FIRST BANCSHARES INC /MS/
Form S-2/A
February 12, 2003

As filed with the Securities and Exchange Commission on February 11, 2003
Registra

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1 TO
FORM S-2
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

	David E. Johnson, Chairman
6480 U.S. Hwy. 98 West	6480 U.S. Hwy. 98 West
Hattiesburg, Mississippi 39402	Hattiesburg, Mississippi 3
(601) 268-8998	(601) 268-8998
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)	(Name, address, including telephone number, includin of agent for service)

Copies to:

L. Keith Parsons, Esq.
Watkins Ludlam Winter & Stennis, P.A.
633 North State Street, Jackson, Mississippi 39202
(601) 949-4701

Approximate date of commencement of proposed sale of the securities to the public: as soon as pra
registration statement becomes effective.

If any of the Securities being registered on this Form are to be offered on a delayed or continu
415 under the Securities Act of 1933 check the following box: [ ]

If the registrant elects to deliver its latest annual report to security holders, or a complete a
pursuant to Item 11(a)(1) of this Form check the following box: [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) u
please check the following box and list the Securities Act registration statement number of the e
registration statement for the same offering: [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) or Rule 462(d) under the
the following box and list the Securities Act registration statement number of the earlier effect
for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the follo

CALCULATION OF REGISTRATION FEE

Securities to Be Registered	Amount to Be Registered	Proposed Maximum Offering Price per Share	Maximum Aggregate Offering Price
Common Stock $1.00 par value	45,000	$17.50	$ 787,500(1)

(1) Estimated solely for the purpose of calculating the registration fee in reliance on Rule 45

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 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

SUBJECT TO COMPLETION, DATED FEBRUARY __, 2003

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

45,000 Shares of Common Stock Offered by The First Bancshares, Inc.

No Minimum/45,000 Maximum

All of the 45,000 shares of Common Stock, $1.00 par value (the Common Stock) of The First Bancshares, Inc., a Mississippi corporation (the Company), offered hereby are being sold by the Company. The Company is a bank holding company headquartered in Hattiesburg, Mississippi and is the parent of The First National Bank of South Mississippi and The First National Bank of the Pine Belt. Prior to this offering, there has been only limited trading in the Common Stock, and the Company does not anticipate a reliable market for the Common Stock to exist after the offering.

This is a "best efforts" offering by the Company, and it will be terminated by the Company upon the sale of 45,000 shares or April 30, 2003, whichever occurs first, unless the Company extends the offering for additional periods ending no later than September 30, 2003. There is no minimum number of shares required to be sold in the Offering. The proceeds of the offering will be used to repurchase outstanding shares of Common Stock. See "Risk Factors" beginning on page 3 of this Prospectus for a discussion of material risks that should be considered by prospective investors. THE SHARES OF COMMON STOCK OFFERED HEREBY ARE NOT SAVINGS OR DEPOSIT ACCOUNTS AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE BANK INSURANCE FUND, THE SAVINGS ASSOCIATION INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds the Maxim
Per Share........................	$17.50	None	

Total............................	$787,500.00	None	$7

(1) This offering will be made on behalf of the Company by its directors and executive officers, no commission or other compensation will be paid on account of such activity. The Company believe such officers and directors will not be deemed brokers under the Securities Exchange Act of 1934 "Exchange Act"), based on reliance on Rule 3a4-1 of the Exchange Act.

(2) There is no minimum number of shares that the Company must sell. The Company is not using an underwriter for this offering. The Company may receive little or no funds from this offering. T received from the offering will not be placed in an escrow account, and will be available for imm use by the Company.

(3) Calculated before deducting expenses of the Offering payable by the Company estimated at $1

The date of this Prospectus is ____________________, 2003.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OFFERED HEREBY IN ANY JURISDICTION TO OR FROM ANY PERSON TO OR FROM WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF OR THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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PROSPECTUS SUMMARY

The following summary is not intended to be complete and is qualified in its entirety by the more detailed information and the consolidated financial statements and the related notes appearing elsewhere in this Prospectus. Unless otherwise indicated, all references to the Company in this Prospectus refer to The First Bancshares, Inc. and its consolidated subsidiaries, including The First National Bank of South Mississippi and First National Bank of the Pine Belt.

The Company

General

The First Bancshares, Inc. (the Company) was incorporated on June 23, 1995 to serve as a holding company for The First National Bank of South Mississippi (The First) located in Hattiesburg, Mississippi and The First National Bank of the Pine Belt (Pine Belt), located in Laurel, Mississippi (collectively, the Banks). The First began operations on August 5, 1996 from its main office in the Oak Grove community, which is on the outskirts of Hattiesburg. The First also operates two branches in Hattiesburg and one in Purvis, Mississippi. Pine Belt began banking operations on January 19, 1999. Pine Belt has one office located in Laurel, Mississippi. The Company and its subsidiary banks 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 and Pine Belt are wholly-owned subsidiary banks of the Company.

Location and Service Area

The First. The First serves the cities of Hattiesburg and Purvis and the surrounding areas of Lamar and Forrest Counties, Mississippi. The First has a main office located west of the city of Hattiesburg, Mississippi, in Lamar County. The First also has a branch office located on Highway 589 in the city of Purvis, Mississippi, also in Lamar County, a third office located at the intersection of Lincoln Road and South 28th Avenue in Hattiesburg, and a fourth location at 3318 Hardy Street in Hattiesburg.

The main office primarily serves the area in and around the northern portion of Lamar County which is west of Hattiesburg. The Purvis office primarily serves the area in and around Purvis, Mississippi, which is in the east central part of Lamar County and is the county seat. Lamar County is located in the southeastern section of Mississippi. Hattiesburg, one of the largest cities in Mississippi, is located in Forrest and Lamar Counties. Hattiesburg can be reached via U.S. Highways 98 and 49 and Interstate 59. Major employers located in the Lamar and Forrest County areas include Forrest General Hospital, the University of Southern Mississippi, the Methodist Hospital, Camp Shelby, Sunbeam Oster, the Hattiesburg Public Schools, the Hattiesburg Clinic, the City of Hattiesburg, Marshall Durbin Poultry, and Murray Envelope. The principal components of the economy of the Lamar and Forrest County areas include service industries, wholesale and retail trade, manufacturing, and transportation and public utilities.

Pine Belt. Pine Belt serves the city of Laurel and the surrounding area of Jones County, Mississippi. Pine Belt s main office is located at 1945 Highway 15 North, Laurel, Mississippi. Pine Belt expects to draw 75% of its retail business within a five mile radius of this location, with the remaining business coming from other areas of Jones County, as well as portions of Jasper County, Wayne County, Smith County, and Covington County that are within a 15 mile radius of Pine Belt.

Banking Services

The Company 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 loan originations. The following is a description of the products and services offered or planned to be offered by the Hattiesburg and Laurel Banks.

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o    Deposit Services.  The Banks offer a full range of deposit services that are typically avail
     savings and loan associations, including checking accounts, NOW accounts, savings accounts,
     deposits of various types, ranging from daily money market accounts to longer-term certifica
     transaction accounts and time certificates are tailored to each bank's principal market area
     those offered by other banks in the area.  In addition, the Banks offer certain retirement a
     Individual Retirement Accounts (IRAs).  All deposit accounts are insured by the Federal Depo
     Corporation (the "FDIC") up to the maximum amount allowed by law.  The Banks solicit these a
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individuals, businesses, associations and organizations, and governmental authorities.

- Loan Products. The Banks offer a full range of commercial and personal loans. Commercial l secured and unsecured loans for working capital (including loans secured by inventory and ac business expansion (including acquisition of real estate and improvements), and purchase of machinery. Consumer loans include equity lines of credit and secured and unsecured loans fo automobiles, home improvements, education, and personal investments. The Banks also make re construction and acquisition loans. The Banks' lending activities are subject to a variety by federal law. While differing limits apply in certain circumstances based on the type of borrower (including the borrower's relationship to the bank), in general the Banks are subje loans-to-one-borrower limit of an amount equal to 15% of the Bank's unimpaired capital and s may not make any loans to any director, officer, employee, or 10% shareholder unless the loa Board of Directors of the Banks and is made on terms not more favorable to such a person tha to a person not affiliated with the Banks.

- Mortgage Loan Divisions. The Banks have mortgage loan divisions which originate loans to pu construct new homes and to refinance existing mortgages.

- Other Services. Other bank services include on-line Internet banking services, voice respon service, commercial sweep accounts, cash management services, safe deposit boxes, travelers of payroll and social security checks, and automatic drafts for various accounts. The Banks Money Belt, Gulfnet, and Plus networks of automated teller machines that may be used by the throughout Mississippi and other regions. The Banks also offer VISA and MasterCard credit c a correspondent bank.

The Company is a Mississippi corporation with its principal executive offices located at 6480 U.S. Hwy. 98 West, Hattiesburg, Mississippi 39402, and its telephone number is (601) 268-8998.

The Offering

Common Stock offered by the Company	45,000 shares
Common Stock outstanding prior to the offering	1,165,165 shares
Common Stock to be outstanding immediately after the offering	1,210,165 shares (based on the maximum o
Use of Proceeds......................................	The proceeds of the offering will be use outstanding shares of Common Stock. See Proceeds."

Risk Factors

A number of factors should be considered by potential investors before purchasing shares of the Common Stock in the offering. See Risk Factors, beginning on page 3.

SELECTED CONSOLIDATED FINANCIAL HIGHLIGHTS
(Dollars In Thousands, Except Per Share Data)

	September 30		Decembe		
	2002	2001	2001	2000	1
Earnings:					
Net interest income	$ 4,505	$ 3,596	$ 4,967	$ 4,083	$ 2
Provision for loan losses	259	265	342	325	

Noninterest income	1,250	739	1,074	675	
Noninterest expense	4,461	3,436	4,781	3,874	3
Net income (loss)	680	416	672	565	(
Per Share Data:					
Basic net income per share	$.58	$.36	$.58	$.49	$(
Diluted net income per share	.57	.35	.57	.48	(
Selected Period End Balances:					
Total assets	$152,536	$136,109	135,621	117,582	91
Securities	23,360	25,368	22,946	19,390	14
Loans, net of allowance	101,858	92,644	93,231	82,583	60
Deposits	115,378	114,265	113,237	96,845	73
Stockholders' equity	14,730	13,723	13,990	13,181	12

(1) Includes the first period of operations of Pine Belt.

RISK FACTORS

An investment in the common stock offered hereby involves certain risks. A prospective investor should carefully review the following risk factors as well as the other information contained in this Prospectus before deciding to make an investment in shares of common stock. Information contained in this Prospectus contains forward-looking statements which can be identified by the use of forward-looking terminology such as believes, expects, may, will, could, should, intend, estimated, projected, contemplated or anticipates or the negative thereof or other variations or comparable terminology. No assurance can be given that the future results covered by the forward-looking statements will be achieved. These statements, by their terms, involve substantial risks and uncertainties, certain of which are beyond the Company s control. The following factors could cause actual experience to vary materially from the future results covered in such forward-looking statements. Other factors, such as the general state of the economy, could also cause actual experience to vary materially from the matters covered in such forward-looking statements.

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THE SHARES OF COMMON STOCK OFFERED HEREBY ARE NOT SAVINGS OR DEPOSIT ACCOUNTS AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE BANK INSURANCE FUND, THE SAVINGS ASSOCIATION INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY.

Because of the Lack of an Established Trading Market, Shareholders May Not be Able to Quickly and Easily Sell Their Common Stock.

Prior to this offering, there has been no established or liquid market for the Common Stock. The public offering price of the Common Stock offered hereby has been determined solely by the Company and may bear no relationship to the market price of the Common Stock after this offering. Although the Company has filed a registration statement with the Securities and Exchange Commission (the SEC) to register the issuance of the Common Stock in the offering under the Securities Act of 1933, the Company does not anticipate that a reliable or liquid secondary trading market for the Common Stock will exist or develop in the near term following the offering, and there is a risk that no market will develop for the Common Stock at all.

No Broker Has Agreed to Purchase Any of the Common Stock and We May Not be Able to Sell All of the Shares We Are Attempting to Sell in the Offering.

