,515,437 shares of Gulf Coast common stock were outstanding, held by approximately 475 holders of record.

Quorum

In order to conduct voting at the special meeting, there must be a quorum. A quorum is the number of shares that must be present at the meeting, either in person or by proxy. To have a quorum at the special meeting requires the presence of holders of Gulf Coast common stock or their proxies who are entitled to cast at least a majority of the votes that all holders of common stock are entitled to cast.

Votes Required

Approval of the merger agreement requires the affirmative vote of the holders of two-thirds of outstanding shares of Gulf Coast common stock, assuming that a quorum is present. You are entitled to one vote for each share of Gulf Coast common stock you hold as of the record date.

Approval of the proposal to adjourn the special meeting if necessary or appropriate in order to solicit additional proxies requires the affirmative vote of a majority of the votes cast, assuming that a quorum is present. Assuming there is a quorum, your failure to vote, an abstention or a broker non-vote will have no effect on either proposal.

The Gulf Coast board of directors urges Gulf Coast shareholders to promptly vote by completing, dating, and signing the accompanying proxy card and returning it promptly in the enclosed postage-paid envelope. If you hold your stock in "street name" through a bank or broker, please vote by following the voting instructions of your bank or broker.

If you are the registered holder of your Gulf Coast common stock or you obtain a broker representation letter from your bank, broker or other holder of record of your Gulf Coast common stock and in all cases you bring proof of identity, you may vote your Gulf Coast common stock in person by ballot at the special meeting. Votes properly cast at the special meeting, in person or by proxy, will be tallied by Gulf Coast's inspector of elections.

As of the record date, directors of Gulf Coast had the right to vote approximately 1,648,503 shares of Gulf Coast common stock, or approximately 36.5% of the outstanding Gulf Coast shares entitled to vote at the special meeting. All of the directors of Gulf Coast have entered into agreements with First Bancshares pursuant to which they have agreed, in their capacity as holders of Gulf Coast common stock, to vote all of their shares in favor of the adoption and approval of the merger agreement, subject to certain exceptions. We expect these individuals to vote their Gulf Coast common stock in accordance with these agreements.

Recommendation of the Gulf Coast Board of Directors

The Gulf Coast board of directors has unanimously adopted and approved the merger agreement and the transactions it contemplates, including the merger. The Gulf Coast board of directors determined that the merger, merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Gulf Coast and its shareholders and recommends that you vote "FOR" approval of the merger agreement and "FOR" the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies. See "THE MERGER—Gulf Coast's Reasons for the Merger; Recommendation of the Gulf Coast Board of Directors" for a more detailed discussion of the Gulf Coast board of directors' recommendation.

Attending the Special Meeting

All holders of Gulf Coast common stock, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting.

Gulf Coast reserves the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification. Everyone who attends the special meeting must abide by the rules for the conduct of the meeting. Even if you plan to attend the special meeting, we encourage you to vote by mail proxy so your vote will be counted if you later decide not to attend the special meeting.

INFORMATION ABOUT FIRST BANCSHARES

The First Bancshares, Inc. was incorporated on June 23, 1995, to serve as a bank holding company for The First (which may be referred to herein as the “Bank”) located in Hattiesburg, Mississippi. The First began operations on August 5, 1996, from its main office in the Oak Grove community, which was on the outskirts of Hattiesburg but now is included in the city of Hattiesburg. The First Bancshares and its subsidiary bank 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 First is a wholly-owned subsidiary bank of First Bancshares. At September 30, 2016, The First had total assets of $1.3 billion, which represented virtually all of the consolidated assets of First Bancshares.

Through The First, First Bancshares operates as a financial services organization providing banking and other financial solutions through approximately 33 offices and 308 full-time equivalent associates located in the states of Mississippi, Louisiana and Alabama.

As of September 30, 2016, on a consolidated basis, First Bancshares had total assets of approximately $1.3 billion, total net loans of approximately $856.3 million, total deposits of approximately $1.1 billion, and shareholders’ equity of approximately $112.7 million.

The principal executive offices of First Bancshares are located at 6480 U.S. Hwy. 98 West, Hattiesburg, Mississippi 39402, and its telephone number is (601) 268-8998.

Banking Services

Through The First, First Bancshares strives to provide its customers with the breadth of products and services comparable to those offered by large regional banks, while maintaining the quick response and personal service of a locally owned and managed bank. In addition to offering a full range of deposit services and commercial and personal loans, The First offers products such as mortgage loans. The following is a description of the products and services offered or planned to be offered by the Bank.

Deposit Services. The Bank offers a full range of deposit services that are typically available in most banks and savings and loan associations, 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 the Bank's principal market area at rates competitive to those offered by other banks in the area. All deposit accounts are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to the maximum amount allowed by law. The Bank solicits these accounts from individuals, businesses, associations and organizations, and governmental authorities. In addition, the Bank offers certain retirement account services, such as Individual Retirement Accounts (IRAs).

Loan Products. The Bank offers 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), and purchase of equipment and machinery. Consumer loans include equity lines of credit and secured and unsecured loans for financing automobiles, home improvements, education, and personal investments. The Bank also makes real estate construction and acquisition loans. The Bank’s 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 the Bank is subject to a loans-to-one-borrower limit of an amount equal to 15% of the Bank's unimpaired capital and surplus. The Bank may not make any loans to any director, executive officer, or 10% shareholder unless the loan is approved by the Board of Directors of the Bank and is made on terms not more favorable to such a person than would be available to a person not affiliated with the Bank.

- *Mortgage Loan Divisions.* The Bank has mortgage loan divisions which originate loans to purchase existing or construct new homes and to refinance existing mortgages.

- *Other Services.* Other bank services we offer include on-line internet banking services, voice response telephone inquiry service, commercial sweep accounts, cash management services, safe deposit boxes, travelers checks, mobile deposit, direct deposit of payroll and social security checks, and automatic drafts for various accounts. We are associated with the MasterCard, Cirrus, Pulse, and Community Cash networks of automated teller machines that may be used by our customers throughout our market area and other regions. The First also offers VISA credit card services through a correspondent bank.

Competition

The Bank 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. Pursuant to Dodd-Frank, federal law generally permits statewide branching by banks and savings institutions, and many financial institutions in the state have branch networks. Consequently, commercial banking in Mississippi, Louisiana and Alabama is highly competitive. Many large banking organizations currently operate in First Bancshares' market areas, 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.

The First Bancshares faces 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 First Bancshares' market area. Some of these competitors are not subject to the same degree of regulation and restriction imposed upon First Bancshares. Many of these competitors also have broader geographic markets and substantially greater resources and lending limits than First Bancshares and offer certain services such as trust banking that First Bancshares does not currently provide. In addition, many of these competitors have numerous branch offices located throughout the extended market areas of First Bancshares that may provide these competitors with an advantage in geographic convenience that First Bancshares 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.

Employees

As of September 30, 2016, First Bancshares had 303 full-time employees and 10 part-time employees.

Supervision And Regulation

The First Bancshares and the Bank are subject to state and federal banking laws and regulations which impose specific requirements or restrictions on and provide for general regulatory oversight with respect to virtually all aspects of operations. These laws and regulations are generally intended to protect depositors, not shareholders. To the extent that the following summary describes statutory or regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions. Any change in applicable laws or regulations may have a material effect on the business and prospects of First Bancshares. Beginning with the enactment of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and following with the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), and now, most recently the sweeping Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), numerous additional regulatory requirements have been placed on the banking industry in the past several years, and additional changes have been proposed. The operations of First Bancshares and the Bank may be affected by legislative changes and

the policies of various regulatory authorities. The First Bancshares is unable to predict the nature or the extent of the effect on its business and earnings that fiscal or monetary policies, economic control, or new federal or state legislation may have in the future.

Legislative and Regulatory Initiatives and First Bancshares Participation

The Congress, Treasury Department and the federal banking regulators, including the FDIC, have taken broad action since early September 2008 to address volatility in the U.S. banking system. In October 2008, the Emergency Economic Stabilization Act of 2008 ("EESA") was enacted. The EESA authorized the Treasury Department to purchase from financial institutions and their holding companies up to $700 billion in mortgage loans, mortgage-related securities and certain other financial instruments, including debt and equity securities issued by financial institutions and their holding companies in a troubled asset relief program ("TARP"). The purpose of TARP was to restore confidence and stability to the U.S. banking system and to encourage financial institutions to increase their lending to customers and to each other. The Treasury Department allocated $250 billion towards the TARP Capital Purchase Program ("CPP"), pursuant to which the Treasury Department purchased debt or equity securities from participating institutions. The TARP also included the Community Development Capital Initiative ("CDCI"), which was made available only to certified Community Development Financial Institutions ("CDFIs") and imposed a lower dividend or interest rate, as applicable, than the CPP funding. Participants in the TARP are subject to executive compensation limits and are encouraged to expand their lending and mortgage loan modifications.

On February 6, 2009, as part of the CPP, First Bancshares entered into a Letter Agreement and Securities Purchase Agreement (collectively, the "Purchase Agreement") with the Treasury Department, pursuant to which First Bancshares sold (i) 5,000 shares of First Bancshares' Fixed Rate Cumulative Perpetual Preferred Stock, Series UST (the "CPP Preferred Stock") and (ii) a warrant (the "Warrant") to purchase 54,705 shares of First Bancshares' Common Stock for an exercise price of $13.71 per share. On September 29, 2010, after successfully obtaining CDFI certification, First Bancshares exited the CPP by refinancing its CPP funding into lower-cost CDCI funding and also accepted additional CDCI funding. In connection with this transaction, First Bancshares retired its CPP Preferred Stock and issued to the Treasury Department 17,123 shares of First Bancshares' Fixed Rate Cumulative Perpetual Preferred Stock, Series CD (the "CDCI Preferred Stock"). Including refinanced funding and newly obtained funding, First Bancshares' total CDCI funding is $17,123,000.

The CDCI Preferred Stock qualifies as Tier 1 capital and, provided that First Bancshares maintains its CDFI eligibility and certification, is entitled to cumulative dividends at a rate of 2% per annum until 2018, and 9% per *annum* thereafter. The Warrant has a 10-year term and is immediately exercisable upon its issuance, and its exercise price is subject to anti-dilution adjustments.

In order to benefit from the lower dividend rate associated with the CDCI Preferred Stock, First Bancshares is required to maintain compliance with the eligibility requirements of the CDFI Program. These eligibility requirements include the following:

- The First Bancshares must have a primary mission of promoting community development, based on criteria set forth in 12 C.F.R. 1805.201(b)(1);
- The First Bancshares must provide Financial Products, Development Services, and/or other similar financing as a predominant business activity in arm's-length transactions, as provided in 12 C.F.R. 1805.201(b)(2);
- The First Bancshares must serve a Target Market by serving one or more Investment Areas and/or Targeted Populations, substantially in the manner set forth in 12 C.F.R. 1805.201(b)(3);
- The First Bancshares must provide Development Services in conjunction with its Financial Products, either directly, through an Affiliate, or through a contract with a third-party provider, as provided in 12 C.F.R. 1805.201(b)(4);
- The First Bancshares must maintain accountability to residents of the applicable Investment Area(s) and/or

Targeted Population(s) through representation on its governing Board of Directors or otherwise, as provided in 12 C.F.R. 1805.201(b)(5); and

- The First Bancshares must remain a non-governmental entity, which is not an agency or instrumentality of the United States of America, or any State or political subdivision thereof, as described in 12 C.F.R. 1805.201(b)(6) and within the meaning of any supplemental regulations or interpretations of 12 C.F.R. 1805.201(b)(6) or such supplemental regulations published by the Fund.