The Common Stock is being sold directly through the efforts of our directors and executive officers. No broker-dealer or other person has any obligation to purchase, or find purchasers for, any shares of the Common Stock. Because the offering is not underwritten, there can be no assurance that any particular number of shares will be sold.

Directors and Officers Will Own at Least 20% of the Outstanding Common Stock After the Offering. They Could Make it More Difficult to Approval for Matters Submitted to a Shareholder Vote That Are Contrary to Their Interests But in the Interests of Other Shareholders.

Following completion of the offering, the executive officers and directors of the Company, collectively, will own at least 20% of the outstanding Common Stock. The executive officers and directors, as a group, will have the power to block business combinations and to influence the outcome of all matters required to be submitted to the Company s shareholders for approval, including the election of directors.

The Board has the authority to issue up to 8,834,835 additional shares of Common Stock and 10,000,000 shares of Preferred Stock without obtaining shareholder approval. The Board may fix, in its sole discretion, the rights, preferences, and designations of Preferred Stock. This authority, as well as, provisions in the Articles requiring super-majority votes, could be used to block business combinations.

Consummation of the Offering is Not Subject to the Receipt of Subscriptions for a Minimum Number of Shares. Subscribers Will be Required to Purchase Shares Even if Less Than All of the Shares Offered Are Sold. There is no minimum number of shares that must be sold in the offering, and subscriptions, once received, are irrevocable. The offering may be completed even if substantially less than the total number of shares offered is sold. Changes in Local Economic Conditions Could Reduce Our Income and Growth, and Could Lead to Higher Levels of Problem Loans and Charge-Offs.

The Company makes loans, and most of its assets are located in Jones, Forest and Lamar counties in Mississippi. Adverse changes in economic conditions in these areas could hurt the Company s ability to collect loans, could reduce the demand for loans, and could negatively impact performance and financial condition.

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The Company's Profitability Depends on Economic Policies and Factors Beyond Our Control.

The Company s earnings depend to a great extent on rate differentials, which are the differences between interest income that the Company earns on loans and investments and the interest expense paid on deposits and other borrowings. These rates are highly sensitive to many factors which are beyond the Company s control, including general economic conditions and the policies of various government and regulatory authorities. Changes in interest rate policy by the Board of Governors of the Federal Reserve System (Federal Reserve Board) affect the Company s interest income, interest expense and investment portfolio. Also, governmental policies such as the creation of a tax deduction for individual retirement accounts can increase savings and affect the cost of funds. A rapid increase or decrease in interest rates could have an adverse effect on the net interest margin and results of operations of the Company. The nature, timing and effect of any future changes in federal monetary and fiscal policies on the Company and its results of operations are not predictable.

Risks Inherent in Consumer and Commercial Lending Could Lead to Higher Levels of Problem Loans and Charge-Offs.

A substantial portion of the Company s loan portfolio consists of consumer loans. Consumer lending presents certain unique risks. Consumer loan repayments depend upon a borrower s financial stability and are more likely to be adversely affected by job loss, divorce, illness and other personal hardships. ___ In addition, collateral such as automobiles and other personal property securing consumer loans depreciate rapidly and sometimes is an inadequate repayment source if a borrower defaults.

As the Company grows, it will continue to increase its commercial lending activities. Commercial lending entails greater risks than traditional, single family residential lending. Commercial loans typically involve larger loan balances and a more concentrated loan portfolio. The analysis of commercial loans, which requires expertise in evaluating a commercial enterprise and its collateral, is generally more complex than the analysis required for single family residential lending. Like consumer loans, commercial loans are subject to adverse conditions in the economy, as well as the market for the specific goods and services sold by the commercial borrower. Loans secured by commercial real estate can also be affected by trends in the local real estate market.

There is No Assurance That the Company Will be Able to Successfully Compete with Others for Business.

The banking business is highly competitive, and the profitability of the Company depends principally upon its ability to compete in the market areas where its banking operations are located. The Company competes with other commercial banks, savings banks, savings and loan associations, credit unions, mortgage companies, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, asset-based non-bank lenders and certain other non-financial entities, including retail stores which may maintain their own credit programs and certain governmental organizations which may offer more favorable financing than the Company. Many of these competitors have greater financial and other resources than the Company, and certain larger competitors are recent entrants into the Company s markets.

Loss of Key Personnel Could Hurt Profitability.

The Company s growth and development to date have been largely the result of the contributions of certain of the senior executive officers of the Company. The loss of the services of one or more of these individuals could have a material adverse effect on the Company s business and development. No assurance can be given that replacements for any of these officers could be employed if these officers services were no longer available. In addition, continued growth of the Company will require that the Company attract and retain additional personnel with a variety of skills and experience. Significant competition exists for such personnel with the skills and experience needed successfully to manage the Company s business and operations.

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THE PURPOSE OF THE OFFERING

The Company is in the process of establishing a branch office in the Picayune, Mississippi. As part of the Company s expansion plan, the Board has decided to offer stock to business and community leaders in the Picayune area to create support for the Company s entry into this market. The Company may also sell stock to persons in the Company and other service areas who are interested in supporting the Company. The Company presently does not have a need for additional capital, however. At the same time, two Company shareholders have a desire to sell some of their stock to obtain funds for other purposes. ___ Therefore, the proceeds of the offering are being used for this purpose.

USE OF PROCEEDS

The net proceeds of the offering will be used to purchase outstanding shares of Common Stock. The Company has agreed to purchase up to 40,000 shares of Common Stock held by Nick Welch, and up to 5,000 shares of Common Stock held by David Johnson, at a purchase price of $17.50 per share, adjusted as set forth below. If the proceeds of the offering are not sufficient to purchase the entire 45,000 shares, the amount purchased from each person will be reduced pro rata. The aggregate purchase price paid will be reduced by an amount equal to the Company s offering expenses in this offering up to a maximum of $11,000. This reduction will be pro-rated between Mr. Welch and Mr. Johnson based on the number of shares acquired from each person. The purchase price was based on negotiations between the Company and Nick Welch, as well as the offering price established for this offering.

Nick Welch currently owns 92,716 shares or 7.96% of outstanding shares of Company Common Stock. In addition, Mr. Welch has options to acquire an additional 1,715 shares of Company Common Stock. Mr. Welch is a director of the Company's subsidiary, Pine Belt.

David Johnson currently owns 22,191 shares or 1.9% of outstanding shares of Company Common Stock. In addition, Mr. Johnson has options to acquire an additional 54,980 shares of Company Common Stock. David Johnson is Chairman and CEO of the Company.

Pending application of the net proceeds of the offering, the Company plans to invest the net proceeds in short-term, investment-grade securities, certificates of deposit or guaranteed obligations of the United States.

DETERMINATION OF OFFERING PRICE

The Company determined the offering price of the Common Stock based on a number of factors, including the Company s assessment of the value of the Common Stock based on the financial and operating history and trends of the Company, the experience of its management, the position of the Company in its industry, and the Company s prospects and financial results. The Company also considered the price of trades in the Common Stock of which management is aware in recent years. However, no established trading market has developed and trading in the Common Stock is limited and sporadic.

The Company issued 721,848 shares of its currently issued and outstanding Common Stock in its initial public offering, which closed on August 27, 1996. The price per share in the initial public offering was $10.00. The Company sold an additional 428,843 shares at $15.00 per share in a public offering that closed on December 31, 1998. The Company is not aware of all prices at which the Common Stock has been traded since these offerings. Based on information available to the Company from a limited number of sellers and purchasers of Common Stock, the Company believes that transactions in Common Stock ranged from $15.00 to $17.50 per share in 1999, from $15.00 to $18.00 per share in 2000, from $16.25 to $17.25 in 2001, and from $16.00 to $17.50 in 2002. There is a risk that investors in this offering will not be able to resell their shares of Common Stock at a price equal to or greater than $17.50 per share, particularly since the Company does not expect that an active market will develop for the shares in the short term following the offering.

PLAN OF DISTRIBUTION

General

The Common Stock is being offered and sold through the efforts of the directors and executive officers of the Company. Their activities in connection with this offering will be in addition to their other duties, and they will not receive any additional compensation, commission, or other remuneration for such activities. None of the Company s directors and executive officers are registered as a securities broker or dealer under Federal or state securities laws, nor are any of these persons affiliated with a broker-dealer. Because such persons are not in the business of either effecting securities transactions for others or buying and selling securities for their own account, they are not required to register as brokers or dealers. In addition, their proposed activities are exempted from registration pursuant to a specific safe-harbor provision under Rule 3a4-1 under the Securities Exchange Act of 1934. Similar exemptions are available under applicable state securities law.

How to Subscribe

Each prospective investor who desires to purchase shares of Common Stock should:

1. Complete, date, and execute the Subscription Agreement which has been delivered Prospectus;

2. Make a check, bank draft, or money order payable to The First Bancshares, Inc., $17.50 times the number of shares subscribed for; and

3. Deliver the completed Subscription Agreement and check to the Company at the fo address:

David E. Johnson
President and Chief Executive Officer
P. O. Box 15549
6480 U.S. Hwy. 98 West
Hattiesburg, Mississippi 39404

If you have any questions about the offering or how to subscribe, please call David Johnson at (601) 268-8998. Subscribers should retain a copy of the completed Subscription Agreement for their records. The subscription price is due and payable when the Subscription Agreement is delivered.

DESCRIPTION OF COMMON STOCK

The authorized capital stock of the Company consists of 10,000,000 shares of Common Stock, par value $1.00 per share, and 10,000,000 shares of Preferred Stock, par value $1.00 per share, the rights and preferences of which may be designated as the Board of Directors may determine. As of the date of this Prospectus, 1,165,165 shares of Common Stock were outstanding and were held of record by approximately 1,100 shareholders. Immediately after the completion of this offering, there will be 1,210,165 shares of Common Stock outstanding (based on the maximum offering). No shares of Preferred Stock are currently outstanding.

Common Stock

Holders of Common Stock are entitled to receive such dividends as may from time to time be declared by the Board of Directors of the Company out of funds legally available therefor. Holders of Common Stock are entitled to one vote per share and do not have any cumulative voting rights. Holders of Common Stock have no preemptive, conversion, redemption, or sinking fund rights. In the event of a liquidation, dissolution, or winding-up of the

Company, holders of Common Stock are entitled to share equally and ratably in the assets of the Company, if any, remaining after the payment of all debts and liabilities of the Company and the liquidation preference of any outstanding Preferred Stock. The outstanding shares of Common Stock are, and the shares of Common Stock offered by the Company hereby when issued will be, fully paid and nonassessable. The rights, preferences, and privileges of holders of Common Stock are subject to any classes or series of Preferred Stock that the Company may issue in the future.

Preferred Stock

The Articles provide that the Board of Directors is authorized, without further action by the holders of the Common Stock, to provide for the issuance of shares of the Preferred Stock in one or more classes or series and to fix the designations, preferences, and other rights and restrictions thereof, including the dividend rate, conversion rights, voting rights, redemption price, and liquidation preference, and to fix the number of shares to be included in any such classes or series. Any Preferred Stock so issued may rank senior to the Common Stock with respect to the payment of dividends and amounts upon liquidation, dissolution, or winding-up. In addition, any such shares of Preferred Stock may have class or series voting rights. Upon completion of this offering, the Company will not have any shares of Preferred Stock outstanding. Issuances of Preferred Stock, while providing the Company with flexibility in connection with general corporate purposes, may, among other things, have an adverse effect on the rights of holders of Common Stock, and in certain circumstances such issuances could have the effect of decreasing the market price of the Common Stock. The Company has no present plans to issue any Preferred Stock.

Certain Anti-takeover Effects

The provisions of the Articles, the Bylaws and the Corporation Act summarized in the following paragraphs may be deemed to have anti-takeover effects and may delay, defer, or prevent a tender offer or takeover attempt that a shareholder might consider to be in such shareholder s best interest, including those attempts that might result in a premium over the market price for the shares held by shareholders, and may make removal of management more difficult.

Authorized but Unissued Stock. The authorized but unissued shares of Common Stock and Preferred Stock will be available for future issuance without shareholder approval. These additional shares may be used for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions, and employee benefit plans. The existence of authorized but unissued and unreserved shares of Common Stock and Preferred Stock may enable the Board of Directors to issue shares to persons friendly to current management, which could render more difficult or discourage any attempt to obtain control of the Company by means such as a proxy contest, tender offer, or merger, and thereby protect the continuity of the Company s management.

Number and Qualifications of Directors. The Articles and Bylaws provide that the number of directors shall be fixed from time to time by resolution adopted by a majority of the directors then in office or the shareholders, but may not consist of fewer than nine nor more than 25 members.

Classified Board of Directors. The Articles and Bylaws divide the Board of Directors into three classes of directors serving staggered three-year terms. As a result, approximately one-third of the Board of Directors will be elected at each annual meeting of shareholders. The classification of directors, together with the provisions in the Articles and Bylaws described below that limit the ability of shareholders to remove directors and that permit the remaining directors to fill any vacancies on the Board of Directors, have the effect of making it more difficult for shareholders to change the composition of the Board of Directors. As a result, at least two annual meetings of shareholders may be required for the shareholders to change a majority of the directors, whether or not a change in the Board of Directors would be beneficial to the Company and its shareholders and whether or not a majority of the Company s shareholders believes that such a change would be desirable.

Removal of Directors and Filling Vacancies. A director may only be removed for cause, and only by the unanimous consent of the shareholders or at a meeting called for the specific purpose of such removal. The Bylaws also provide that all vacancies on the Board of Directors, including those resulting from an increase in the number of directors, may be filled by a majority of the remaining directors, even if they do not constitute a quorum. When a director resigns effective at a future date, a majority of directors then in office, including the director who is to resign, may vote on filling the vacancy.

Advance Notice Requirements for Shareholder Proposals and Director Nominations. The Bylaws establish advance notice procedures with regard to shareholder proposals and the nomination, other than by or at the direction of the Board of Directors or a committee of the Board, of candidates for election as directors. These procedures provide that the notice of shareholder proposals and shareholder nominations for the election of directors at any meeting of shareholders must be in writing and be received by the Secretary of the Company on or before the later to occur of (i) 60 days prior to the meeting or (ii) 10 days after notice of the meeting is provided to the shareholders. The Company may reject a shareholder proposal or nomination that is not made in accordance with such procedures.

Limitations on Shareholders Action by Written Consent. The Bylaws permit shareholder action by written consent in lieu of a meeting only if such consent is unanimous.

Certain Nomination Requirements. Pursuant to the Bylaws, the Company has established certain nomination requirements for an individual to be elected as a director of the Company at any annual or special meeting of the shareholders, including that the nominating party provide the Company within a specified time prior to the meeting (i) notice that such party intends to nominate the proposed director; (ii) the name and certain biographical information on the nominee; and (iii) a statement that the nominee has consented to the nomination. The chairman of any shareholders meeting may, for good cause shown, waive the operation of these provisions. These provisions could reduce the likelihood that a third party would nominate and elect individuals to serve on the Company s Board of Directors.

Control Share Acquisition Provision. The Articles 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 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 with 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 statement has been filed unless the shares are not accorded full voting rights by the shareholders.

Consideration of Other Constituencies in Mergers. The Corporation Act grants the Board of Directors the discretion, when considering whether a proposed merger or similar transaction is in the best interests of the Company and its shareholders, to take into account the effect of the transaction on the employees, customers, and suppliers of the Company and upon the communities in which the offices of the Company are located.

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INFORMATION WITH RESPECT TO THE COMPANY

For additional information about the Company and its business, please refer to the 2001 Annual Report to Shareholders and the most recent quarterly report on Form 10-Q filed with the Securities and Exchange Commission, copies of which are attached hereto, and are part of this Prospectus.

LEGAL MATTERS

The legality of the shares of the Common Stock offered hereby will be passed upon by Watkins Ludlam Winter & Stennis, P.A., Jackson, Mississippi, counsel to the Company.

EXPERTS

The consolidated balance sheets of the Company as of December 31, 2001 and 2000 and the consolidated statements of the operations, shareholders equity, and cash flows of the Company for each of the three years in the period ended December 31, 2001 have been incorporated by reference into this Prospectus in reliance on the report of independent auditors T. E. Lott & Company, given on the authority of that firm as an expert in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

The Company has filed with the SEC a Registration Statement on Form S-2 to register the Common Stock to be sold in the offering. This Prospectus is part of that Registration Statement. As allowed by SEC rules, this Prospectus does not contain all of the information you can find in the Registration Statement or the exhibits to the Registration Statement.

The Company files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy this information at the public reference room of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. For further information on the public reference room call 1-800-SEC-0330.

The SEC also maintains an Internet world wide web site that contains reports, proxy statements and other information about companies, including the Company, that file electronically with the SEC. The address of that site is http://www.sec.gov. You can view and download a copy of the Registration Statement (including exhibits) at this web site.

INFORMATION INCORPORATED BY REFERENCE

The SEC allows the Company to incorporate by reference information into this Prospectus. This means that the Company can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this Prospectus, except for any information that is superseded by other information that is set forth directly in this document.

This Prospectus incorporates by reference the documents set forth below that the Company has previously filed with the SEC. They contain important information about the Company and its financial condition.

(1) The Annual Report on Form 10-KSB for the fiscal year ended December 31, 2001;

(2) The Quarterly Reports on Form 10-QSB for the quarters ended March 31, June 30, 30, 2002; and

(3) The following sections of the 2001 Annual Report to Shareholders: Management's Analysis; Report of Independent Auditor; Consolidated Financial Statements; Not Consolidated Financial Statements; and Shareholder and Stock Information.

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The Company also incorporates by reference additional documents that we may have file with the SEC between the date of this Prospectus and termination of the offering. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

You can obtain any of the documents incorporated by reference in this document from the Company or the SEC through the SEC s Internet world wide web site at the address described above. Documents incorporated by reference are available from the companies without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this Prospectus. You can obtain documents incorporated by reference in this Prospectus by requesting them in writing or by telephone from:

David E. Johnson
President and Chief Executive Officer
6480 U.S. Hwy. 98 West
Hattiesburg, Mississippi 39402
(601) 268-8998

You should rely only on the information contained in or incorporated by reference in this Prospectus. We have not authorized anyone to provide you with information that is different from the information in this document. This Prospectus is dated ___________, 2003. You should not assume that the information contained in this document is accurate as of any date other than that date.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The estimated fees and expenses incurred by the Registrant in connection with this offering are as follows:

Securities and Exchange Commission registration fee	$ 72.45
Printing and engraving expenses	250.00
Legal fees and expenses of counsel for the Registrant	9,500.00
Accounting fees and expenses	500.00
Miscellaneous	677.55

Total	$11,000.00

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 79-4-8.50 through 79-4-8.59 of the Mississippi Business Corporation Act (the Act) provide the Company 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 the Company s directors under certain circumstances. The Company s Articles of Incorporation also provide the Company with the power and authority to the fullest extent legally permissible under the Act to indemnify its directors and officers, persons serving at the request of the Company or for its benefit as directors or officers of another corporation, and persons serving as the Company s representatives or agents in certain circumstances. Pursuant to such authority and the provisions of the Company s Articles of Incorporation, the Company intends to purchase insurance against certain liabilities that may be incurred by it and its officers and directors.

The Articles of Incorporation of the Company contain a provision which, subject to certain exceptions described below, eliminates the liability of a director or officer to the Company 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, the Company must indemnify any person who becomes subject to a lawsuit or proceeding by reason of service as a director of the Company or the Hattiesburg Bank or any other corporation which the person served as a director at the request of the Company. 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 the Company advance any such expenses prior to final disposition of the proceeding, upon delivery of a written affirmation by the director of his good faith belief that the standard of conduct necessary for indemnification has been met and 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 the Company, 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 Act, or engaged in any transaction in which the director derived an improper personal benefit. In addition to the Bylaws of the Company, the Act 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 was a party because he is or was a director of the corporation against reasonable expenses incurred by him in connection with the proceeding. The Act 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 Act.

The Board of Directors of the Company 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 Act may be permitted to directors, officers, and controlling persons of the Company pursuant to the Articles of Incorporation or Bylaws, or otherwise, the Company 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.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

The following documents are filed as exhibits to this Registration Statement:

4.1	Provisions in the Company's Articles of Incorporation and Bylaws defining the r of the Company's Common Stock (incorporated by reference to Exhibit 4.1 to the Registration Statement No. 33-94288 on Form S-1).
4.2	Form of Certificate of Common Stock (incorporated by reference to Exhibit 4.2 t Registration Statement No. 33-94288 on Form S-1).
5	Opinion of Watkins Ludlam Winter & Stennis, P.A.
10.1	Amended and restated employment agreement dated November 20, 1995, by and betwe E. Johnson and the Company (incorporated by reference to Exhibit 10.7 of the Co 10-KSB for the fiscal year ended December 31, 1995, File No. 33-94288).

10.2	Employment Agreement dated June 10, 1998 by and between the Company and The Fir Bank of the Pine Belt and William M. Renovich, Jr. (incorporated by reference t the Company's Current Report on Form 8-K filed June 25, 1998).
10.3	Bank Development Agreement dated June 19, 1998 by and among the Company and the organizers of The First National Bank of the Pine Belt (incorporated by referen to the Company's Current Report on Form 8-K filed June 25, 1998).
10.4	First Bancshares, Inc. 1997 Stock Option Plan as of March 18, 1997 (incorporate Exhibit 10.7 of the Company's Form 10-KSB for the fiscal year ended December 31 No. 33-94288).
10.5	Agreement to Repurchase Stock by and among The First Bancshares, Inc., Nick Wel Johnson.
13.1	2001 Annual Report to Shareholders.
13.2	Quarterly Report on Form 10-QSB for the nine months ended September 30, 2002.
23.1	Consent of T.E. Lott & Company, independent public accountants.
23.2	Consent of Watkins Ludlam Winter & Stennis, P.A. is contained in their opinion to this Registration Statement.
24	Power of Attorney of The First Bancshares, Inc. (included on signature page).
99	Subscription Agreement.

ITEM 17. UNDERTAKINGS.

(1) The Registrant hereby undertakes that it will:

(a) file, during any period in which it offers or sells securities, a post-effective ame Statement to: (i) include any prospectus required by section 10(a)(3) of the Securities Act of 19 "Act"); (ii) reflect in the prospectus any facts or events arising after the effective date of th (or the most recent post-effective amendment thereof) which, individually or in the aggregate, re fundamental change in the information in the Registration Statement; and (iii) include any materi respect to the plan of distribution not previously disclosed in the Registration Statement or any such information in the Registration Statement.

(b) for the purpose of determining liability under the Act, treat each post-effective am Registration Statement relating to the securities offered, and the offering of the securities at initial bona fide offering.

(c) file a post-effective amendment to remove from registration any of the securities th end of the offering.

(2) The Registrant hereby undertakes that, for purposes of determining any liability under the Se 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Sec of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statem to be a new Registration Statement relating to the securities offered therein, and the offering o time shall be deemed to be the initial bona fide offering thereof.

(3) The undersigned Registrant hereby undertakes to deliver or to cause to be delivered with the person to whom the prospectus is sent or given (i) the latest annual report to security holders t reference in the prospectus and furnished pursuant to or meeting the requirements of Rule 14a-3 o under the Securities Exchange Act of 1934; and (ii) the latest quarterly report that is incorpora prospectus to provide such interim financial information.

(4) Insofar as indemnification for liabilities arising under the Act may be permitted to director controlling persons of the Registrant pursuant to the provisions described under Item 20 above, o Registrant has been advised that in the opinion of the Securities and Exchange Commission such in against public policy as expressed in the Act and is, therefore, unenforceable. In the event tha indemnification against such liabilities (other than the payment by the Registrant of expenses in director, officer or controlling person of the Registrant in the successful defense of any action asserted by such director, officer or controlling person in connection with the securities being Registrant will, unless in the opinion of its counsel the matter has been settled by controlling court of appropriate jurisdiction the question whether such indemnification by it is against publ expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has duly caused this Amendment No. 1 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Hattiesburg and State of Mississippi on February 11, 2003.

THE FIRST BANCSHARES, INC.