As used in the discussion above, the terms “Affiliate,” “Financial Products,” “Development Services,” “Target Market,” “Investment Area(s),” and “Targeted Population(s)” have the meanings ascribed to such terms in 12 C.F.R. 1805.104.

American Reinvestment and Recovery Act of 2009. The America Reinvestment and Recovery Act of 2009 (“ARRA”) contained expansive new restrictions on executive compensation for financial institutions and other companies participating in the TARP. These restrictions apply to First Bancshares and are further detailed in implementing regulations found at 31 CFR Part 30. (Any reference to “ARRA” herein includes a reference to the implementing regulations.)

ARRA prohibits bonus and similar payments to the most highly compensated employee of First Bancshares. The prohibition does not apply to bonuses payable pursuant to “employment agreements” in effect prior to February 11, 2009. “Long-term” restricted stock is excluded from ARRA’s bonus prohibition, but only to the extent the value of the stock does not exceed one-third of the total amount of annual compensation of the employee receiving the stock, the stock does not “fully vest” until after all TARP-related obligations have been satisfied, and any other conditions which the Treasury may specify have been met.

ARRA prohibits any payment to the principal executive officer, the principal financial officer, and any of the next eight most highly compensated employees upon departure from First Bancshares for any reason for as long as any TARP-related obligations remain outstanding.

Under ARRA TARP-participating companies are required to recover any bonus or other incentive payment paid to the principal executive officer, the principal financial officer, or any of the next 23 most highly compensated employees on the basis of materially inaccurate financial or other performance criteria.

ARRA prohibits TARP participants from implementing any compensation plan that would encourage manipulation of the reported earnings of First Bancshares in order to enhance the compensation of any of its employees.

ARRA requires the principal executive officer and the principal financial officer of any publicly-traded TARP-participating company to provide a written certification of compliance with the executive compensation restrictions in ARRA in First Bancshares' annual filings with the SEC beginning in 2010.

ARRA requires each TARP-participating company to implement a company-wide policy regarding excessive or luxury expenditures, including excessive expenditures on entertainment or events, office and facility renovations, aviation or other transportation services.

ARRA directs the Treasury to review bonuses, retention awards, and other compensation paid to the principal executive officer and the next four other highest paid executive officer of First Bancshares and the next 20 most highly compensated employees of each company receiving TARP assistance before ARRA was enacted, and to "seek to negotiate" with the TARP recipient and affected employees for reimbursement if it finds any such payments were inconsistent with TARP or otherwise in conflict with the public interest.

ARRA also prohibits the payment of tax gross-ups; required disclosures related to perquisite payments and the engagement, if any, by the TARP participant of a compensation consultant; and prohibits the deduction for tax purposes of executive compensation in excess of $500,000 for each applicable senior executive.

These standards could change based on subsequent guidance issued by the Treasury or the Internal Revenue Service. As long as the Treasury continues to hold equity interests in First Bancshares issued under the TARP, First Bancshares will monitor its compensation arrangements and modify such compensation arrangements, agree to limit and limit its compensation deductions, and take such other actions as may be necessary to comply with the standards discussed above, as they may be modified from time to time. The First Bancshares does not anticipate that any material changes to its existing executive compensation structure will be required to comply with the executive compensation standards included in the TARP.

Dodd-Frank Act. The enactment during 2010 of Dodd-Frank has resulted in increased regulation for the financial services industry. Provisions affecting the activities of First Bancshares and the Bank include, without limitation, the following:

- *Asset-based deposit insurance assessments*. FDIC deposit insurance premium assessments are based on bank assets rather than domestic deposits.

- *Deposit insurance limit increase*. The deposit insurance coverage limit has been permanently increased from $100,000 to $250,000.

- *Limitation on federal preemption*. Limitations have been imposed on the ability of national bank regulators to preempt state law. Formerly, the national bank and federal thrift regulators possessed preemption powers with regard to transactions, operating subsidiaries and attorney general civil enforcement authority. These preemption requirements have been limited by the Dodd-Frank, which will likely impact state banks by affecting activities previously permitted through parity with national banks.

- *Changes to regulation of bank holding companies*. Under Dodd-Frank, bank holding companies must be well-capitalized and well-managed to engage in interstate transactions. In the past, only the subsidiary banks were required to meet those standards. The Federal Reserve Board’s “source of strength doctrine” has now been codified, mandating that bank holding companies, such as First Bancshares, serve as a source of strength for their subsidiary banks, meaning that the bank holding company must be able to provide financial assistance in the event the subsidiary bank experiences financial distress.

- *Executive compensation limitations*. The Dodd-Frank codified executive compensation limitations similar to those previously imposed on TARP recipients.

Summary. The foregoing is a brief summary of certain statutes, rules and regulations affecting First Bancshares and the Bank. It is not intended to be an exhaustive discussion of all the statutes and regulations having an impact on the operations of such entities. Additional bills may be introduced in the future in the United States Congress and state legislatures to alter the structure, regulation and competitive relationships of financial institutions. It cannot be predicted whether and what form any of these proposals will be adopted or the extent to which the business of First Bancshares and the Bank may be affected thereby.

First Bancshares

Because it owns the outstanding capital stock of the Bank, First Bancshares is a bank holding company within the meaning of the Federal Bank Holding Company Act of 1956 (the "BHCA"). First Bancshares has also elected to be treated as a Financial Holding Company under the BHCA as discussed below.

The BHCA. Under the BHCA, First Bancshares is subject to periodic examination by the Federal Reserve and is required to file periodic reports of its operations and such additional information as the Federal Reserve may require. The First Bancshares' and the Bank's activities are limited to banking, managing or controlling banks, furnishing services to or performing services for its subsidiaries, and engaging in other activities that the Federal Reserve determines to be so closely related to banking or managing or controlling banks as to be a proper incident thereto.

Dodd-Frank removed many limitations on the Federal Reserve Board's authority to make examinations of banks that are subsidiaries of bank holding companies. Under Dodd-Frank, the Federal Reserve Board is generally permitted to examine bank holding companies and their subsidiaries, provided that the Federal Reserve Board must rely on reports submitted directly by the institution and examination reports of the appropriate regulators (such as the OCC) to the fullest extent possible; must provide reasonable notice to, and consult with, the appropriate regulators before commencing an examination of a bank holding company subsidiary; and, to the fullest extent possible, must avoid duplication of examination activities, reporting requirements, and requests for information.

Investments, Control, and Activities. With certain limited exceptions, the BHCA requires every bank holding company to obtain the prior approval of the Federal Reserve before (i) acquiring substantially all the assets of any bank, (ii) acquiring direct or indirect ownership or control of any voting shares of any bank if after such acquisition it would own or control more than 5% of the voting shares of such bank (unless it already owns or controls the majority of such shares), or (iii) merging or consolidating with another bank holding company.

In addition, and subject to certain exceptions, the BHCA and the Change in Bank Control Act, together with regulations thereunder, require Federal Reserve approval (or, depending on the circumstances, no notice of disapproval) prior to any person or company acquiring "control" of a bank holding company, such as First Bancshares. Control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities of the bank holding company. Control is rebuttably presumed to exist if a person acquires 10% or more but less than 25% of any class of voting securities and either First Bancshares has registered securities under Section 12 of the Exchange Act (which First Bancshares has done) or no other person owns a greater percentage of that class of voting securities immediately after the transaction. The regulations provide a procedure for challenge of the rebuttable control presumption.

Under the BHCA, a bank holding company is generally prohibited from engaging in, or acquiring direct or indirect control of more than 5% of the voting shares of any company engaged in nonbanking activities, unless the Federal Reserve Board, by order or regulation, has found those activities to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the activities that the Federal Reserve Board has determined by regulation to be proper incidents to the business of a bank holding company include making or servicing loans and certain types of leases, engaging in certain insurance and discount brokerage activities, performing certain data processing services, acting in certain circumstances as a fiduciary or investment or financial adviser, owning savings associations, and making investments in certain corporations or projects designed primarily to promote community welfare.

The Federal Reserve Board has imposed certain capital requirements on First Bancshares under the BHCA, including a minimum leverage ratio and a minimum ratio of "qualifying" capital to risk-weighted assets. These requirements are described below under "Capital Regulations." Subject to its capital requirements and certain other restrictions, First Bancshares may borrow money to make a capital contribution to the Bank, and such loans may be repaid from dividends paid from the Bank to First Bancshares (although the ability of the Bank to pay dividends is subject to regulatory restrictions as described below in "The Bank - Dividends"). The First Bancshares is also able to raise capital for contribution to the Bank by issuing securities without having to receive regulatory approval, subject to

compliance with federal and state securities laws.

Source of Strength; Cross-Guarantee. In accordance with Federal Reserve Board policy, First Bancshares is expected to act as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances in which First Bancshares might not otherwise do so. Under the BHCA, the Federal Reserve Board may require a bank holding company to terminate any activity or relinquish control of a nonbank subsidiary (other than a nonbank subsidiary of a bank) upon the Federal Reserve Board's determination that such activity or control constitutes a serious risk to the financial soundness or stability of any subsidiary depository institution of the bank holding company. Further, federal bank regulatory authorities have additional discretion to require a bank holding company to divest itself of any bank or nonbank subsidiary if the agency determines that divestiture may aid the depository institution's financial condition.

The Bank

The Bank operates as a national banking association incorporated under the laws of the United States and subject to examination by the Office of Comptroller of the Currency ("OCC"). Deposits in the Bank are insured by the FDIC up to a maximum amount (generally $250,000 per depositor, subject to aggregation rules). The OCC and the FDIC regulate or monitor virtually all areas of the Bank's operations, including security devices and procedures, adequacy of capitalization and loan loss reserves, loans, investments, borrowings, deposits, mergers, issuances of securities, payment of dividends, interest rates payable on deposits, interest rates or fees chargeable on loans, establishment of branches, corporate reorganizations, maintenance of books and records, and adequacy of staff training to carry on safe lending and deposit gathering practices. The OCC requires the Bank to maintain certain capital ratios and imposes limitations on the Bank's aggregate investment in real estate, bank premises, and furniture and fixtures. The Bank is required by the OCC to prepare quarterly reports on their financial condition and to conduct an annual audit of their financial affairs in compliance with minimum standards and procedures prescribed by the OCC.