By: /s/ David E. Johnson

David E. Johnson
Chairman & CEO

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ David E. Johnson ------------------------------------ David E. Johnson	Director, Principal Executive Officer	February 11 -------------
* /s/ J. Douglas Seidenburg ------------------------------------ J. Douglas Seidenburg	Director	February 11 -------------
* /s/ Trent A. Mulloy ------------------------------------ Trent A. Mulloy	Director	February 11 -------------
* /s/ Andrew D. Stetelman ------------------------------------ Andrew D. Stetelman	Director	February 11 -------------
* /s/ Dawn T. Parker ------------------------------------ Dawn T. Parker	Director	February 11 -------------
* /s/ E. Ricky Gibson ------------------------------------ E. Ricky Gibson	Director	February 11 -------------
* /s/ M. Ray Cole ------------------------------------ M. Ray Cole	Director	February 11 -------------

* /s/ Perry E. Parker ------------------------------------ Perry E. Parker	Director	February 11 -------------
* /s/ Davod O. Thoms, Jr. ------------------------------------ David O. Thoms, Jr.	Principal Financial and Accounting Officer	February 11 -------------

* By David E. Johnson pursuant to Power of Attorney.

EXHBIT 5

January 31, 2003

Board of Directors
The First Bancshares, Inc.
6480 U.S. Hwy. 98 West
Hattiesburg, MS 39402

Gentlemen:

We have acted as counsel for The First Bancshares, Inc., a Mississippi corporation (the "Company" with the filing of its Registration Statement on Form S-2 (the "Registration Statement") for the 45,000 shares of Common Stock, par value $1.00 per share, of the Company under the Securities Act 1933.

We have examined the Articles of Incorporation and the amendments thereto, Bylaws, Corporate Minu corporate records and proceedings of the Company relating to its organization and present corpora other corporate records and documents as we have deemed relevant for purposes of this opinion.

Based on the foregoing, it is our opinion that the shares of Common Stock, par value $1.00 per sh Company when issued and sold as described in the Registration Statement will be legally issued, f assessable shares of Common Stock of the Company.

This opinion is limited to the laws of the State of Mississippi and the federal laws of the Unite

We hereby consent to the use of this opinion as an exhibit to the Registration Statement and to t firm under the caption "Legal Matters" in the Prospectus contained in the Registration Statement.

Very truly yours,

/s/ Watkins Ludlam Winter & Stennis, P.A.

WATKINS LUDLAM WINTER & STENNIS, P.A.

Exhibit 10.5

AGREEMENT TO REPURCHASE COMMON STOCK

This Agreement to Repurchase Common Stock (herein referred to as "Agreement") entered 27th day of January, 2003 among The First Bancshares, Inc., a Mississippi corporation (referre "Company"), and Nick Welch and David Johnson (also referred to herein individually by their "Selling Stockholder" and collectively as "Selling Stockholders").

RECITALS

WHEREAS, the Selling Stockholders are the owners of Common Stock of the Company as follo

Stockholders	Number of Shares
Nick Welch	92,716
David Johnson	22,191

WHEREAS, the Company desires to redeem shares of common stock of the Company own Stockholders on the terms and conditions hereinafter set forth as follows:

WHEREAS, the Selling Stockholders are willing that their shares be redeemed on the te hereinafter set forth;

In consideration of above recitals and of the mutual covenants and agreements herei parties mutually agree as follows:

1. Public Offering. The Company intends to file a registration statement on Form S-2 (Statement") with the Securities and Exchange Commission for the sale of 45,000 shares of Common offering (the "Public Offering"). The Company shall have no obligation to the Selling Stockh the Public Offering, and may abandon or change the terms of the Public Offering in its sole discr

2. Number of Shares to be Redeemed. The Company shall redeem an aggregate number o Selling Stockholders equal to the number of shares sold in the Public Offering. Of the total 88.89% shall be purchased from Welch and 11.11% shall be purchased from Johnson, rounded to share.

3. Redemption Price. The redemption price shall be $17.50 per share, net of the reimbur of the Public Offering as set forth in paragraph 8 hereof.

4. Closing. The closing of the transactions contemplated hereby shall take place at t Company on a date set by the Company within 30 days of the termination of the Public Offering "Closing Date").

EXHIBIT 13.1

THE FIRST BANCSHARES, INC.
2001 ANNUAL REPORT

SHAREHOLDER INFORMATION

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 5:00 p.m., Tuesday, April 23, 2002, at the principal offices of The First National Bank of South Ms, 6480 U.S. Highway 98 West, Hattiesburg, MS 39402. All shareholders are invited.

STOCK TRANSFER AGENT	INDEPENDENT AUDITOR
Registrar and Transfer Company	T.E. Lott & Company
10 Commerce Blvd.	A Professional Association

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Cranford, NJ  07016                                 Certified Public Accountants
1-800-368-5948                                      Columbus, Mississippi
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FORM 10-KSB

Copies of the Form 10-KSB Annual Report to the Securities and Exchange Commission, including financial statements and financial statement schedules, are available without charge upon request to:

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The First Bancshares, Inc.
6480 U.S. Highway 98 West (39402)
Post Office Box 15549
Hattiesburg, Mississippi  39404-5549
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The Form 10-KSB Annual Report to the Securities and Exchange Commission, including financial statements and financial statement schedules, serves as the alternative annual disclosure statement pursuant to 12 CFRss.350.5.

STOCK INFORMATION

The Company's articles of incorporation authorize it to issue up to 10,000,000 shares of Common Stock. As of March 4, 2002, the Company had 1,165,165 shares outstanding, held by shareholders of record.

The Common Stock of the Company is not traded on any exchange and there is no public trading market for its common stock. Trading of the Common Stock has been limited and sporadic. The Company issued 721,848 shares of its currently issued and outstanding Common Stock in its initial public offering, which closed on August 27, 1996. The price per share in the initial public offering was $10.00.

The Company issued an additional 428,843 shares of its common stock in its public offering in connection with the formation of the Laurel Bank, which closed on December 31, 1998. The price per share in this offering was $15.00.

The Company is not aware of all prices at which the Common Stock has been traded since the initial offering. Based on information available to the Company from a limited number of sellers and purchasers of Common Stock, the Company is aware of several transactions between August 27, 1996 and December 31, 1996, all of which were at $10.00 per share, and the Company believes transactions in the Common Stock ranged from $10.00 to $12.00 during 1997, from $12.00 to $17.50 during 1998, from $15.00 to $17.50 during 1999, from $15.00 to $18.00 during 2000, and from $16.00 to $17.25 during 2001.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The Company was incorporated on June 23, 1995 and serves as a financial holding company for The First National Bank of South Mississippi ("The First"), located in Hattiesburg, Mississippi and the First National Bank of the Pine Belt (Pine Belt), located in Laurel, Mississippi. The First began operations on August 5, 1996 from its main office in the Oak Grove community, which is on the outskirts of Hattiesburg. The First also operates two branches in Hattiesburg and one in Purvis, Mississippi. Pine Belt began banking operations on January 19, 1999. Pine Belt has one office located in Laurel, Mississippi. The Company and its subsidiary banks 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 and Pine Belt are wholly-owned subsidiary banks of the Company.

The Company's primary source of revenue is interest income and fees, which it earns by lending and investing the funds which are held on deposit. Because loans generally earn higher rates of interest than investments, the Company seeks to employ as much of its deposit funds as possible in the form of loans to individuals, businesses, and other organizations. To ensure sufficient liquidity, the Company also maintains a portion of its deposits in cash, government securities, deposits with other financial institutions, and overnight loans of excess reserves (known as "Federal Funds sold") to correspondent banks. The revenue which the Company earns (prior to deducting its overhead expenses) is essentially a function of the amount of the Company's loans and deposits, as well as the profit margin ("interest spread") and fee income which can be generated on these amounts.

The Company grew from approximately $117.6 million in total assets, $83.6 million in loans, $96.8 million in deposits, and $13.2 million in shareholders' equity at December 31, 2000 to approximately $135.6 million in total assets, $94.3 million in loans, $113.2 million in deposits, and $14.0 million in shareholders' equity at December 31, 2001. The Company enjoyed its first quarterly profit in the third quarter of 1997 and reported a net profit for the year 1998. For the year ended 1999, the Company reported a net loss of $173,000. Included in this loss was a loss of $513,000 reported by Pine Belt for the period beginning January 19, 1999 (opening date) and ended December 31, 1999. The First reported net income of $609,000 and $403,000 for the years ended December 31, 2001, and 2000, respectively. For the years ended December 31, 2001, and 2000, the Company reported consolidated net income of $672,000 and $565,000, respectively. Pine Belt reported net income of $92,000, and $168,000 for the years ended December 31, 2001, and 2000, respectively. Comparisons of the Company s results for all of the periods presented should be made with an understanding of the Company s short history. The following discussion should be read in conjunction with the Selected Consolidated Financial Data and the Company s Financial Statements and the Notes thereto and the other financial data included elsewhere.

The following table demonstrates the Company's growth during each calendar year.

SELECTED CONSOLIDATED FINANCIAL HIGHLIGHTS
(Dollars In Thousands, Except Per Share Data)

	December 31,				
	2001	2000	1999(1)	1998	
Earnings:					
Net interest income	$ 4,967	$ 4,083	$ 2,929	$ 1,617	$
Provision for loan losses	342	325	408	170	
Noninterest income	1,074	675	396	215	
Noninterest expense	4,781	3,874	3,212	1,595	
Net income (loss)	672	565	(173)	67	
Per Share Data:					
Basic net income per share	$.58	$.49	$(.15)	$.09	
Diluted net income per share	.57	.48	(.15)	.09	
Selected Year End Balances:					
Total assets	$ 135,621	$ 117,582	$ 91,356	$ 49,912	$
Securities	22,946	19,390	14,481	7,486	
Loans, net of allowance	93,231	82,583	60,887	32,059	
Deposits	113,237	96,845	73,514	35,667	
Stockholders'					

equity	13,990	13,181	12,473	6,422

(1) Includes the first period of operations of Pine Belt.

Results of Operations

The following is a summary of the results of operations by the subsidiary banks for the years ended December 31, 2001 and 2000.

Results of operations by subsidiary bank:

(In thousands)

	The First		Pine Belt	
	2001	2000	2001	2
Interest income	$ 6,560	$ 5,882	$ 3,179	$
Interest expense	3,042	3,115	1,782	
Net interest income	3,518	2,767	1,397	
Provision for loan losses	173	169	169	
Net interest income after provision for loan losses	3,345	2,598	1,228	
Other income	886	597	295	
Other expense	3,299	2,706	1,491	
Income tax expense (benefit)	323	86	(60)	
Net income	$ 609	$ 403	$ 92	$

The following reconciles the above table to the amounts reflected in the consolidated financial s
of the Company at December 31, 2001 and 2000:

	2001	2
Net interest income:		
Combined net interest income of subsidiary banks	$ 4,915	$
Intercompany eliminations	52	
	$ 4,967	$
Net income:		
Combined net income (loss) of subsidiary banks	701	$
Net income (loss) of the Company, excluding intercompany accounts	(29)	
	$ 672	$

Consolidated Net Income

The Company reported consolidated net income of $672,000 for the year ended December 31, 2001, compared to a consolidated net income of $565,000 for the year ended December 31 2000. This was the result of an increase in interest income due to the continued growth of earning assets and an increase in other income as service charges on deposit accounts increased due to growth in deposits. The

increases in income were partially offset by an increase in noninterest expense of $907,000 which was the result of anticipated staff additions and other operating costs related to the growth of the subsidiary banks.

Consolidated Net Interest Income

The largest component of net income for the Company is net interest income, which is the difference between the income earned on assets and interest paid on deposits and borrowings used to support such assets. Net interest income is determined by the rates earned on the Company's interest- earning assets and the rates paid on its interest-bearing liabilities, the relative amounts of interest-earning assets and interest-bearing liabilities, and the degree of mismatch and the maturity and repricing characteristics of its interest-earning assets and interest-bearing liabilities.