Under FDICIA, all insured institutions must undergo regular on-site examinations by their appropriate banking agency. The cost of examinations of insured depository institutions and any affiliates may be assessed by the appropriate agency against each institution or affiliate as it deems necessary or appropriate. Insured institutions are required to submit annual reports to the FDIC and the appropriate agency (and state supervisor when applicable). FDICIA also directs the FDIC to develop with other appropriate agencies a method for insured depository institutions to provide supplemental disclosure of the estimated fair market value of assets and liabilities, to the extent feasible and practicable, in any balance sheet, financial statement, report of condition, or any other report of any insured depository institution. FDICIA also requires the federal banking regulatory agencies to prescribe, by regulation, standards for all insured depository institutions and depository institution holding companies relating, among other things, to: (i) internal controls, information systems, and audit systems; (ii) loan documentation; (iii) credit underwriting; (iv) interest rate risk exposure; and (v) asset quality.

National banks and their holding companies which have been chartered or registered or undergone a change in control within the past two years or which have been deemed by the OCC or the Federal Reserve Board, respectively, to be troubled institutions must give the OCC or the Federal Reserve Board, respectively, thirty days prior notice of the appointment of any senior executive officer or director. Within the thirty day period, the OCC or the Federal Reserve Board, as the case may be, may approve or disapprove any such appointment.

Deposit Insurance. The FDIC establishes rates for the payment of premiums by federally insured banks and thrifts for deposit insurance. A Deposit Insurance Fund ("DIF") is maintained for commercial banks and thrifts, with insurance premiums from the industry used to offset losses from insurance payouts when banks and thrifts fail. Since 1993, insured depository institutions like the Bank have paid for deposit insurance under a risk-based premium system. Assessments are calculated based on the depository institution's average consolidated total assets, less its average amount of tangible equity.

Transactions With Affiliates and Insiders. The Bank is subject to Section 23A of the Federal Reserve Act, which places limits on the amount of loans to, and certain other transactions with, affiliates, as well as on the amount of advances to third parties collateralized by the securities or obligations of affiliates. The aggregate of all covered transactions is limited in amount, as to any one affiliate, to 10% of the Bank's capital and surplus and, as to all

affiliates combined, to 20% of the Bank's capital and surplus. Furthermore, within the foregoing limitations as to amount, each covered transaction must meet specified collateral requirements.

The Bank is also subject to Section 23B of the Federal Reserve Act, which prohibits an institution from engaging in certain transactions with affiliates unless the transactions are on terms substantially the same, or at least as favorable to such institution, as those prevailing at the time for comparable transactions with nonaffiliated companies. The Bank is subject to certain restrictions on extensions of credit to executive officers, directors, certain principal shareholders, and their related interests. Such extensions of credit (i) must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties and (ii) must not involve more than the normal risk of repayment or present other unfavorable features.

Dividends. A national bank may not pay dividends from its capital. All dividends must be paid out of undivided profits then on hand, after deducting expenses, including reserves for losses and bad debts. In addition, a national bank is prohibited from declaring a dividend on its shares of common stock until its surplus equals its stated

capital, unless the bank has transferred to surplus no less than one-tenth of its net profits of the preceding two consecutive half-year periods (in the case of an annual dividend). The approval of the OCC is required if the total of all dividends declared by a national bank in any calendar year exceeds the total of its net profits for that year combined with its retained net profits for the preceding two years, less any required transfers to surplus. In addition, under FDICIA, the banks may not pay a dividend if, after paying the dividend, the bank would be undercapitalized. See "Capital Regulations" below.

Branching. National banks are required by the National Bank Act to adhere to branch office banking laws applicable to state banks in the states in which they are located. Under current Mississippi, Alabama and Louisiana law, banks may open branches throughout these states with the prior approval of the OCC or other primary federal regulator. In addition, with prior regulatory approval, banks are able to acquire existing banking operations in Mississippi, Alabama and Louisiana. Furthermore, federal legislation permits interstate branching.

Community Reinvestment Act. The Community Reinvestment Act requires that, in connection with examinations of financial institutions within their respective jurisdictions, the Federal Reserve, the FDIC, the OCC, or the Office of Thrift Supervision shall evaluate the record of the financial institutions in meeting the credit needs of their local communities, including low and moderate income neighborhoods, consistent with the safe and sound operation of those institutions. These factors are also considered in evaluating mergers, acquisitions, and applications to open a branch or facility.

Other Regulations. Interest and certain other charges collected or contracted for by the Bank are subject to state usury laws and certain federal laws concerning interest rates. The Bank’s loan operations are subject to certain federal laws applicable to credit transactions, such as the federal Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers; the Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs community it serves; the Equal Credit Opportunity Act, prohibiting discrimination on the basis of creed or other prohibited factors in extending credit; the Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies; the Fair Debt Collection Practices Act, concerning the manner in which consumer debts may be collected by collection agencies; and the rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws. The deposit operations of the Bank also are subject to the Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records, and the Electronic Funds Transfer Act and Regulation E issued by the Federal Reserve Board to implement that Act, which governs automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

Capital Regulations. The federal bank regulatory authorities have adopted risk-based capital guidelines for banks and bank holding companies that are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks and bank holding companies, account for off-balance sheet exposure, and minimize disincentives for holding liquid assets. The resulting capital ratios represent qualifying capital as a percentage of total

risk-weighted assets and off-balance sheet items. The guidelines are minimums, and the federal regulators have noted that banks and bank holding companies contemplating significant expansion programs should not allow expansion to diminish their capital ratios and should maintain ratios well in excess of the minimums. The current guidelines require all bank holding companies and federally-regulated banks to maintain a minimum risk-based total capital ratio equal to 8%, of which at least 6% must be Tier 1 capital. Tier 1 capital includes common shareholders' equity, qualifying perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries, but excludes goodwill and most other intangibles and excludes the allowance for loan and lease losses. Tier 2 capital includes the excess of any preferred stock not included in Tier 1 capital, mandatory convertible securities, hybrid capital instruments, subordinated debt and intermediate term-preferred stock, and general reserves for loan and lease losses up to 1.25% of risk-weighted assets.

Under the guidelines, banks' and bank holding companies' assets are given risk-weights of 0%, 20%, 50% and 100%. In addition, certain off-balance sheet items are given credit conversion factors to convert them to asset equivalent amounts to which an appropriate risk-weight will apply. These computations result in the total risk-weighted assets. Most loans are assigned to the 100% risk category, except for first mortgage loans fully

secured by residential property and, under certain circumstances, residential construction loans, both of which carry a 50% rating. Most investment securities are assigned to the 20% category, except for municipal or state revenue bonds, which have a 50% rating, and direct obligations of or obligations guaranteed by the United States Treasury or United States Government agencies, which have a 0% rating.

The federal bank regulatory authorities have also implemented a leverage ratio, which is Tier 1 capital as a percentage of average total assets less intangibles, to be used as a supplement to the risk-based guidelines. The principal objective of the leverage ratio is to place a constraint on the maximum degree to which a bank holding company may leverage its equity capital base. The minimum required leverage ratio for top-rated institutions is 4%, but most institutions are required to maintain an additional cushion of at least 100 to 200 basis points.

FDICIA established a capital-based regulatory scheme designed to promote early intervention for troubled banks and requires the FDIC to choose the least expensive resolution of bank failures. The capital-based regulatory framework contains five categories of compliance with regulatory capital requirements, including "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." To qualify as a "well capitalized" institution, a bank must have a leverage ratio of no less than 5%, a common equity Tier 1 risk-based capital ration of no less than 6.5%, a Tier 1 risk-based ratio of no less than 8%, and a total risk-based capital ratio of no less than 10%, and the Bank must not be under any order or directive from the appropriate regulatory agency to meet and maintain a specific capital level. As of September 30, 2016, First Bancshares and The First, were qualified as "well capitalized."

Under the FDICIA regulations, the applicable agency can treat an institution as if it were in the next lower category if the agency determines (after notice and an opportunity for hearing) that the institution is in an unsafe or unsound condition or is engaging in an unsafe or unsound practice. The degree of regulatory scrutiny of a financial institution will increase, and the permissible activities of the institution will decrease, as it moves downward through the capital categories. Institutions that fall into one of the three undercapitalized categories may be required to (i) submit a capital restoration plan; (ii) raise additional capital; (iii) restrict their growth, deposit interest rates, and other activities; (iv) improve their management; (v) eliminate management fees; or (vi) divest themselves of all or part of their operations. Bank holding companies controlling financial institutions can be called upon to boost the institutions' capital and to partially guarantee the institutions' performance under their capital restoration plans.

These capital guidelines can affect First Bancshares in several ways. If First Bancshares continues to grow at a rapid pace, a premature "squeeze" on capital could occur making a capital infusion necessary. The requirements could impact First Bancshares’ ability to pay dividends. The First Bancshares’ present capital levels are more than adequate; however, rapid growth, poor loan portfolio performance, or poor earnings performance could change First Bancshares’ capital position in a relatively short period of time.

Failure to meet these capital requirements would mean that a bank would be required to develop and file a plan with its primary federal banking regulator describing the means and a schedule for achieving the minimum capital

requirements. In addition, such a bank would generally not receive regulatory approval of any application that requires the consideration of capital adequacy, such as a branch or merger application, unless the Bank could demonstrate a reasonable plan to meet the capital requirement within a reasonable period of time.

Enforcement Powers. FIRREA expanded and increased civil and criminal penalties available for use by the federal regulatory agencies against depository institutions and certain "institution-affiliated parties" (primarily including management, employees, and agents of a financial institution, independent contractors such as attorneys and accountants, and others who participate in the conduct of the financial institution's affairs). These practices can include the failure of an institution to timely file required reports; the filing of false or misleading information; or the submission of inaccurate reports. Civil penalties may be as high as $1,000,000 a day for such violations. Criminal penalties for some financial institution crimes have been increased to twenty years. In addition, regulators are provided with greater flexibility to commence enforcement actions against institutions and institution-affiliated parties. Possible enforcement actions include the termination of deposit insurance. Furthermore, FIRREA expanded the appropriate banking agencies' power to issue cease and desist orders that may, among other things, require affirmative action to correct any harm resulting from a violation or practice, including restitution, reimbursement, indemnifications, or guarantees against loss. A financial institution may also be ordered to restrict its growth,

dispose of certain assets, rescind agreements or contracts, or take other actions as determined by the ordering agency to be appropriate.

Effect of Governmental Monetary Policies. The earnings of the Bank are affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. The Federal Reserve Board's monetary policies have had, and are likely to continue to have, an important impact on the operating results of commercial banks through its power to implement national monetary policy in order, among other things, to curb inflation or combat a recession. The monetary policies of the Federal Reserve Board have major effects upon the levels of bank loans, investments, and deposits through its open market operations in United States government securities and through its regulation of the discount rate on borrowings of member banks and the reserve requirements against member bank deposits. It is not possible to predict the nature or impact of future changes in monetary and fiscal policies.

Significant Legislation. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Banking Act") permits eligible bank holding companies in any state, with regulatory approval, to acquire banking organizations in any other state. The Interstate Banking Act allows banks with different home states to merge, unless a particular state opts out of the statute. In addition, the Interstate Banking Act permits national and state banks to establish de novo branches in another state if there is a law in that state which applies equally to all banks and expressly permits all out-of-state banks to establish de novo branches.

The Gramm-Leach-Bliley Act of 1999 (the "Financial Services Modernization Act") repealed the two affiliation provisions of the Glass-Steagall Act: Section 20, which restricted the affiliation of Federal Reserve Member Banks with firms "engaged principally" in specified securities activities; and Section 32, which restricts officer, director, or employee interlocks between a member bank and any company or person "primarily engaged" in specified securities activities. In addition, the Financial Services Modernization Act also contains provisions that expressly preempt any state law restricting the establishment of financial affiliations, primarily related to insurance. The general effect of the law is to establish a comprehensive framework to permit affiliations among commercial banks, insurance companies, securities firms, and other financial service providers by revising and expanding the BHCA framework to permit a holding company system to engage in a full range of financial activities through a new entity known as a Financial Holding Company. "Financial activities" is broadly defined to include not only banking, insurance, and securities activities, but also merchant banking and additional activities that the Federal Reserve, in consultation with the Secretary of the Treasury, determines to be financial in nature, incidental to such financial activities, or complementary activities that do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally.

Generally, the Financial Services Modernization Act:

- Repeals historical restrictions on, and eliminates many federal and state law barriers to, affiliations among banks, securities firms, insurance companies, and other financial service providers;

- Provides a uniform framework for the functional regulation of the activities of banks, savings institutions, and their holding companies;

- Broadens the activities that may be conducted by national banks, banking subsidiaries of bank holding companies, and their financial subsidiaries;

- Provides an enhanced framework for protecting the privacy of consumer information;

- Adopts a number of provisions related to the capitalization, membership, corporate governance, and other measures designed to modernize the Federal Home Loan Bank system;

- Modifies the laws governing the implementation of the Community Reinvestment Act ("CRA"); and

- Addresses a variety of other legal and regulatory issues affecting both day-to-day operations and long-term activities of financial institutions.

In order for a bank holding company to take advantage of the ability to affiliate with other financial services providers, that company must become a "Financial Holding Company" as permitted under an amendment to the BHCA. To become a Financial Holding Company, a company would file a declaration with the Federal Reserve, electing to engage in activities permissible for Financial Holding Companies and certifying that it is eligible to do so because all of its insured depository institution subsidiaries are well-capitalized and well-managed. In addition, the Federal Reserve must also determine that each insured depository institution subsidiary of a company has at least a "satisfactory" CRA rating. First Bancshares has chosen to become a Financial Holding Company.

The Financial Services Modernization Act also permits national banks to engage in expanded activities through the formation of financial subsidiaries. A national bank may have a subsidiary engaged in any activity authorized for national banks directly or any financial activity, except for insurance underwriting, insurance investments, real estate investment or development, or merchant banking, which may only be conducted through a subsidiary of a Financial Holding Company. Financial activities include all activities permitted under new sections of the BHCA or permitted by regulation.

A national bank seeking to have a financial subsidiary, and each of its depository institution affiliates, must be "well-capitalized" and "well-managed." The total assets of all financial subsidiaries may not exceed the lesser of 45% of a bank's total assets, or $50 billion. A national bank must exclude from its assets and equity all equity investments, including retained earnings, in a financial subsidiary. The assets of the subsidiary may not be consolidated with the bank's assets. The bank must also have policies and procedures to assess financial subsidiary risk and protect the bank from such risks and potential liabilities.

The Financial Services Modernization Act amended the Federal Deposit Insurance Act governing subsidiaries of state banks that engage in "activities as principal that would only be permissible" for a national bank to conduct in a financial subsidiary. It expressly preserves the ability of a state bank to retain all existing subsidiaries. Because Mississippi permits commercial banks chartered by the state to engage in any activity permissible for national banks, the state bank competitors of The First are permitted to form subsidiaries to engage in the activities authorized by the Financial Services Modernization Act, to the same extent as The First. In order to form a financial subsidiary, a state bank must be well-capitalized, and the state bank would be subject to the same capital deduction, risk management and affiliate transaction rules as applicable to national banks.

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA Patriot Act) broadened the application of anti-money laundering regulations to apply to additional types of financial institutions, such as broker-dealers, and strengthened the ability of the U.S. Government to detect and prosecute international money laundering and the financing of terrorism. The principal provisions of Title III of the USA Patriot Act require that regulated financial institutions, including state member banks: (i) establish an anti-money laundering program that includes training and audit components; (ii) comply with regulations regarding

the verification of the identity of any person seeking to open an account; (iii) take additional required precautions with non-U.S. owned accounts; and (iv) perform certain verification and certification of money laundering risk for their foreign correspondent banking relationships. The USA Patriot Act also expanded the conditions under which funds in a U.S. interbank account may be subject to forfeiture and increased the penalties for violation of anti-money laundering regulations. Failure of a financial institution to comply with the USA Patriot Act's requirements could have serious legal and reputational consequences for the institution. The Bank has adopted policies, procedures and controls to address compliance with the requirements of the USA Patriot Act under the existing regulations and will continue to revise and update its policies, procedures and controls to reflect changes required by the USA Patriot Act and implementing regulations.

The Sarbanes-Oxley Act of 2002 addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. Section 404 of the Sarbanes-Oxley Act, and regulations adopted by the SEC require First Bancshares to include in its Annual Report, a report stating management's responsibility to establish and maintain adequate internal controls over financial reporting and management's conclusion on the effectiveness of the internal controls at year end.

From time to time, various bills are introduced in the United States Congress with respect to the regulation of financial institutions. Certain of these proposals, if adopted, could significantly change the regulation of banks

and the financial services industry. The First Bancshares cannot predict whether any of these proposals will be adopted or, if adopted, how these proposals would affect First Bancshares.

Properties

The First Bancshares' main office, which is the holding company headquarters, is located at 6480 U.S. Hwy 98 West in Hattiesburg, Mississippi. The First Bancshares operates 28full service banking and financial services offices (which we refer to as branches) and one motor bank facility as well as four loan production offices (which we refer to as LPOs). The First Bancshares maintains leases on the following branches: Hardy Court Branch, the Gulfport Downtown Branch, the Pascagoula Branch, the Ocean Springs Branch, the Fairhope Branch, the Bay Minette Branch, the Theodore Branch, the Dauphin Island Branch, the Ocean Springs LPO, the Madison LPO, the Bayley's Corner Branch, the Brandon LPO and the Madison (LPO) (formerly of The Mortgage Connection, LLC). Management ensures that all properties, whether owned or leased, are maintained in suitable condition.

Legal Proceedings

From time to time First Bancshares and/or the Bank may be named as defendants in various lawsuits arising out of the normal course of business. At present, First Bancshares is not aware of any legal proceedings that it anticipates may materially adversely affect its business.

Market Information

Information about First Bancshares' common stock and Gulf Coast's common stock market price and dividends is set forth above in "COMPARATIVE PER SHARE MARKET PRICE INFORMATION."

The principal sources of funds to First Bancshares to pay dividends are the dividends received from The First. Consequently, dividends are dependent upon the Bank's earnings, capital needs, regulatory policies, as well as statutory and regulatory limitations. Federal and state banking laws and regulations restrict the amount of dividends and loans a bank may make to its parent company. Approval by First Bancsharesregulators 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.

DESCRIPTION OF CAPITAL STOCK

General

First Bancshares has 20,000,000 shares of authorized common stock, $1.00 par value. As of October 31, 2016 there were 5,428,017 shares of common stock issued and outstanding. First Bancshares has 10,000,000 shares of authorized preferred stock, no par value. As of October 31, 2016 there were 17,123 shares of Series CD preferred stock outstanding and 5,563,380 of Series E Preferred Stock outstanding.

Common Stock

The material terms and provisions of First Bancshares' common stock are summarized as set forth below. The following summary is not intended to be relied upon as an exhaustive list or a detailed description of the provisions discussed and is qualified in its entirety by the Mississippi Business Corporation Act ("MBCA") and by the Amended and Restated Articles of Incorporation ("Articles") and Bylaws of First Bancshares. Copies of our Articles and Bylaws are available upon request from First Bancshares. See "Where You Can Find More Information."

Voting Rights; Cumulative Voting. Pursuant to the MBCA and First Bancshares' Bylaws, each outstanding share of First Bancshares' common stock is entitled to one vote on each matter submitted to a vote. Holders of First Bancshares' common stock do not have cumulative voting rights. Article 2.6 of First Bancshares' Bylaws provides that unless otherwise required by the MBCA or the Articles, all classes or series of First Bancshares shares entitled to vote generally on a matter shall for that purpose be considered a single voting group.

Limitations on Directors' and Officers' Liability. Article 7 of First Bancshares' Articles provide that no director of First Bancshares shall be personally liable to First Bancshares or its shareholders for monetary damages for breach of fiduciary duty as a director, except for any appropriation in violation of fiduciary duties of any business

opportunity; for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law, under Section 79-4-8.33 of the MBCA, or for any transaction from which the director derived an improper personal benefit. Article 8 of First Bancshares' Bylaws provide for indemnification of directors and officers as discussed below under the caption "Indemnification."

Supermajority Voting Requirements; Business Combinations or Control Share Acquisition. The MBCA states that in the absence of a greater requirement in the articles of incorporation, a sale, lease, exchange, or other disposition of all, or substantially all, a corporation's property requires approval by a majority of the shares entitled to vote on the transaction. First Bancshares' Articles do not provide for a greater than majority vote on such a transaction.

First Bancshares' Articles do include a "control share acquisition" provision requiring any person who plans to acquire a control block of stock (generally defined as 10%) to obtain approval by the majority vote of disinterested shareholders or the affirmative vote of 75% of eligible members of the board of directors in order to vote the control shares. If a control share is made without first obtaining this approval, all stock beneficially owned by the acquiring person in excess of 10% will be considered "excess stock" and will not be entitled to vote.

Any person who proposes to make or has made a control share acquisition may deliver a statement to First Bancshares describing the person's background and the control share acquisition and requesting a special meeting of shareholders of First Bancshares to decide whether to grant voting rights to the shares acquired in the control share acquisition. The acquiring person must pay the expenses of this meeting. If no request is made, the voting rights to be accorded the shares acquired in the control share acquisition shall be presented to the next special or annual meeting of the shareholders. If the acquiring person does not deliver his or her statement to First Bancshares, it may elect to repurchase the acquiring person's shares at fair market value. Control shares acquired in a control share acquisition are not subject to redemption after an acquiring person's statement has been filed unless the shares are not accorded full voting rights by the shareholders.

Removal of Directors. Article 11 of First Bancshares' Articles provide that no director of First Bancshares may be removed except by the shareholders for cause; provided that directors elected by a particular voting group may be removed only by the shareholders in that voting group for cause. Article 3.3 of First Bancshares' Bylaws provides further that removal action may only be taken at a shareholders' meeting for which notice of the removal action has been given. A removed director's successor may be elected at the same meeting to serve the unexpired term.