Consolidated net interest income was $4,967,000 for the year ended December 31, 2001, as compared to $4,083,000 for the year ended December 31, 2000. This increase was the direct result of an increase in average earnings assets for the year 2001 to $118,003,000 compared to $96,471,000 for the year 2000. This increase in earning assets was funded by an increase in deposits. Deposits at December 31, 2001, totaled $113,238,000 compared to $96,845,000 at December 31, 2000. Average interest- bearing liabilities for the year 2001 was $104,449,000 compared to $84,015,000 for the year 2000. At December 31, 2001, the net interest spread, the difference between the yield on earning assets and the rates paid on interest-bearing liabilities, was 3.67% compared to 3.64% at December 31, 2000. The net interest margin (which is net interest income divided by average earning assets) was 4.27% for the year 2001, compared to 4.28% for the year 2000. Rates paid on average interest-bearing liabilities decreased from 5.46% for the year 2000 to 4.75% for the year 2001. Interest earned on assets and interest accrued on liabilities are significantly influenced by market factors, specifically interest rates as set by Federal agencies. Interest rates, as set by the Federal Reserve Bank, reflected decreases throughout the year 2001. Average loans comprised 76.1% of average earning assets for the year 2001 compared to 79.8% for the year 2000.

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

Average Balances, Income and Expenses, and Rates

	Years Ended December 31,						
	2001			2000			
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Av Ba
	(Dollars in thousands)						
Assets							
Earning Assets							
Loans (1) (2)	$ 89,762	$8,535	9.51%	$76,964	$7,491	9.73%	$
Securities..................	21,071	1,104	5.24%	15,366	965	6.28%	
Federal funds sold	6,231	258	4.14%	3,765	197	5.23%	

Other	939	40	4.25%	376	22	5.85%
Total earning assets	118,003	9,937	8.42%	96,471	8,675	8.99%

Cash and due from banks	3,503			3,760			
Premises and equipment	7,224			5,688			
Other assets	1,999			1,249			
Allowance for loan losses	(991)			(884)			
Total assets	$129,738			$106,284			$
Liabilities							
Interest-bearing liabilities	$104,449	4,970	4.75%	$84,015	4,592	5.46%	$
Demand deposits (1)	11,348			9,181			
Other liabilities	398			478			
Shareholders' equity	13,543			12,610			
Total liabilities and shareholders' equity	$129,738			$106,284			$
Net interest spread			3.67%			3.64%	
Net interest income/ margin		$4,967	4.27%		$4,083	4.28%	

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(1) All loans and deposits were made to borrowers in the United States. The Company had no sig during the periods presented. Loans include held for sale loans.
(2) Includes loan fees of $883, $557, and $443, respectively.
(3) Amounts for the year 2000 and 1999 were reclassified to conform with 2001.

Analysis of Changes in Net Interest Income. The following table presents the consolidated dollar amount of changes in interest income and interest expense attributable to changes in volume and to changes in rate. The combined effect in both volume and rate which cannot be separately identified has been allocated proportionately to the change due to volume and due to rate.

Analysis of Changes in Consolidated Net Interest Income

	Year Ended December 31, 2001 versus 2000 Increase (decrease) due to		
	Volume	Rate	Net
	(Dollars in thous		
Earning Assets			
Loans	$1,245	(201)	$1,044
Securities	358	(219)	139
Federal funds sold and securities purchased under agreements to resell	102	(41)	61

Other short-term investments................	33	(15)	18
........................Total interest income	1,738	(476)	1,262
Interest-Bearing Liabilities			
Interest-bearing transaction accounts..............	287	(260)	27
Money market accounts.......................	32	(159)	(127)
Savings deposits............................	13	(14)	(1)
Time deposits...............................	698	(202)	496
Borrowed funds..............................	21	(38)	(17)
.......................Total interest expense	1,051	(673)	378
Net interest income.........................	$ 687	$ 197	$ 884

Interest Sensitivity. The Company monitors and manages the pricing and maturity of its assets and liabilities in order to diminish the potential adverse impact that changes in interest rates could have on its net interest income. A monitoring technique employed by the Company is the measurement of the Company's interest sensitivity "gap," which is the positive or negative dollar difference between assets and liabilities that are subject to interest rate repricing within a given period of time. The Company also performs asset/liability

modeling to assess the impact varying interest rates and balance sheet mix assumptions will have on net interest income. Interest rate sensitivity can be managed by repricing assets or liabilities, selling securities available-for-sale, replacing an asset or liability at maturity, or adjusting the interest rate during the life of an asset or liability. Managing the amount of assets and liabilities repricing in the same time interval helps to hedge the risk and minimize the impact on net interest income of rising or falling interest rates. The Company evaluates interest sensitivity risk and then formulates guidelines regarding asset generation and repricing, funding sources and pricing, and off-balance sheet commitments in order to decrease interest rate sensitivity risk.

The following tables illustrate the Company's consolidated interest rate sensitivity and consolidated cumulative gap position at December 31, 1999, 2000, and 2001.

	December 31, 1999			
	Within Three Months	After Three Through Twelve Months	Within One Year	G O N
	(Dollars in thousand			
Assets				
Earnings Assets:				
Loans..................................	$ 16,050	$10,503	$ 26,553	
Securities (2).........................	2,402	1,014	3,416	
Funds sold and other...................	6,674	-	6,674	
Total earning assets................	25,126	11,517	36,643	
Liabilities				
Interest-bearing liabilities:				
Interest-bearing deposits:				
NOW accounts (1).......................	$ -	$ 7,743	$ 7,743	

Money market accounts	14,370	-	14,370
Savings deposits (1)	-	668	668
Time deposits	10,918	20,777	31,695
Total interest-bearing deposits	25,288	29,188	54,476
Borrowed funds	1,000	404	1,404
Total interest-bearing liabilities	26,288	29,592	55,880
Interest-sensitivity gap per period	$ (1,162)	$ (18,075)	$ (19,237)
Cumulative gap at December 31, 1999	$ (1,162)	$ (19,237)	$ (19,237)
Ratio of cumulative gap to total earning assets at December 31, 1999	(1.40%)	(23.24%)	(23.24%)

December 31, 1999

(Dollars in thousand

	Within Three Months	After Three Through Twelve Months	Within One Year	G O N
Assets				
Earnings Assets:				
Loans	$ 18,454	16,379	$ 34,833	$
Securities (2)	9,080	1,675	10,755	
Funds sold and other	4,086	-	4,086	
Total earning assets	31,620	18,054	49,674	
Liabilities				
Interest-bearing liabilities:				
Interest-bearing deposits:				
NOW accounts (1)	$ -	$ 13,904	$ 13,904	$
Money market accounts	12,396	-	12,396	
Savings deposits (1)	-	902	902	
Time deposits	12,778	31,152	43,930	
Total interest-bearing deposits	25,174	45,958	71,132	
Borrowed funds	-	4,092	4,092	
Total interest-bearing liabilities	25,174	50,050	75,224	
Interest-sensitivity gap per period	$ 6,446	(31,996)	$ (25,550)	$
Cumulative gap at December 31, 2000	$ 6,446	(25,550)	$ (25,550)	$
Ratio of cumulative gap to total earning assets at December 31, 2000	6.02%	(23.87%)	(23.87%)	

December 31, 1999

	Within Three Months	After Three Through Twelve Months	Within One Year	G O N
			(Dollars in thousand	
Assets				
Earnings Assets:				
Loans................................	$ 41,454	19,169	$ 60,223	$
Securities (2)......................	8,504	432	8,936	
Funds sold..........................	3,896	-	3,896	
Total earning assets............	53,454	19,601	73,055	
Liabilities				
Interest-bearing liabilities:				
Interest-bearing deposits:				
NOW accounts (1)....................	$ -	$ 15,653	$ 15,653	$
Money market accounts................	17,918	-	17,918	
Savings deposits (1)	-	1,782	1,782	
Time deposits........................	18,324	28,823	47,147	
Total interest-bearing deposits...	36,242	46,258	82,500	
Borrowed funds........................	1,143	528	1,671	
Total interest-bearing liabilities......	37,385	46,786	84,171	
Interest-sensitivity gap per period.....	$ 16,469	(27,185)	$ (11,116)	$
Cumulative gap at December 31, 2001.....	$ 16,469	(11,116)	$ (11,116)	$
Ratio of cumulative gap to total earning assets at December 31, 2001..	13.27%	(9.18%)	(9.18%)	

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(1) NOW and savings accounts are subject to immediate withdrawal and repricing. These deposits d tend to immediately react to changes in interest rates and the Company believes these depos stable and predictable funding source. Therefore, these deposits are included in the repri that management believes most closely matches the periods in which they are likely to repri than the period in which the funds can be withdrawn contractually.

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

The Company generally would benefit from increasing market rates of interest when it has an asset-sensitive gap and generally from decreasing market rates of interest when it is liability sensitive. The Company currently is liability sensitive within the one-year time frame. However, the Company's gap analysis is not a precise indicator of its interest sensitivity position. The analysis presents only a static view of the timing of maturities and repricing opportunities, without taking into consideration that changes in interest rates do not affect all assets and liabilities equally. For example, rates paid on a substantial portion of core deposits may change contractually within a relatively short time frame, but those rates are viewed by management as significantly less interest-sensitive than market-based rates such as those paid on non-core deposits. Accordingly, management believes a liability sensitive-position within one year would not be as indicative of the Company's true interest sensitivity as it would be for an organization which depends to a greater extent on purchased funds to support earning assets. Net interest income is also affected by other significant factors, including changes in the volume and mix of earning assets and interest-bearing liabilities.

Consolidated Net Interest Income

Provision and Allowance for Loan Losses

The Company has developed policies and procedures for evaluating the overall quality of its credit portfolio and the timely identification of potential problem loans. Management's judgment as to the adequacy of the allowance is based upon a number of assumptions about future events which it believes to be reasonable, but which may not prove to be accurate, particularly given the Company's short operating history and rapid growth. Thus, there can be no assurance that charge-offs in future periods will not exceed the allowance for loan losses or that additional increases in the loan loss allowance will not be required.

Additions to the allowance for loan losses, which are reported as the provision for loan losses on the Company's consolidated statement of operations, are made periodically to maintain the allowance at an appropriate level based on management's analysis of the potential risk in the loan portfolio. The allowance consists of two components: allocated and unallocated. The allocated portion of the allowance is based upon specific allocations to specific loans, including impaired loans, and upon historical loan loss experience based upon peer group ratios. Because the subsidiary banks were recently formed and have not yet established a reliable loss experience, management has elected to use the loss experience of the banks' peer groups in determining an appropriate allowance based upon internal loan grades.

The unallocated component reflects management's estimate of the probable inherent but undetected losses within the portfolio due to uncertainties about economic conditions, changes in collateral values and borrower financial condition, as well as other risk factors that have not yet manifested themselves. The unallocated component is based upon the level of the allowance of the banks' peer groups.

The amount of the provision is a function of the level of loans outstanding, the level of nonperforming loans, historical loan loss experience, the amount of loan losses actually charged against the allowance during a given period, and current and anticipated economic conditions.

At December 31, 2001 the consolidated allowance for loan losses amounted to $1,060,000, or 1.12% of outstanding loans. At December 31, 2000 and 1999, the allowance for loan losses amounted to $978,000 and $740,000, respectively which was 1.18% and 1.20% of outstanding loans at December 31, 2000 and 1999. The Company's provision for loan losses was $342,000 for the year ended December 31, 2001, compared to $325,000 and $408,000 for the years ended December 31, 2000 and 1999, respectively. However, 1999 included $274,000 for Pine Belt which reflected management's efforts to maintain an adequate allowance on an unseasoned loan portfolio. In each case, the provision was made based on management's assessment of general loan loss risk and asset quality.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis generally using the fair value of the collateral if the loan is collateral dependent. At December 31, 2001, and 2000, loans considered impaired were the same as nonaccrual loans as described in the following paragraph.

The Company discontinues accrual of interest on loans when management believes, after considering economic and business conditions and collection efforts, that a borrower's financial condition is such that the collection of interest is doubtful. Generally, the Company will place a delinquent loan in nonaccrual status when the loan becomes 90 days or more past due. At the time a loan is placed in nonaccrual status, all interest which has been accrued on the loan but remains unpaid is reversed and deducted from earnings as a reduction of reported interest income. No additional interest is accrued on the loan balance until the collection of both principal and interest becomes reasonably certain. The Company had nonaccrual loans of $175,000 and $58,000 and no restructured or other nonperforming loans at December 31, 2001, and 2000, respectively. At December 31, 2001 the Company had loans in the principal amount of $948,000 delinquent 30 to 89 days, and loans of approximately $288,000 that were delinquent 90 days or more. At December 31, 2000 the Company had loans in the principal amount of $644,000 delinquent by 30 to 89 days, and loans of approximately $90,000 that were delinquent by 90 days.

A potential problem loan is one in which management has serious doubts about the borrower's future performance under the terms of the loan contract. These loans are current as to principal and interest and, accordingly, they are not included in nonperforming assets categories. The level of potential problem loans is one factor used in the determination of the adequacy of the allowance for loan losses. At December 31, 2001 and December 31, 2000, the subsidiary banks had potential problem loans of:

	2001	
The First	$ 570,390	$
Pine Belt	399,073	

Consolidated Allowance For Loan Losses

	Years Ended Decembe		
	2001	2000	1999
		(Dollars in tho	
Average loans outstanding	$ 89,762	$ 76,964	$ 47,808
Loans outstanding at period end....................	$ 94,291	$ 83,561	$ 61,626
Total nonperforming loans..........................	175	58	19
Beginning balance of allowance.....................	978	740	347
Loans charged-off..................................	(277)	(161)	(25
Total loans charged-off............................	(277)	(161)	(25
Total recoveries...................................	17	75	10
Net loans charged-off..............................	(260)	(86)	(15
Provision for loan losses..........................	342	324	408
Balance at period end..............................	$ 1,060	$ 978	$ 740
Net charge-offs to average loans...................	.30%	.11%	.03%
Allowance as percent of total loans................	1.12%	1.18%	1.20%
Nonperforming loans as a percentage of total loans..	.19%	.07%	.03%
Allowance as a multiple of nonperforming loans......	6.1X	16.9X	38.9X

Provision and Allowance for Loan Losses

At December 31, 2001, the components of the allowance for loan losses consisted of the following:

	The First	Pine Belt
Allocated:		
Impaired loans	$ 10	$ 9
Graded loans	74	95
Unallocated	602	270
	$ 686	$ 374

Noninterest Income and Expense

Noninterest Income. The Company's primary source of noninterest income is service charges on deposit accounts. Other sources of noninterest income include bankcard fees, commissions on check sales, safe deposit box rent, wire transfer fees, and official check fees.

Noninterest income increased by $399,000 or 60% from $675,000 for the year ended December 31, 2000, to $1,074,000 for the year ended December 31, 2001. Included in this increase was an increase in

activity fees related to deposits which was due to the growth of deposits. These activity fees were $808,000 for 2001 compared to $487,000 for 2000. Other service charges and fees totaled $233,000 for the year ended December 31, 2001, compared to $167,000 for the year ended December 31, 2000. This increase was also attributable to the growth in deposits and activities of the two banks.

Noninterest expense increased from $3.9 million for the year ended December 31, 2000 to $4.8 million for the year ended December 31, 2001. The Company experienced increases in most expense categories, which reflects the continued growth of the Company. The largest increase was in salary and employee benefits, which increased by $474,000 in 2001 as compared to 2000. This increase included normal merit increases in salaries as well as the employment of additional employees throughout 2000. Occupancy and equipment expense increased from $690,000 in 2000 to $885,000 in 2001. This increase resulted primarily from costs related to the construction of and opening of Pine Belt's new main office building in September, 2000, and to the leasing of an operations center in Hattiesburg, and to additional equipment acquisitions and expenses due to the continued growth incurred. In 1999, the Company had $215,000 in organization and preopening costs associated with the formation and opening of Pine Belt.

Other expenses, including data processing and supplies, increased primarily as a result of the continued growth of the Company and the resulting increased lending and deposit activities. In light of the intense competition in the financial services market in recent years, management emphasizes expense management and will continue to evaluate and monitor growth in discretionary expense categories in an attempt to control future increases.

The following table sets forth the primary components of noninterest expense for the periods indicated:

Noninterest Expense

	Years
	2001
	(

Salaries and employee benefits	$2,522
Occupancy	388
Equipment	468
Marketing and public relations	152
Data processing	121
Supplies and printing	147
Telephone	102
Correspondent services	62
Deposit and other insurance	93
Professional and consulting fees	139
Postage	70
ATM fees	53
Other	464
Organization and pre-opening expense	--
Total	$4,781

Income Tax Expense

The Company recognizes deferred tax assets for future deductible amounts resulting from differences in the financial statement and tax bases of assets and liabilities and operating loss carryforwards. The Company then establishes a valuation allowance to reduce the deferred tax asset to the level that it is "more likely than not" that the tax benefit will be realized. Prior to 1999, the Company fully offset the deferred tax assets resulting primarily from the provision for loan losses, the deferred pre- opening costs, and the operating loss carryforwards by a valuation allowance in the same amount. In 2001 and 2000, management reevaluated the valuation allowance and because of profitability trends and projections redetermined the likelihood of realization of the assets and adjusted the valuation allowance accordingly. The adjustment to the valuation allowance resulted in income tax benefits for each year.

Analysis of Financial Condition

Earning Assets

Loans. Loans typically provide higher yields than the other types of earning assets, and thus one of the Company's goals is for loans to be the largest category of the Company's earning assets. At December 31, 2001, loans accounted for 77% of earning assets, as compared to 77% and 74% of earning assets at December 31, 2000 and 1999, respectively. Management attempts to control and counterbalance the inherent credit and liquidity risks associated with the higher loan yields without sacrificing asset quality to achieve its asset mix goals. Loans averaged $89.8 million during 2001, as compared to $77.0 million in 2000 and $47.8 million in 1999, reflecting the substantial growth of the Company during the period.

The following table shows the composition of the loan portfolio excluding loans held for sale, by category:

Composition of Loan Portfolio

	December 31,			
	2001		2000	
	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)			

Commercial, financial and agricultural	$ 31,027	34.0%	$ 27,644	33.9%
Real Estate:				
Mortgage-commercial	12,578	13.8%	9,959	12.2%
Mortgage-residential	29,446	32.3%	26,258	32.2%
Construction	6,334	6.9%	6,864	8.4%
Consumer and other	11,793	13.0%	10,909	13.3%
Total loans	91,178	100.0%	81,634	100.0%
Allowance for loan losses	(1,060)		(978)	
Net loans	$ 90,118		$ 80,656	

In the context of this discussion, a "real estate mortgage loan" is defined as any loan, other than loans for construction purposes, secured by real estate, regardless of the purpose of the loan. The Company follows the common practice of financial institutions in the Company's market area of obtaining a security interest in real estate whenever possible, in addition to any other available collateral. This collateral is taken to reinforce

the likelihood of the ultimate repayment of the loan and tends to increase the magnitude of the real estate loan portfolio component. Generally, the Company limits its loan-to-value ratio to 80%. Due to the short term the loan portfolio has existed, the current portfolio may not be indicative of the ongoing portfolio mix. Management attempts to maintain a conservative philosophy regarding its underwriting guidelines and believes it will reduce the risk elements of its loan portfolio through strategies that diversify the lending mix.

The following table sets forth the Company's commercial and construction real estate loans maturing within specified intervals at December 31, 2001.

Loan Maturity Schedule and Sensitivity to Changes in Interest Rates

	December 31, 2001		
Type	One Year or Less	Over One Year Through Five Years	Over Ye
		(Dollars in thousands	
Commercial, financial and agricultural	$ 22,494	$ 8,533	$
Real estate - construction	6,334	-	
	$ 28,828	$ 8,533	$

Loans maturing after one year with:

Fixed interest rates...

Floating interest rates...

The information presented in the above table is based on the contractual maturities of the individual loans, including loans which may be subject to renewal at their contractual maturity. Renewal of such loans is subject to review and credit approval, as well as modification of terms upon their maturity.

Investment Securities. The investment securities portfolio is a significant component of the Company's total earning assets. Total securities averaged $21.1 million in 2001, as compared to $15.4 million in 2000 and $11.8 million in 1999. This represents 17.9%, 16.1%, and 18.5% of the average earning assets for the years ended December 31, 2001, 2000, and 1999, respectively. At December 31, 2001, investment securities were $22.9 million and represented 19.4% of earning assets. The Company attempts to maintain a portfolio of high quality, highly liquid investments with returns competitive with short term U.S. Treasury or agency obligations. This objective is particularly important as the Company continues to grow its loan portfolio. The Company primarily invests in securities of U.S. Government agencies, and corporate obligations with maturities up to five years.

The following table summarizes the book value of securities for the dates indicated.

Securities Portfolio

	December 31,		
	2001	2000	
	(In thousands)		
Available-for-sale			
U.S. Treasury	$ --	$ --	$
U.S. Government agencies	12,541	16,463	
States and municipal subdivisions	2,187	1,242	
Corporate obligations	5,864	900	
Mutual finds	1,519	--	
Other	804	727	
Total available-for-sale	22,915	19,332	
Held-to-maturity			
U.S. Government agencies	$ 32	$ 59	
Total	$ 22,947	$ 19,391	

The following table shows, at carrying value, the scheduled maturities and average yields held at December 31, 2001.

Investment Securities Maturity Distribution and Yields (1)

December 31, 2001				
Within One Year		After One But Within Five Years		A Wi
Amount	Yield	Amount	Yield	Am
(Dollars in thousands)				

Held-to-maturity:	$ --	--	$ --	--	$
U.S. Government agencies (2)					
Available-for-sale:					
U.S. Government agencies (3)	3,613	5.0%	4,136	3.5%	
States and municipal subdivisions	932	5.3%	1,128	6.0%	
Corporate obligations	3,100	2.4%	2,764	5.4%	
Other (including equity securities)	--	--	--	--	
Total investment securities available-for-sale	$7,645		$7,645		$

(1) Investments with a call feature are shown as of the contractual maturity date.
(2) Excludes mortgage-backed securities totaling $31,667 with a yield of 6.5%.
(3) Excludes mortgage-backed securities totaling $4.8 million with a yield of 4.4%.

Short-Term Investments. Short-term investments, consisting of Federal Funds sold, averaged $6.2 million in 2001, $3.8 million in 2000, and $3.5 million in 1999. At December 31, 2001, and December 31, 2000, short-term investments totaled $3.9 million and $3.7 million, respectively. These funds are a primary source of the Company's liquidity and are generally invested in an earning capacity on an overnight basis.

Deposits

Deposits. Average interest-bearing deposits increased $20.4 million, or 26.2%, to $98.1 million in 2001, from $77.7 million in 2000. Average total deposits increased $22.6 million, or 24.3%, in 2001. At December 31, 2001, total deposits were $113.2 million, compared to $96.8 million a year earlier, an increase of 16.9%.

The following table sets forth the deposits of the Company by category for the periods indicated.

Deposits

	December 31,			
	2001		2000	
	Amount	Percent of Deposits	Amount	Percent of Deposits
	(Dollars in thousands)			
Demand deposit accounts	$ 15,254	13.5%	$ 10,132	10.5%
NOW accounts	15,653	13.8	13,904	14.4
Money market accounts	17,955	15.8	12,396	12.8
Savings accounts	1,782	1.6	902	.9
Time deposits less than $100,000	33,817	33.3	35,337	36.5
Time deposits of $100,000 or over	28,776	22.0	24,174	24.9
Total deposits	$ 113,237	100.0%	$ 96,845	100.0%

The Company's loan-to-deposit ratio was 83.3% at December 31, 2001, 86.3% at December 31, 2000, and 83.8% at December 31, 1999. The loan-to-deposit ratio averaged 77.0% during 2001. Core deposits, which exclude time deposits of $100,000 or more, provide a relatively stable funding source for the Company's loan portfolio and other earning assets. The Company's core deposits were $84.5 million at December 31, 2001, $73.0 million at December 31, 2000, and $57.0 million at December 31, 1999. Management anticipates that a stable base of deposits will be the Company's primary source of funding to meet both its short-term and long-term liquidity needs in the future. The Company has purchased brokered deposits from time to time to help fund loan growth and maintain a loan-to-deposit ratio of approximately 80.0%. Brokered deposits and jumbo certificates of deposit generally carry a higher interest rate than traditional core deposits. Further, brokered deposit customers typically do not have loan or other relationships with the Company. The Company has adopted a policy not to permit brokered deposits to represent more than 10% of all of the Company's deposits.

The maturity distribution of the Company's certificates of deposit of $100,000 or more at December 31, 2001, is shown in the following table. The Company did not have any other time deposits of $100,000 or more.