Board of Directors. Under Article 10 of First Bancshares' Articles, the Board of Directors of First Bancshares is divided into three classes — Class I, Class II, and Class III as nearly equal in numbers of directors as possible. Article 3.2 of the Bylaws establishes a minimum of 9 directors, and a maximum of 25 directors. At present there are a total of 9 directors divided as follows: 3 Class I directors, 3 Class II directors, and 3 Class III directors. The terms of the Class I directors will expire at the 2017 Annual Shareholders' Meeting. The terms of the Class II directors will expire at the 2018 Annual Shareholders' Meeting. The terms of the Class III directors will expire at the 2019 Annual Shareholders' Meeting.

Vacancies in the Board of Directors. Under First Bancshares' Bylaws, any vacancy, may be filled for the unexpired term by the affirmative vote of a majority of the remaining directors, provided that, if the vacant office was held by a director elected by a particular voting group, only the shares of that voting group or the remaining directors elected by that voting group shall be entitled to fill the vacancy; and further provided that, if the vacant office was held by a director elected by a particular voting group, the other remaining directors or director (elected by another voting group or groups) may fill the vacancy during an interim period before the shareholders of the vacated director's voting group act to fill the vacancy.

Amendment of the Articles of Incorporation or Bylaws. Under the MBCA, the board of directors has the power to amend or repeal the bylaws of a Mississippi corporation such as First Bancshares, unless such power is expressly reserved for the shareholders. Article 10 of First Bancshares' Bylaws provide that the Bylaws may be amended, altered, or repealed by the board of directors, except with regard to the provisions establishing the number of directors and process for removal of directors, which may only be amended by the affirmative vote of holders of outstanding shares entitled to more than 80% of the votes entitled to be cast on the alteration, amendment, or repeal.

Under the MBCA, amendments to the Articles that result in dissenters' rights require the affirmative vote of a majority of the outstanding shares entitled to vote on the amendment. Otherwise, the Articles may be amended by a

majority vote of the shares present at a meeting where a quorum is present.

Special Meetings of Shareholders. Under First Bancshares' Bylaws, special meetings of the shareholders, for any purpose or purposes, may be called by the Chairman of the Board, the Chief Executive Officer, or the board of directors, or within 75 days of a written request of shareholders holding in the aggregate 10% or more of the total voting power entitled to vote on an issue. Such a request must state the purpose or purposes of the proposed special meeting.

Shareholder Proposals and Nominations. First Bancshares' Bylaws provide procedures that must be followed to properly nominate candidates for election as directors. At least 60 days prior to the Annual Meeting, or 10 days after notice of the Annual Meeting is provided to shareholders, notice must be given to the Secretary of First Bancshares if a shareholder intends to nominate an individual for election to the Board of Directors or propose any shareholder action. These Bylaw provisions also require information to be supplied about both the shareholder making such nomination or proposal and the person nominated.

Indemnification. Section 79-4-8.50 through 79-4-8.59 of the MBCA provide First Bancshares with broad powers and authority to indemnify its directors and officers and to purchase and maintain insurance for such purposes and mandate the indemnification of First Bancshares' directors under certain circumstances. First Bancshares' Articles also provide it with the power and authority, to the fullest extent legally permissible under the MBCA, to indemnify its directors and officers, persons serving at the request of First Bancshares or for its benefit as directors or officers of another corporation, and persons serving as First Bancshares' representatives or agents in certain circumstances. Pursuant to such authority and the provisions of First Bancshares' Articles, First Bancshares intends to purchase insurance against certain liabilities that may be incurred by it and its officers and directors.

The Articles of First Bancshares contain a provision which, subject to certain exceptions described below, eliminates the liability of a director or officer to it or its shareholders for monetary damages for any breach of duty as a director or officer. This provision does not eliminate such liability to the extent the director or officer engaged in willful misconduct or a knowing violation of criminal law or of any federal or state securities law, including, without limitation, laws proscribing insider trading or manipulation of the market for any security.

Under its Bylaws, First Bancshares must indemnify any person who becomes subject to a lawsuit or proceeding by reason of service as a director of First Bancshares or The First or any other corporation which the person served as a director at the request of First Bancshares. Except as noted in the next paragraph, directors are entitled to be indemnified against judgments, penalties, fines, settlements, and reasonable expenses actually incurred by the director in connection with the proceeding. Directors are also entitled to have First Bancshares advance any such expenses prior to final disposition of the proceeding, upon delivery of (1) a written affirmation by the director of his good faith belief that the standard of conduct necessary for indemnification has been met, and (2) a written undertaking to repay the amounts advanced if it is ultimately determined that the standard of conduct has not been met.

Under the Bylaws, indemnification will be disallowed if it is established that the director appropriated, in violation of his duties, any business opportunity of First Bancshares, engaged in acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, approved dividends or other distributions in violation of the MBCA, or engaged in any transaction in which the director derived an improper personal benefit. In addition to the Bylaws of First Bancshares, the MBCA requires that a corporation indemnify a director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which he or she was a party because he is or was a director of the corporation against reasonable expenses incurred by him or her in connection with the proceeding. The MBCA also provides that, upon application of a director, a court may order indemnification if it determines that the director is entitled to such indemnification under the applicable standard of the MBCA.

The board of directors of First Bancshares also has the authority to extend to officers, employees, and agents the same indemnification rights held by directors, subject to all of the accompanying conditions and obligations. The Board of Directors has extended or intends to extend indemnification rights to all of its executive officers.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers,

and controlling persons of First Bancshares pursuant to the Articles or Bylaws, or otherwise, First Bancshares has been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

Preferred Stock

Our Articles authorize our board of directors to establish one or more series of preferred stock. Our board of directors, without further approval of the shareholders, has the authority to fix the dividend rights and terms, conversion rights, voting rights, redemption rights and terms, liquidation preferences, sinking funds and any other rights, preferences, privileges and restrictions applicable to each series of preferred stock.

Series CD Preferred Stock. We have designated 17,123 shares of our preferred stock as Series CD (the “CDCI Preferred Shares”) which were issued as part of the CDCI.

Dividends Payable on Shares of the CDCI Preferred Shares. The CDCI Preferred Shares entitle the holder to an annual dividend of 2% of the liquidation value of the shares, payable quarterly in arrears. Dividends on the CDCI Preferred Shares are cumulative.

Priority of Dividends; Consequences of Missed Dividends. With respect to the payment of dividends, the CDCI Preferred Shares will rank senior to our common stock and all other equity securities designated as ranking junior to the CDCI Preferred Shares (“junior stock”), and will rank at least equally with all other equity securities designated as ranking on a parity with the CDCI Preferred Shares (“parity stock”).

Restriction on Dividends. Generally, so long as any CDCI Preferred Shares remain outstanding, neither we nor any of our subsidiaries may pay any per share dividend or distribution on common stock or other capital stock or equity securities at a rate that is in excess of 100% of the aggregate per share dividends and distributions for the immediately prior fiscal year, provided that no increase in the aggregate amount of dividends or distributions on common stock shall be permitted for any twelve (12) month period, including, without limitation, as a result of any dividends or distributions paid in shares of common stock, any stock split or any similar transaction.

Additional Restrictions. Our ability to declare or pay dividends or repurchase our common stock, or other equity or capital securities, or any trust preferred securities will be subject to restrictions in the event that we fail to declare and pay (or set aside for payment) full dividends on the CDCI Preferred Shares.

Voting Rights. In general, the holders of the CDCI Preferred Shares shall not have any voting rights except as set forth in the terms of the CDCI Preferred Shares or as otherwise required by law.

Preemptive Rights. The CDCI Preferred Shares do not have preemptive rights as to any of our securities, or any warrants, rights or options to acquire any of our securities.

Liquidation Rights. In the event that we voluntarily or involuntarily liquidate, dissolve or wind up our affairs, holders of the CDCI Preferred Shares shall be entitled to receive for each share of CDCI Preferred Shares, out of our assets or proceeds thereof available for distribution to shareholders, subject to the rights of any creditors, payment in full in an amount equal to the liquidation amount per share, which is $1,000 per share, and the amount of any accrued and unpaid dividends on each share. Holders of CDCI Preferred Shares would be entitled to receive this amount before any distribution of assets or proceeds to holders of our common stock and any other stock ranking junior to the CDCI Preferred Shares. If in any distribution described above our assets are not sufficient to pay in full the amounts payable with respect to the outstanding shares of CDCI Preferred Shares and any outstanding shares of parity stock, holders of the CDCI Preferred Shares and parity stock would share ratably in any such distribution in proportion to the full respective distributions to which they are entitled.

For purposes of the liquidation rights of the CDCI Preferred Shares, neither the sale, conveyance, exchange or transfer of all or substantially all of our property and assets, nor the consolidation or merger by us with or into any other corporation or by another corporation with or into us, will constitute a liquidation, dissolution or winding-up of our affairs.

Series E Preferred Stock. The board of directors has established out of the authorized preferred stock a series of preferred stock entitled Series E Mandatorily Convertible Non-Cumulative Non-Voting Perpetual Preferred Stock.

Mandatory Conversion. The Series E Preferred Stock will convert into shares of common stock on the third business day following the approval by the holders of our common stock of the conversion as required by the applicable NASDAQ rules. Assuming shareholder approval is obtained, the number of shares of common stock into which each share of Series E Preferred Stock shall be converted will be the same number of shares of Series E Preferred Stock outstanding.

In connection with obtaining shareholder approval for the issuance of the common stock resulting from the conversion of the Series E Preferred Stock, First Bancshares filed preliminary proxy materials on Schedule 14A on October 24, 2016 and plans to file definitive proxy materials which will be sent to shareholders of the Company as soon as practicable following approval bythe SEC, and intends to hold a special meeting of its shareholders on December 7, 2016 for this purpose.

Dividends. The Series E Preferred Stock carries a non-cumulative cash dividend at a per annum rate equal to 6%. The dividend will not be declared or paid if the Series E Preferred Stock is converted into shares of common stock before April 12, 2017. Beginning on June 30, 2017, if the Series E Preferred Stock is still outstanding, dividends will be payable semi-annually in arrears on June 30 and December 31, if declared by the Board. If all dividends payable on the Series E Preferred Stock have not been declared and paid for an applicable dividend period, First Bancshares shall not declare or pay any dividends on any stock which ranks junior to the Series E Preferred Stock, or redeem, purchase or acquire any stock which ranks *pari passu* or junior to the Series E Preferred Stock, subject to customary exceptions. If all dividends payable on the Series E Preferred Stock have not been paid in full, any dividend declared on stock which ranks *pari passu* to the Series E Preferred Stock shall be declared and paid pro rata with respect to the Series E Preferred Stock and such *pari passu* stock.

Participation in Dividends on Common Stock. So long as any shares of Series E Preferred Stock are outstanding, if we declare any dividends on our common stock or make any other distribution to our common shareholders, the holders of the Series E Preferred Stock will be entitled to participate in such distribution on an as-converted basis.

Ranking. The Series E Preferred Stock ranks senior to all of First Bancshares' common stock, *pari passu* to the Series CD Preferred Stock, and junior to First Bancshares' outstanding trust preferred securities. The Series E Preferred Stock will rank *pari passu* or senior to all future issuances of First Bancshares' preferred stock.

Voting Rights. Shares of Series E Preferred Stock generally have no voting rights other than as required by law except that the approval of the holders of a majority of the Series E Preferred Stock, voting as a single class, will be required with respect to certain matters, including (i) charter amendments adversely affecting the rights, preferences or

privileges of the Series E Preferred Stock and (ii) the creation of any series of senior equity securities.

Liquidation. In the event First Bancshares liquidates, dissolves or winds up, the holders of the Series E Preferred Stock shall be entitled to liquidating distributions equal to the greater of $17.75 per share plus any declared and unpaid dividends, and the amount to which such holders would be entitled if the Series E Preferred Stock were converted into common stock immediately before such liquidation (before any distributions to holders of any junior securities).

Redemption. The Series E Preferred Stock will not be redeemable at the option of First Bancshares or any holder of Series E Preferred Stock at any time.

Anti-dilution Provisions. The conversion price of the Series E Preferred Stock is also subject to customary anti-dilution adjustments, including in connection with stock dividends and distributions, stock splits, subdivisions and combinations, distributions of cash, debt or assets and tender offers and exchange offer.

Preemptive Rights. Holders of the Series E Preferred Stock have no preemptive rights.

Fundamental Change. If First Bancshares enters into a transaction constituting a consolidation or merger of First Bancshares or similar transaction or any sale or other transfer of all or substantially all of the consolidated assets of First Bancshares and its subsidiaries, taken as a whole (in each case pursuant to which its common stock will be converted into cash, securities or other property) or for certain reclassifications or exchanges of its common stock, then each share of Series E Preferred Stock will convert, effective on the day on which such share would automatically convert into common stock of First Bancshares, into the securities, cash and other property receivable

in the transaction by the holder of the number of shares of common stock into which such share of Series E Preferred Stock would then be convertible, assuming receipt of any applicable regulatory approval..

Financial Statements of First Bancshares

The (i) audited consolidated financial statements of First Bancshares as of December 31, 2015 and December 31, 2014 and for each of the years in the three-year period ended December 31, 2015 and (ii) unaudited consolidated financial statements of First Bancshares as of and for the nine-month period ended September 30, 2016, are attached hereto as Annex E.

Management's Discussion and Analysis of Financial Condition and Results of Operations of First Bancshares

First Bancshares Management's Discussion and Analysis of Financial Condition and Results of Operation (i) as of December 31, 2015 and December 31, 2014 and for each of the years in the three-year period ended December 31, 2015 and (ii) as of and for the nine-month period ended September 30, 2016, are attached hereto as Annex F.

Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

During each of First Bancshares' fiscal years ended December 31, 2015 and December 31, 2014, there were no changes in or disagreements with First Bancshares' accountants on Accounting and Financial Disclosures.

CERTAIN INFORMATION CONCERNING GULF COAST

General

Gulf Coast is a Florida-chartered bank established in 2003. Its main office is located at 40 N. Palafox St., Pensacola, FL 32502 (Telephone Number: (850) 434-9300). As of September 30, 2016, Gulf Coast had total assets of approximately $135.42 million, deposits of approximately $116.62 million and total stockholders' equity of approximately $5.79 million. Gulf Coast operates five banking offices in Escambia and Santa Rosa Counties, Florida. Gulf Coast's deposits are insured by the FDIC.

Gulf Coast Activities

Gulf Coast is a commercial bank that serves the needs of residents of Escambia and Santa Rosa Counties, Florida and contiguous counties. Gulf Coast operates as a community bank with directors, management and personnel known to and who live in the community.

Gulf Coast focuses its marketing efforts on consumer banking products, commercial services to small businesses, and residential mortgage lending. Gulf Coast offers traditional retail deposit products with a strong emphasis on relationships with customers, both individuals and businesses. Gulf Coast focuses on the banking needs of the markets of Escambia and Santa Rosa Counties, Florida and contiguous counties. As a community bank, Gulf Coast believes that Gulf Coast provides more personalized service than is generally available in the markets it serves. Gulf Coast offers the following types of products and services:

personal checking and or savings accounts;

money market accounts;

NOW accounts;

certificates of deposit;

individual retirement accounts;

bill pay;

stop payment;

telephone banking;

commercial checking or savings accounts;

commercial money market accounts;

Internet banking;

ATM service;

safe deposit boxes;

cashier's checks;

Remoted deposti capture;

collection of monetary items;

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- bank-by-mail service;
- night depository;
- ATM cards;
- credit cards (through another agency/correspondent bank);
- automatic payroll deposit; and
- automatic bill payment transfers (ACH).

Gulf Coast offers the following types of commercial and consumer loan products and services:

- real estate loans (residential loans, construction and land development loans, real estate investment loans and owner occupied commercial real estate loans);
- equipment financing loans;
- accounts receivable and inventory financing loans;
- revolving lines of credit;
- lmerchant services;
- Internet cash management;
- commercial loans;

personal loans;

automobile loans;

home equity loans; and

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Competition

The banking business is highly competitive, and Gulf Coast's profitability is dependent on the ability to compete in its market area. Gulf Coast competes with other commercial banks, savings banks, savings and loan associations, credit unions, finance companies, certain other non-financial entities, and certain governmental organizations which may offer more favorable financing than Gulf Coast offers. Gulf Coast expects competition from both financial and non-financial institutions to continue Gulf Coast's competitive edge is built upon superior customer service and its long-term deposit and loan relationships.

Facilities

Gulf Coast operates from its main branch located at 40 N. Palafox St., Pensacola, Florida 32502. The following table sets forth specific information on Gulf Coast's offices:

Banking Office	**Real Estate Owned or Leased**	**Location**
Gulf Breeze	Owned	2871 Gulf Breeze Parkway, Gulf Breeze, FL 32561
Pace Branch	Owned	4911 Highway 90, Pace, Florida 32571
Main Office	Leased	40 North Palafox Street, Pensacola, FL 32502
Cordova Branch	Owned	1177 College Boulevard, Pensacola, FL 32504
Nine Mile Road Branch	Owned	1554 West Nine Mile Road, Pensacola, FL 32534

All of Gulf Coast's branches offer full banking operations provided by a full complement of lobby staff (including tellers, customer service representatives, and lending professionals on site), safe-deposit boxes, an automated teller machine, and drive-through banking services.

Employees

As of September 30, 2016, Gulf Coast had 50 full-time and 1 part-time employees. Management of Gulf Coast considers its relations with its employees to be good.

Consent Order

Effective January 29, 2010, Gulf Coast entered into a Consent Order with the Florida Office of Financial Regulation (OFR) and the FDIC. The Consent Order contains certain operational and financial restrictions related primarily to Gulf Coast's asset quality, concentrations of credit, allowance for loan and lease losses, and capital. Under the terms of the Consent Order, Gulf Coast is required, among other things, to do the following:

· Increase Board participation in the affairs of Gulf Coast and form a "Directors' Committee" to oversee Gulf Coast's compliance with the Order;

· To have and retain qualified management and to develop a "Management Plan";

· Establish a comprehensive policy for determining the adequacy of the ALLL;

· Achieve and maintain (i) a total risk-based capital ratio of at least 12%, and (ii) a Tier 1 Leverage capital ratio of at least 8%;

· Review, revise and adopt the written liquidity, contingency funding and funds management policy;

· Charge-off all assets classified as "Loss" and 50% of all assets classified as "Doubtful" in any official report of examination from the FDIC or OFR;

· Reduce the aggregate balance of assets classified as "Substandard" in accordance with a prescribed schedule;

· Refrain from extending credit to any borrower whose extension of credit has been, in whole or in part, charged-off or classified as "Loss" or "Substandard" and is uncollected;

· Engage a qualified external loan review analyst who shall review all loans exceeding $400,000;

· Review and revise Gulf Coast's written lending, underwriting, and collection policies;

· Perform a risk segmentation analysis with respect to the Concentrations of Credit;

· Formulate and implement a written plan and a comprehensive budget;

- Furnish quarterly written progress reports to the FDIC and OFR.

In addition, under the Consent Order, Gulf Coast cannot pay dividends or make any payments representing a reduction in capital without the prior written approval from the FDIC and the OFR, and Gulf Coast cannot accept, renew, or roll-over brokered deposits without a waiver from the FDIC. Gulf Coast must also notify the FDIC and OFR before undertaking asset growth of 10% or more per year or initiating material changes in asset composition.

The Consent Order was modified in May 2015 to address the areas of Bank Secrecy Act (“BSA”) and Information Technology (“IT”). Under the modified terms of the Consent Order, Gulf Coast is also required, among other things, to do the following:

- Develop and implement a BSA Compliance Program;
- Prepare an initial BSA risk assessment and subsequent periodic risk assessments;
- Develop a revised system of internal controls to ensure full compliance with BSA and the Office of Foreign Assets Control (“OFAC”) requirements;
- Develop and implement effective training programs to ensure compliance with BSA and OFAC
- Establish independent testing programs for BSA, OFAC and anti-money laundering requirements;
- Designate a qualified BSA Officer and ensure adequate BSA staffing;
- Develop and implement a comprehensive IT Plan; and
- Ascertain that the Bank’s IT processing is in accordance with the IT Plan.

Gulf Coast believes it is in substantial compliance with the Consent Order, except for the requirements to achieve and maintain the capital ratios and reduce the levels of its classified assets. The requirements under the Consent Order will remain in place until terminated by the FDIC and the OFR.

Legal Proceedings

Gulf Coast is from time-to-time involved in legal proceedings arising in the normal course of business. Other than proceedings incidental to its business, Gulf Coast is not a party to, nor is any of its property the subject of, any material legal proceedings. Although the amount of any ultimate liability with respect to such matters cannot be determined, in the opinion of Gulf Coast's management, any such liability will not have a material adverse effect upon Gulf Coast's financial condition, results of operations, or cash flows.

THE MERGER

The discussion in this proxy statement/prospectus of the merger and the principal terms of the merger agreement is subject to, and qualified in its entirety by reference to, the merger agreement, a copy of which accompanies this proxy statement/prospectus as Annex A. References in this discussion and elsewhere in this proxy statement/prospectus to the "merger" are to the merger of Gulf Coast into The First, unless the context clearly indicates otherwise.

General

On September 7 and October 7, 2016, Gulf Coast's board of directors and First Bancshares' board of directors, respectively, unanimously approved the merger agreement and the merger. If all of the conditions set forth in the merger agreement are satisfied or waived (to the extent permitted by law) and if the merger is otherwise completed, Gulf Coast will merge with and into The First, and The First will be the surviving banking association.

Under the terms of the merger agreement, holders of Gulf Coast common stock will receive in exchange for each outstanding share of Gulf Coast common stock that is issued and outstanding (other than shares held by First Bancshares or Gulf Coast, or, shares with respect to which the holders thereof have perfected dissenters' rights) their pro rata portion of the number of whole shares of First Bancshares common stock obtained by (i) dividing $0.50 by

(ii) the average of the closing prices of First Bancshares common stock as reported on the Nasdaq Stock Market on each of the thirty (30) trading days ending five (5) business days prior to the closing of the transaction and (iii) multiplied by the total number of shares of Gulf Coast common stock issued and outstanding. The total consideration to be paid in connection with the merger will be $2,257,718.50, as more specifically described in this document.