Maturities of Certificates of Deposit
of $100,000 or More

	Within Three Months	After Three Through Twelve Months	Af
		(Dollars in thousands)	
December 31, 2001	$ 8,907	$ 12,342	$

Borrowed funds. Borrowed funds consist primarily of advances from the Federal Home Loan Bank of Dallas and federal funds purchased. At December 31, 2001, advances from the Federal Home Loan Bank totaled $7.6 million compared to $6.5 million at December 31, 2000. The advances are collateralized by first mortgage loans, Federal Home Loan Bank capital stock, and amounts on deposit with the Federal Home Loan Bank. Federal funds purchased was $232,000 million at December 31, 2001 and $322,000 at December 31, 2000.

Capital

Total shareholders' equity as of December 31, 2001 was $14.0 million, an increase of $810,000 or approximately 6.1%, compared with shareholders' equity of $13.2 million as of December 31, 2000.

The Federal Reserve Board and bank regulatory agencies require bank holding companies and financial institutions to maintain capital at adequate levels based on a percentage of assets and off-balance sheet exposures, adjusted for risk weights ranging from 0% to 100%. Under the risk-based standard, capital is classified into two tiers. Tier 1 capital consists of common shareholders' equity, excluding the unrealized gain (loss) on available-for-sale securities, minus certain intangible assets. Tier 2 capital consists of the general reserve for loan losses subject to certain limitations. An institution's qualifying capital base for purposes of its risk-based capital ratio consists of the sum of its Tier 1 and Tier 2 capital. The risk based regulatory minimum requirements are 4% for Tier 1 and 8% for total risk based capital.

Bank holding companies and banks are also required to maintain capital at a minimum level based on total assets, which is known as the leverage ratio. The minimum requirement for the leverage ratio is 3%. All but the highest rated institutions are required to maintain ratios 100 to 200 basis points above the minimum. The Company and the subsidiary banks exceeded their minimum regulatory capital ratios as of December 31, 2001 and 2000.

Analysis of Capital

	Regulatory Minimums		The Company		The
	Adequately Capitalized	Well Capitalized	December 31, 2001	2000	Decem 2001
Leverage..................	4.0%	5.0%	10.2%	11.5%	7.8%
Risk-based capital:					
Tier 1..........	4.0%	6.0%	14.7%	14.7%	11.9%
Total...........	8.0%	10.0%	15.8%	15.8%	13.1%

Ratios

	2001	2000
Return on assets (net income (loss) divided by average total assets)	.52%	.53%
Return on equity (net income (loss) divided by average equity)	5.0%	4.5%
Dividend payout ratio (dividends per share divided by net income per share)	N/A	N/A
Equity to asset ratio (average equity divided by average total assets)	10.4%	11.9%

Liquidity Management

Liquidity management involves monitoring the Company's sources and uses of funds in order to meet its day-to-day cash flow requirements while maximizing profits. Liquidity represents the ability of a company to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management is made more complicated because different balance sheet components are subject to varying degrees of management control. For example, the timing of maturities of the investment portfolio is very predictable and subject to a high degree of control at the time investment decisions are made. However, net deposit inflows and outflows are far less predictable and are not subject to the same degree of control. Asset liquidity is provided by cash and assets which are readily marketable, which can be pledged, or which will mature in the near future. Liability liquidity is provided by access to core funding sources, principally the ability to generate customer deposits in the Company's market area.

The Company sold 721,848 shares during its initial public offering in 1996, with net proceeds, after offering expenses, of $7.1 million. Approximately $5.3 million of the proceeds of the offering were used to capitalize The First. The remaining offering proceeds were used to provide working capital for the Company. With the successful completion of the initial public offering, the Company has maintained a high level of liquidity that has been adequate to meet planned capital expenditures, as well as providing the necessary cash requirements of the Company needed for operations. The Company sold 428,843 shares of its common stock for net proceeds, after offering expense of $6.3 million. Approximately $5 million was used to purchase the capital stock of Pine Belt. The Company's Federal Funds sold position, which is typically its primary source of liquidity, averaged $6.2 million during the year ended December 31, 2001 and totaled $3.9 million at December 31, 2001. Also, the Company has available advances from the Federal Home Loan Bank. Advances available are generally based upon the amount of qualified first mortgage loans which can be used for collateral. At December 31, 2001, advances available totaled approximately $42.0 million of which $6.2 million had been drawn.

Management regularly reviews the liquidity position of the Company and has implemented internal policies which establish guidelines for sources of asset-based liquidity and limit the total amount of purchased funds used to support the balance sheet and funding from non-core sources.

Accounting Matters

In June, 2001, the FASB issued Statements No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets."

Statement No. 141 supersedes APB Opinion No. 16, "Business Combinations," and eliminates the pooling-of-interests method of accounting for business combinations, thus requiring that all business combinations be accounted for using the purchase method. In addition, in applying the purchase method, Statement No. 141 changes the criteria for recognizing intangible assets apart from goodwill and states the following criteria should be considered in determining the recognition of the intangible assets: (1) the intangible asset arises from the contractual or other legal rights, or (2) the intangible asset is separable or dividable from the acquired entity and capable of being sold, transferred, licensed, rented or exchanged. The requirements of the statement are effective for all business combinations completed after June 30, 2001.

According to Statement No. 142, goodwill and those intangible assets that have indefinite lives are not amortized but are tested for impairment. Statement No. 142 is effective for year beginning after December 15, 2001. This statement is not expected to impact the consolidated financial position of the Company.

Impact of Inflation

Unlike most industrial companies, the assets and liabilities of financial institutions such as the Company are primarily monetary in nature. Therefore, interest rates have a more significant effect on the Company's performance than do the effects of changes in the general rate of inflation and change in prices. In addition, interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. As discussed previously, management seeks to manage the relationships between interest sensitive assets and liabilities in order to protect against wide interest rate fluctuations, including those resulting from inflation.

THE FIRST BANCSHARES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2001 AND 2000

INDEPENDENT AUDITORS REPORT

Board of Directors and Stockholders
The First Bancshares, Inc.
Hattiesburg, Mississippi

We have audited the accompanying consolidated balance sheets of The First Bancshares, Inc., and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the consolidated financial position of The First Bancshares, Inc., and subsidiaries as of December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ T. E. Lott & Company

Columbus, Mississippi
January 28, 2002

THE FIRST BANCSHARES, INC.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2001 AND 2000

ASSETS	2001
Cash and due from banks	$ 4,079,71
Interest-bearing deposits with banks	1,358,03
Federal funds sold	3,895,93
Total cash and cash equivalents	9,333,68
Held-to-maturity securities (Note C) (fair value of $32,696 in 2001 and $60,326 in 2000)	31,66
Available-for-sale securities (Note C) (at fair value)	22,914,80
Loans held for sale	3,113,28
Loans, net of allowance for loan losses of $1,059,528 in 2001 and $978,462 in 2000 (Note D)	90,118,10
Interest receivable	962,32
Premises and equipment (Note E)	7,615,24
Other assets	1,531,53
	$ 135,620,65
LIABILITIES AND STOCKHOLDERS' EQUITY	
Deposits:	
Noninterest-bearing	$ 15,253,64
Time, $100,000 or more	28,775,62
Other interest-bearing	69,208,35
Total deposits	113,237,62
Interest payable	352,03
Borrowed funds (Note F)	7,832,25
Other liabilities	208,24

Total liabilities	121,630,16
Commitments and contingent liabilities (Note M)	
Stockholders' Equity (Note G):	
Common stock, par value $1 per share; 10,000,000 shares authorized; 1,155,412 and 1,152,878 shares issued and outstanding in 2001 and 2000, respectively	1,155,41
Preferred stock, par value $1 per share, 10,000,000 shares authorized; no shares issued and outstanding	-
Additional paid-in capital	12,411,61
Retained earnings (deficit)	312,88
Accumulated other comprehensive income	110,58
Total stockholders' equity	13,990,49
	$ 135,620,65

The accompanying notes are an integral part of these statements.

THE FIRST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001
INTEREST INCOME	
Interest and fees on loans	$ 8,534,1
Interest and dividends on securities:	
Taxable interest and dividends	1,088,2
Tax-exempt interest	16,8
Interest on federal funds sold	257,9
Interest on deposits in banks	39,9
	9,937,0
INTEREST EXPENSE	
Interest on time deposits of $100,000 or more	1,267,1
Interest on other deposits	3,335,4
Interest on borrowed funds	367,1
	4,969,7
Net interest income	4,967,3
Provision for loan losses	342,2
Net interest income after provision for loan losses	4,625,1
OTHER INCOME	
Service charges on deposit accounts	807,9
Other service charges and fees	232,5
Other	33,5

	1,074,0
OTHER EXPENSE	
Salaries	2,084,5
Employee benefits	437,2
Occupancy expense	387,7
Furniture and equipment expense	467,7
Supplies and printing	147,1
Other	1,256,8
	4,781,4
Income before income taxes	917,7
Income taxes (benefit) (Note I)	245,8
Net income	$ 671,9
Net income per common share:	
Basic	$.
Diluted	.

The accompanying notes are an integral part of these statements.

THE FIRST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2001 AND 2000

	Compre-hensive Income	Common Stock	Paid-In Capital	Retained Earnings (Deficit)	Ac Ot Co he In (L
Balance, January 1, 2000		$1,152,878	$12,376,136	$(923,770)	$(
Comprehensive income:					
Net income for 2000	$ 564,743	-	-	564,743	
Net change in unrealized gain (loss) on available-for-sale securities, net of tax	142,362	-	-	-	
Comprehensive income	$ 707,105				
Balance, December 31, 2000		1,152,878	12,376,136	(359,027)	
Comprehensive income:					
Net income for 2001	$ 671,913	-	-	671,913	

Net change in unrealized gain (loss) on available-for-sale securities, net of tax	100,016	-	-	-	
Comprehensive income	$ 771,929				
Exercise of stock options		2,534	35,476	-	
Balance, December 31, 2001		$1,155,412	$12,411,612	$312,886	

The accompanying notes are an integral part of these statements.

THE FIRST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 671,913
Adjustments to reconcile net income to net cash:	
Depreciation and amortization	458,048
Stock dividends	(19,100
Provision for loan losses	342,214
Deferred income tax (benefit)	39,225
Amortization and accretion, net	7,243
Changes in:	
Interest receivable	97,704
Other assets	(1,084,043
Loans held for sale	(1,186,591
Interest payable	(135,191
Other liabilities	(77,239
Net cash used in operating activities	(885,817
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of available-for-sale securities	(31,081,063
Proceeds from maturities and calls of available-for-sale securities	27,580,019
Proceeds from sales of securities available-for-sale	84,285
Proceeds from maturities and calls of held-to-maturity securities	26,953
Increase in loans	(9,804,375
Additions to premises and equipment	(895,210

Net cash used in investing activities	(14,089,391
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in deposits	16,392,338
Proceeds from borrowed funds	5,500,000
Repayment of borrowed funds	(4,527,594
Exercise of stock options	38,010
Net cash provided by financing activities	17,402,754
Net increase (decrease) in cash and cash equivalents	2,427,546
Cash and cash equivalents at beginning of year	6,906,138
Cash and cash equivalents at end of year	$ 9,333,684
Cash paid during the year for:	
Interest	$ 4,907,517
Income taxes	211,255

The accompanying notes are an integral part of these statements.

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE A - NATURE OF BUSINESS

The First Bancshares, Inc. (the Company) is a financial holding company whose business is con owned subsidiaries, The First National Bank of South Mississippi (The First) and The First Na Belt (Pine Belt). The subsidiary banks provide a full range of banking services in their pri Lamar, Forrest, and Jones Counties, Mississippi, and the surrounding counties. The Company a commenced operations in August, 1996. Pine Belt commenced operations in January, 1999. The Co financial holding company, is regulated by the Federal Reserve Bank. Its subsidiary banks are regulation of the Office of the Comptroller of the Currency (OCC).

NOTE B - SUMMARY OF ACCOUNTING POLICIES

The Company and its subsidiary banks follow accounting principles generally accepted in the U America including, where applicable, general practices within the banking industry.

1. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owne All significant intercompany accounts and transactions have been eliminated.

2. Estimates

The preparation of financial statements in conformity with accounting principles generally ac States of America requires management to make estimates and assumptions that affect the repor and liabilities and disclosure of contingent assets and liabilities at the date of the financ

amounts of revenues and expenses during the reporting period. Actual results could differ fr
Material estimates that are particularly susceptible to significant change in the near term r
of the allowance for loan losses and the valuation of deferred tax assets.