First Bancshares will not issue any fractional shares of First Bancshares common stock in the merger. Instead, a holder of Gulf Coast common stock who otherwise would have received a fraction of a share of First Bancshares common stock will receive an amount in cash. This cash amount will be determined by multiplying the fraction of a share of First Bancshares common stock to which the holder would otherwise be entitled by the average closing price of one share of First Bancshares common stock as reported on the NASDAQ for the 30 trading days prior to the 5th business day prior to the date on which the merger is completed, and then rounded to the nearest cent.

Background of the Merger

Gulf Coast opened for business in 2003, as a state chartered commercial bank serving Pensacola, FL and surrounding markets. Through the following years, Gulf Coast experienced good growth and financial performance as it grew to five offices in Escambia and Santa Rosa Counties and over $275 million in total assets.

When the financial and market crisis began and the economic recession developed in Gulf Coast’s market area in 2008, Gulf Coast’s lending slowed and the quality of its loan portfolio began to deteriorate. Earnings decreased as loan losses grew, and Gulf Coast’s capital shrank rapidly. Gulf Coast was further impacted by the BP Deepwater Horizon spill (the “BP Oil spill”) in the Gulf of Mexico in April 2010 which also impacted multiple financial institutions in the Florida Panhandle.

Gulf Coast reported its first loss of $1.7 million in 2008 and has lost money in every year since then. All of Gulf Coast’s losses have been due to Gulf Coast’s asset quality problems due to the adverse market conditions and the BP Oil spill. Gulf Coast’s net losses peaked at $12.1 million in 2010, the same year that non-performing assets peaked at nearly 23% of assets. On January 29, 2010, Gulf Coast entered into a Consent Order (the “Order”) with the FDIC and the OFR. The Order required Gulf Coast to take a number of measures related to the resolution of problem assets, increasing regulatory capital, improving earnings, and other actions to improve Gulf Coast’s financial condition. The Order also required Gulf Coast to achieve and maintain a Tier 1 leverage capital ratio of at least 8% of total assets and a total risk based capital ratio of at least 12%. The Order was modified in May 2015 to include deficiencies in Bank Secrecy Act and Information Technology, which have subsequently been addressed and improved substantially.

Since 2010, Bank management and the board have spent considerable time and effort to achieve compliance with the Order, including a capital offering that raised nearly $3.2 million in additional capital in 2014 at a common equivalent price of $1.00 per share.

While asset quality has slightly improved, Gulf Coast has not established sustainable recurring earnings to enhance its regulatory capital ratios and remains in non-compliance of certain mandates of the Order, particularly regulatory capital and earnings. At June 30, 2016, Gulf Coast's Tier 1 leverage capital ratio was 4.46%, and the total risk based capital ratio was 6.43%, both below the Order mandates of 8% and 12%, respectively. Non-performing assets, primarily Other Real Estate Owned ('OREO"), were 16.58% of total assets at June 30, 2016.

The Board has determined that it will be unable to get the Order lifted without additional capital and further resolution of OREO properties. Management determined that Gulf Coast needs more than $6 million in capital to comply with the Order and provide for future growth. One source of capital was expected to be potential proceeds from the BP Oil spill as to which Gulf Coast had filed suit against BP and others related to the spill. Gulf Coast's legal advisers in this matter had advised Gulf Coast that a claim of up to $15 million, inclusive of punitive damages, may be justified given Gulf Coast's losses that could be attributed to the spill. While many affected parties had begun receiving settlements from BP in 2012, no financial institutions had yet to receive settlements in late 2015 and Gulf Coast's legal advisers expected it could take several more years before Gulf Coast's case was considered or any settlement received. Recognizing these challenges, the board has spent great time and effort since the Order was issued considering and carefully analyzing a number of strategic alternatives, including various potential capital raises and merger transactions.

Gulf Coast has from time to time been contacted by potential investors and possible merger partners over this time period. While none of these inquiries resulted in any offers, the board asked management to seek out advice on Gulf Coast's ability to successfully achieve either a capital infusion or merger transaction given its current circumstances. Gulf Coast management contacted Monroe Financial Partners, Inc. ("Monroe") in mid July 2015 to discuss Gulf Coast's position. Representatives of Monroe discussed with the Bank board the difficult environment for raising capital or consummating mergers for banks with significant asset quality problems and noted that any successful transactions that had taken place were at significant discounts to book value or were highly dilutive to existing shareholders.

On October 23, 2015, the board officially hired Monroe to perform a formal "market check" to identify and negotiate with potential strategic partners, including financial institutions and potential investors regarding an affiliation with Gulf Coast and the potential terms for such an affiliation. In late 2015 and early 2016, Monroe contacted 21 parties that it believed may have an interest in a transaction with Gulf Coast. Confidentiality agreements were signed by four of the parties, including FBMS, and the parties were provided with a detailed package of financial information on Gulf Coast. Two of the interested parties met with the Gulf Coast management team in Pensacola in February 2016 but ultimately did not make any formal offer for Gulf Coast.

On March 1, 2016, M. Ray (Hoppy) Cole, Jr., Vice Chairman, President and CEO of FBMS, and four other FBMS representatives, including their financial adviser, met with the Gulf Coast management team including Walter J. Ritchie (Chairman, President and CEO), Thomas R. Bailey (Chief Financial Officer), Debi Williams (Chief Operating Officer) and a representative from Monroe, its financial adviser. At that meeting, the FBMS representatives expressed their interest in putting an offer together for Gulf Coast but identified several issues in completing an offer. Those issues included how to value Gulf Coast given the likely need to further write down problem assets including OREO, purchase accounting adjustments potential write downs of Gulf Coast's branches, and the capital needs of Gulf Coast. Mr. Ritchie expressed an interest in considering an offer from FBMS but indicated that it needed to be a minimum of $1 per share, the value of the most recent stock offering, Over the next several weeks, FBMS reviewed Gulf Coast's information and held discussions with its management and financial adviser.

On April 20, 2016, Mr. Cole and two other FBMS representatives, including their financial adviser, met with the Gulf Coast management team, Richard Baker (a Gulf Coast director), and a representative from Monroe. At that meeting, FBMS discussed its preliminary review of Gulf Coast including information from third party firms regarding the costs to divest Gulf Coast's OREO properties and the indicated write downs on Gulf Coast's branch offices. FBMS provided an initial indication of value of $0.50 per share, which was below the minimum level previously indicated by Mr. Ritchie. FBMS also indicated that it was amenable to preserving the BP settlement for Gulf Coast's shareholders as it had done for two of their previous acquired banks and that this offer could be in cash or stock. Mr. Ritchie expressed a greater interest in receiving FBMS stock with the potential for future value increases for Gulf Coast shareholders. He also indicated that Gulf Coast had a board meeting the following week and would discuss the FBMS preliminary offer at that meeting.

On April 27, 2016, the FBMS preliminary offer was discussed at Gulf Coast's regularly scheduled board meeting. At that meeting, Monroe made a presentation to the board outlining the process it had undertaken to solicit an offer, certain financial and market information regarding FBMS and a valuation of Gulf Coast common stock considering

current market conditions. Following Monroe's presentation and exit from the meeting, Mr. Ritchie informed the board that it had received a settlement offer from BP of approximately $101,000, well below the amount that had been anticipated previously in discussions with their legal adviser on that matter. This legal adviser noted that there had been several adverse court rulings, in a ruling excluding punitive damages, relating to financial institutions and that most of their financial institution clients were reluctantly accepting their respective settlement offers. This legal advisor also reassured Gulf Coast that it was willing to continue to pursue a higher settlement but would need additional upfront funds to continue that effort. After much discussion, the board authorized Mr. Ritchie to solicit from and enter into a formal letter of intent (the "LOI") with FBMS should the terms be as previously indicated.

FBMS subsequently submitted a preliminary LOI on April 29, 2016 which reflected a price of $0.50 per share in FBMS stock for all of the common and common equivalent shares of Gulf Coast. The offer was subject to satisfactory completion of FBMS's due diligence and proposed an exclusivity period of 90 days, among other

conditions. Mr. Ritchie board consulted with Smith Mackinnon, PA, its legal adviser, and Monroe, its financial adviser, regarding the financial and legal terms of the LOI. Following additional negotiations, FBMS submitted a revised LOI on May 5, 2016 which was also signed by Gulf Coast on May 5, 2016.

Over the next three months, FBMS conducted its due diligence review of Gulf Coast with much of this diligence related to the potential divestiture of Gulf Coast's OREO properties to an unrelated third party. Gulf Coast also conducted its due diligence review of FBMS including an on-site visit by Mr. Ritchie and Ms. Williams on June 24, 2016. Concurrent with the respective due diligence reviews, Gulf Coast and FBMS began negotiations of the Agreement. In mid July 2016, FBMS sent a draft of the Agreement to Gulf Coast's legal counsel.

On July 29, 2016, Mr. Cole and the FBMS financial adviser met with the Gulf Coast management team and Monroe (via telephone) to update the due diligence process and the status of negotiations related to the Agreement. At that meeting, Mr. Cole asked for an extension of the LOI noting that the exclusivity period was set to expire within the week. Mr. Cole informed the parties that it was in advanced negotiations to acquire another bank and conducting a stock offering to supplement its capital position. Mr. Cole indicated that neither of these transactions would preclude FBMS from moving forward on the transaction with Gulf Coast but expressed a desire to be able to announce all three transactions simultaneously. Mr. Cole requested a 30 day extension to the LOI with a target announcement date for all three transactions of September 9, 2016. On August 1, 2016, FBMS submitted a revised LOI requesting an extension of the exclusivity period. All other terms of the original LOI remained as agreed to in the original LOI executed on May 5, 2016. Gulf Coast's board accepted the terms of the revised LOI on August 3, 2016.

Over the next six weeks, FBMS, Gulf Coast and their advisers negotiated the terms of the Agreement and reviewed the related disclosure schedules. During this time period, Gulf Coast's directors had various discussions, including with Bank counsel and Monroe, regarding the status of the merger negotiations, agreement issues, employee issues, and related matters. At a special meeting on September 7, 2016, the board met, along with a Monroe representative and Bank counsel, to review the terms of the proposed Agreement and related agreements. At the meeting, Gulf Coast's legal counsel reviewed a memorandum relating to the board's fiduciary duties and responsibilities under law. The Monroe representative reviewed information relating to its fairness opinion and then advised that Monroe was issuing its oral opinion to the effect that the consideration in the proposed transaction was fair, from a financial point of view, to Gulf Coast's shareholders. Gulf Coast's legal counsel then reviewed the most recent draft of the proposed Agreement and related transaction documents. Gulf Coast's legal counsel also reviewed a draft of proposed board resolutions relating to the Merger, the Agreement and related issues. Following extensive discussion, the board approved the terms of the draft Agreement and the transactions contemplated by the Agreement and authorized management and Gulf Coast's advisers to complete the negotiation process and sign the final Agreement. The Board also recommended that Bank shareholders vote to approve the Agreement and the Merger. The FBMS board met on October 7, 2016 and approved the terms of the Agreement with Gulf Coast.

Over this same time period, FBMS continued its negotiations to acquire Iberville Bank, a $258 million in assets bank based in Plaquemine, LA ("Iberville"), and a potential stock offering. FBMS originally intended to announce all three transactions on September 9, 2016 which was then revised to September 13, 2016. However in mid August 2016, the Baton Rouge, LA market, including Iberville's primary market, experienced unprecedented catastrophic flooding

causing a delay in the Iberville negotiations. While none of these events impacted the transaction with Gulf Coast, FBMS asked to delay the announcement of the Agreement while it finalized its negotiations with Iberville and completed its stock offering.

On October 12, 2016, the Agreement was formally signed by FBMS and Gulf Coast. A joint press release was issued, announcing the execution of the Agreement and the terms of the Merger on October 14, 2016. The press release also included the announcement of an agreement by FBMS to acquire Iberville Bank in a $31.1 million all cash transaction and the private placement of approximately $63.3 million in FBMS capital stock.

Reasons for the Merger and Recommendation of Gulf Coast's Board of Directors

The Gulf Coast board of directors, with the assistance of its financial and legal advisors, evaluated the financial, legal and market considerations bearing on the decision to recommend the Merger. The terms of the Merger, including the Merger consideration, are a result of arm's-length negotiations between the representatives of Gulf

Coast and FBMS. In reaching its conclusion that the Agreement is in the best interest of Gulf Coast and its shareholders, the Board of Directors considered a number of factors, as noted below:

- The value of the per share consideration to be received by Gulf Coast shareholders exceeds the value of Gulf Coast as an independent entity and the FBMS shares to be received provide a source of liquidity to Gulf Coast shareholders.
- Monroe has provided a fairness opinion that the consideration to be received by the Shareholders is fair from a financial point of view.
- It will be difficult for Gulf Coast to remain an independent community bank without raising capital to comply with the Consent Order and to provide opportunities for growth. Any capital that Gulf Coast raises will be further dilutive to the current Shareholders. As of June 30, 2016, Gulf Coast's Tier 1 leverage capital ratio was 4.46% and its total risk based capital ratio was 6.43%, which are both below the mandate in the Order of 8% and 12%, respectively.
- Gulf Coast could be subject to additional, heightened regulatory enforcement actions, including possible receivership, if additional capital is not raised or if Gulf Coast's financial condition deteriorates
- It will be difficult to remain an independent community bank in the current regulatory environment and enhance shareholder value in the face of limited earnings capacity, high level of OREO and regulatory pressure to raise capital levels in connection with the Order.
- The current and prospective economic, regulatory, competitive and interest rate environment facing the financial services industry generally, and independent community banks like Gulf Coast in particular remains challenged with new capital requirements emerging as well as higher compliance-related costs due to new consumer protection regulations.
- Gulf Coast's customers will have a wider range of products and services to achieve their financial goals.
- FBMS has strong financial performance and the regulatory standing to undertake the transaction. FBMS also has the resources to further our growth in the market and expansion in contiguous markets.
- The assessment of the likelihood that the merger would be completed in a timely manner without regulatory conditions or requirements.
- The review by the Gulf Coast board of directors with its legal and financial advisors of the provisions of the Agreement.

During its deliberations, the Board of Directors did not assign any relative or specific weight to any of the factors that are discussed above, and individual members of the Board of Directors may have given different weights to different factors as they were discussed. In addition, the discussion of the information above and factors considered is not intended to be an exhaustive list of the factors considered.

The Board believes that the merger is fair to and in the best interest of the shareholders. Accordingly, the Board has approved the merger agreement and the transactions contemplated thereby (including the merger), and recommends that you vote "FOR" the proposal to approve the merger agreement and the transactions contemplated thereby (including the merger).

In considering the recommendation of the Gulf Coast board of directors with respect to the proposal to adopt the merger agreement, holders of Gulf Coast common stock should be aware that Gulf Coast's directors and executive officers have interests in the merger that may be different from, or in addition to, those of other Gulf Coast

shareholders. The board of directors was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger (to the extent such interests existed at that time), and in recommending that the merger agreement be adopted by the holders of Gulf Coast common stock. See "THE MERGER—Interests of Certain Gulf Coast Directors and Executive Officers in the Merger."

It should be noted that this explanation of the reasoning of Gulf Coast's board of directors and other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS."

Opinion of Gulf Coast's Financial Advisor

Gulf Coast retained Monroe to act as its financial advisor in connection with the merger and participated in certain negotiations leading to the merger. As part of its engagement, Gulf Coast requested that Monroe provide it an opinion as to the fairness, from a financial point of view, of the merger consideration to be received by the shareholders of Gulf Coast. Monroe is a nationally-recognized investment banking firm that provides specialized corporate finance and investment research services to financial institutions. In the ordinary course of its investment banking business, Monroe is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. Gulf Coast selected Monroe as its financial advisor based upon Monroe's qualifications, expertise, and reputation in such capacity.

On October 12, 2016, Monroe rendered its written fairness opinion to the board of directors of Gulf Coast that, as of such date and based upon and subject to various matters set forth in its opinion, the merger consideration was fair, from a financial point of view, to the shareholders of Gulf Coast. The full text of Monroe's written opinion, which sets forth the assumptions made, matters considered and limits on the review undertaken in connection with the opinion, is attached as Annex B to this proxy statement/prospectus and is incorporated by reference herein. Gulf Coast shareholders are urged to read the opinion in its entirety.

In performing its analyses, Monroe made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Monroe, Gulf Coast and First Bancshares. As part of its analysis, Monroe considered certain information provided to it by First Bancshares. Any estimates contained in the analyses performed by Monroe are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty.

Monroe also reviewed financial information prepared by First Bancshares as part of its application to the OCC in connection with the merger. This financial information was limited to a pro forma balance sheet, as of the end of the most recent quarter and for the first year of operation after the merger, if consummated. This financial information,

which was submitted on a confidential basis to the OCC, was unaudited, was derived from the unaudited balance sheets of First Bancshares, The First, and Gulf Coast, contained certain assumptions used by First Bancshares with regards to the merger, none of which can be guaranteed and may not prove to be accurate, and certain purchase accounting adjustment called for under generally accepted accounting principles. Further, Monroe has advised that it only considered such financial information to determine independently whether First Bancshares was reasonably likely to obtain OCC approval for the merger and not as part of Monroe's determination of whether the merger consideration was fair, from a financial point of view, to the Gulf Coast shareholders.

The summary that follows is not a complete description of the analyses underlying the Monroe opinion or the presentation made by Monroe to Gulf Coast board of directors, but summarizes the material analyses performed and presented in connection with its opinion. The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description.

In arriving at its opinion, Monroe did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Monroe believes that its analyses and the summary of its analyses must be considered as a whole, and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone do not constitute a complete description of the financial analyses.

The Monroe opinion was among several factors taken into consideration by the Gulf Coast board of directors in making its determination to adopt the merger agreement and the related transactions. Consequently, the analyses described below should not be viewed as determinative of the decision of the Gulf Coast board of directors, or the decision of management, with respect to the fairness of the merger consideration to Gulf Coast shareholders.

Summary of the Proposed Merger. Pursuant to the merger agreement, holders of Gulf Coast common stock will receive in exchange for each outstanding share of Gulf Coast common stock that is issued and outstanding their pro rata portion of the number of whole shares of First Bancshares common stock obtained by (i) dividing $0.50 by (ii) the average of the closing prices of First Bancshares common stock as reported on the Nasdaq Stock Market on each of the thirty trading days ending five business days prior to the closing of the transaction and (iii) multiplied by the total number of shares of Gulf Coast common stock issued and outstanding.

Based upon financial information at or for the twelve months ended June 30, 2016 and market information as of October 11, 2016, Monroe calculated the following merger transaction ratios:

Merger Consideration	Stock	
Gulf Coast Shares Exchanged	4,515,437	
Indicated Per Share Value	$0.50	
Indicated Consideration Value	$2,257,719	
First Bancshares 30-Day Avg. Price (10/11/16)	$18.12	
Exchange Ratio	0.0276	
First Bancshares Shares Received	124,626	
Merger Multiples (6/30/16)		
Stated Book Value	39.0	%
Tangible Book Value	39.0	%
Last Twelve Months Earnings	NM	
Total Assets	1.7	%
Total Deposits	2.0	%
Core Deposit Premium	(3.7	%)

Contribution Analysis. In rendering its fairness opinion, Monroe computed the contribution of First Bancshares and Gulf Coast to various elements of the pro forma company. The following table compares the pro forma ownership in the combined company, based upon the exchange ratio, to each company's respective contribution to various financial components of the pro forma company.

	Contribution	
Balance Sheet at June 30, 2016	**First Bancshares**	**Gulf Coast**
Total Assets	90.2%	9.8%
Total Gross Loans	90.6%	9.4%
Total Nonperforming Assets	38.9%	61.1%
Total Deposits	89.9%	10.1%
Total Equity	95.0%	5.0%
Tangible Common Equity	94.2%	5.8%

Income Statement Twelve Months Ended June 30, 2016		
Net Interest Income	89.1%	10.9%
Net Income	103.1%	(3.1%)
Pro Forma Ownership (at $0.50)	**97.8%**	**2.2%**

Comparable Whole Bank Transaction Analysis. In rendering its fairness opinion, Monroe analyzed the consideration paid in selected financial institution merger transactions that it deemed were similar to Gulf Coast and the terms of the merger. The objective of Monroe's analysis was to determine an appropriate value for Gulf Coast common stock by analyzing data related to actual sales transactions of similar entities.

Monroe selected a group of comparable distressed bank transactions and compared their implied pricing multiples to the multiples implied by the merger. Specifically, Monroe selected 14 bank merger transactions that were announced between January 1, 2014 and October 11, 2016 in which the selling bank had a nonperforming assets to assets ratio greater than 10% (the “Distressed Bank Transactions”). Monroe then compared the implied transaction multiples of the merger to certain of Gulf Coast’s financial indicators with the same multiples for the Distressed Bank Transactions The following table compares the mean, median, high, and low multiples of the those transactions with those of the merger.

Comparable Whole Bank Transaction Analysis

Distressed Bank Transactions

Pricing Multiples	**Gulf Coast Indicators**	**Comparable Transactions Mean**	**Median**	**High**	**Low**
Purchase Price % of Tangible Book Value	39.0 %	25.4 %	35.5 %	297.7 %	6.7 %
Purchase Price as a Multiple of LTM Earnings	NM	11.3 x	12.9 x	17.5 x	8.3 x
Purchase Price % of Total Assets	1.7 %	4.1 %	1.6 %	12.9 %	0.3 %
Purchase Price % of Total Deposits	2.0 %	4.4 %	1.7 %	14.0 %	0.3 %