3. Cash and Due From Banks

Included in cash and due from banks are legal reserve requirements which must be maintained o
in the form of cash and balances due from the Federal Reserve and other banks.

(Continued)

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE B - SUMMARY OF ACCOUNTING POLICIES (Continued)

4. Securities

Investments in securities are classified into three categories and are accounted for as follo

Available-for-Sale Securities

Securities classified as available-for-sale are those securities that are intended to be held
time, but not necessarily to maturity. Any decision to sell a security classified as availab
on various factors, including movements in interest rates, liquidity needs, security risk ass
mix of assets and liabilities and other similar factors. These securities are carried at thei
the net unrealized gain or loss is reported in stockholders' equity, net of tax, when applica

Gains and losses on the sale of available-for-sale securities are determined using the adjust
security sold.

Premiums and discounts are recognized in interest income using the interest method.

Securities to be Held-to-Maturity

Securities classified as held-to-maturity are those securities for which there is a positive
to maturity. These securities are carried at cost adjusted for amortization of premiums and
computed by the interest method.

Trading Account Securities

Trading account securities are those securities which are held for the purpose of selling the
no trading account securities on hand at December 31, 2001 and 2000.

5. Loans held for sale

Loans held for sale consist of mortgage loans originated for the purpose of being sold in
for sale loans are carried at the lower of cost or market. Generally, these loans are not or
a sale commitment and are normally held for no more than forty-five days.

6. Loans

Loans are carried at the principal amount outstanding, net of the allowance for loan losses. is recognized based on the principal balance outstanding and the stated rate of the loan. Lo certain direct organization costs are deferred and recognized as an adjustment of the related interest method.

(Continued)

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE B - SUMMARY OF ACCOUNTING POLICIES (Continued)

6. Loans (Continued)

A loan is considered impaired when, based upon current events and information, it is probable payments of principal or interest will not be collected in accordance with the contractual te Factors considered by management in determining impairment include payment status, collateral probability of collecting scheduled payments of principal and interest when due.

The accrual of interest on real estate and commercial loans is discontinued at the time the l unless the loan is well secured and in process of collection.

7. Allowance for Loan Losses

For financial reporting purposes, the provision for loan losses charged to operations is base estimations of the amount necessary to maintain the allowance at an adequate level. Allowance loans are generally determined based on collateral values. Loans are charged against the all when management believes the collectibility of the principal is unlikely.

Management evaluates the adequacy of the allowance for loan losses on a regular basis. These upon a periodic review of the collectibility considering historical experience, the nature an portfolio, underlying collateral values, internal and independent loan reviews, and prevailin In addition, the OCC, as a part of the regulatory examination process, reviews the loan portf for loan losses and may require changes in the allowance based upon information available at examination.

The allowance consists of two components; allocated and unallocated. The components represen pursuant to either Financial Accounting Standards Board (FASB) Statement No. 5, "Accounting f or FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan." The allocated allowance reflects expected losses resulting from an analysis developed through specific cred individual loans, including any impaired loans, and historical loan loss history. As recently institutions, the Banks have not established an historical loan loss experience. As such, th peer group banks is used as a guide. The analysis is performed quarterly and loss factors ar

The unallocated portion of the allowance reflects management's estimate of probable inherent within the portfolio due to uncertainties in economic conditions, changes in collateral value information about a borrower's financial condition, and other risk factors that have not yet In addition, the unallocated allowance includes a component that explicitly accounts for the the loan loss analysis.

(Continued)

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE B - SUMMARY OF ACCOUNTING POLICIES (Continued)

8. Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation. The depreciation p depreciation over the estimated useful lives of the assets using the straight-line method. Re expenditures are charged to operating expenses; major expenditures for renewals and bettermen depreciated over their estimated useful lives.

9. Stock Options

FASB Statement No. 123, "Accounting for Stock-Based Compensation," requires a fair value-base measuring employee stock options. Under this method, compensation cost is measured at the op on the value of the award and is recognized over the service period. In lieu of recording th the Company has elected to continue to measure compensation cost using Accounting Principles 25, "Accounting for Stock Issued to Employees," and to provide pro forma disclosures quantify between compensation cost included in reported net income and the related cost measured by su method.

10. Income Taxes

A deferred tax asset or liability is recognized for the future income tax effects attributabl tax bases of assets or liabilities and their reported amounts in the financial statements, as tax credit carryforwards. The deferred tax asset or liability is measured using the enacted to taxable income in the period in which the deferred tax asset or liability is expected to b assets are reduced by a valuation allowance when, in the opinion of management, it is more li portion or all of the deferred tax assets will not be realized.

11. Statement of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash and due from ban sold. Generally, federal funds are sold for a one-day period.

12. Off-Balance Sheet Financial Instruments

In the ordinary course of business, the subsidiary banks enter into off-balance sheet financi of commitments to extend credit, credit card lines and standby letters of credit. Such financ recorded in the financial statements when they are exercised.

(Continued)

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE B - SUMMARY OF ACCOUNTING POLICIES (Continued)

13. Per Share Amounts

Per share amounts are presented in accordance with FASB Statement No. 128, "Earnings Per Shar Statement No. 128, two per share amounts are considered and presented, if applicable. Basic p calculated based on the weighted-average number of common shares outstanding during the repor Diluted per share data includes any dilution from potential common stock outstanding, such as options.

The following table discloses the reconciliation of the numerators and denominators of the ba computations:

	For the Year Ended December 31, 2001			For the Decembe	
	Net Income (Numerator)	Shares (Denominator)	Per Share Amount	Net Income (Numerator)	Sh (Den
Basic per share	$ 671,913	1,152,968	$ .58	$ 564,744	1
Effect of dilutive shares:					
Stock options	-	28,417		-	
Diluted per share	$ 671,913	1,181,385	$ .57	$ 564,744	1

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

14. Reclassifications

Certain reclassification have been made to the 2000 financial statements to conform with the 2001.

15. Advertising Costs

Advertising costs are expensed in the period in which they are incurred. Advertising expense December 31, 2001, and 2000, was approximately $95,700 and $77,200, respectively.

16. Accounting Pronouncements

In June, 2001, the FASB issued Statement No. 141, "Business Combinations," and Statement No. and Other Intangible Assets."

(Continued)

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE B - SUMMARY OF ACCOUNTING POLICIES (Continued)

16. Accounting Pronouncements (Continued)

Statement No. 141 supersedes APB Opinion No. 16, "Business Combinations," and eliminates the interests method of accounting for business combinations, thus requiring that all business co for using the purchase method. In addition, in applying the purchase method, Statement No. 1 for recognizing intangible assets apart from goodwill and states the following criteria shoul determining the recognition of the intangible assets: (1) the intangible asset arises from t rights, or (2) the intangible asset is separable or dividable from the acquired entity and ca transferred, licensed, rented or exchanged. The requirements of the statement are effective combinations completed after June 30, 2001.

According to Statement No. 142, goodwill and those intangible assets that have indefinite liv but are tested for impairment. Statement No. 142 is effective for years beginning after Dece Management is of the opinion that there will be no impact of the adoption of the statement on consolidated financial statements.

NOTE C - SECURITIES

Securities at December 31, 2001 and 2000, consisted of available-for-sale securities with a c $22,914,809 and $19,331,611, respectively, and securities held-to-maturity with a carrying am $58,655, respectively. The amortized cost, gross unrealized gains, gross unrealized losses a of these securities at December 31, 2001 and 2000, are as follows:

	2001		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealiz Losses
Available-for-sale securities:			
Obligations of U. S. Government agencies	$ 7,714,819	$ 48,907	$ 15,
Tax-exempt and taxable obligations of states and municipal subdivisions	2,134,554	53,017	
Mortgage-backed securities	4,771,248	20,862	
Corporate obligations	5,800,921	63,585	
Mutual funds	1,519,310	-	-
Equity securities	803,714	-	-
	$ 22,744,566	$ 186,371	$ 16,
Held-to-maturity securities:			
Mortgage-backed securities	$ 31,667	$ 1,029	$ -

(Continued)

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE C - SECURITIES (Continued)

	2000		
	Amortized	Gross Unrealized	Gross Unrealiz

	Cost	Gains	Losses
Available-for-sale securities:			
Obligations of U. S. Government agencies	$ 13,106,910	$ 10,637	$ 6,
Taxable obligations of states and municipal subdivisions	1,226,920	16,355	1,
Mortgage-backed securities	3,355,833	9,171	13,
Corporate obligations	900,000	-	-
Equity securities	726,854	-	-
	$ 19,316,517	$ 36,163	$ 21,
Held-to-maturity securities:			
Mortgage-backed securities	$ 58,655	$ 1,671	$ -

The scheduled maturities of securities at December 31, 2001, are as follows:

	Available-for-Sale		H
	Amortized Cost	Estimated Fair Value	Amor Co
Due less than one year	$ 7,622,312	$ 7,644,854	$
Due after one year through five years	7,901,515	8,027,934	
Due after five years through ten years	126,467	126,903	
Mortgage-backed securities, mutual funds and equity securities	7,094,272	7,115,118	3
	$ 22,744,566	$ 22,914,809	$ 3

Actual maturities can differ from contractual maturities because the obligations may be calle
without penalties.

Equity securities consist of stock in the Federal Reserve Bank and Federal Home Loan Bank (FH
transferability of which is restricted.

No gains or losses were realized on available-for-sale securities in 2001 and 2000.

Securities with a carrying value of $6,757,000 and $6,158,900 at December 31, 2001 and 2000,
pledged to secure public deposits and for other purposes as required or permitted by law.

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE D - LOANS

Loans outstanding include the following types at December 31, 2001 and 2000:

Commercial, financial, and agricultural	$
Real estate - construction	
Real estate - mortgage	
Installment loans to individuals	
Other	
Allowance for loan losses	
	$

Transactions in the allowance for loan losses at December 31, 2001 and 2000, were as follows:

	200
Balance at beginning of year	$ 978
Additions:	
Provision for loan losses charged to operations	342
Recoveries	16
	1,337
Deductions:	
Loans charged off	277
Balance at end of year	$ 1,059

For the years ended December 31, 2001 and 2000, no significant loans were classified as impai

NOTE E - PREMISES AND EQUIPMENT

The detail of premises and equipment at December 31, 2001 and 2000, is as follows:

	2001
Premises:	
Land	$ 1,964,8
Buildings and improvements	4,608,4
Equipment	2,358,5
	8,931,8
Less accumulated depreciation	(1,316,6
	$ 7,615,2

The amounts charged to operating expense for depreciation were $412,479 and $333,382 in 2001 respectively.

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE F - BORROWED FUNDS

Borrowed funds consisted of the following:

	D
	2001
Advances due to FHLB:	
6.595%, due January 24, 2001	$ -
6.720%, due March 2, 2001	-
5.395%, due April 23, 2001	-
5.360%, due January 23, 2002	1,000,0
5.878%, due February 1, 2002	142,6
5.899%, due December 26, 2002	528,4
7.185%, due April 1, 2003	353,2
4.962%, due August 16, 2004	741,5
3.703%, due November 1, 2004	375,0
7.227%, due August 1, 2005	767,5
5.218%, due June 1, 2006	683,4
5.457%, due June 22, 2006	242,0
4.928%, due July 3, 2006	462,8
4.908%, due August 1, 2006	470,3
3.264%, due December 1, 2006	500,0
3.412%, due December 1, 2006	375,0
5.920%, due January 3, 2012	500,0
5.280%, due December 25, 2000	-
6.680%, due November 15, 2002	458,4
Other	231,5
	$7,832,2

Advances due to the FHLB are collateralized by first mortgage loans, FHLB capital stock, and with the FHLB.

Other borrowed funds consist of loans sold in transactions in which the risk of loss or oblig retained. For regulatory and financial reporting purposes, these amounts are required to be funds.

(Continued)

NOTE F - BORROWED FUNDS (Continued)

Annual principal repayment requirements on the borrowings from the FHLB at December 31, 2001,

Year	Amount

2002	$ 3,160,518
2003	903,601
2004	1,802,494
2005	759,585
2006	592,704
Thereafter	381,788

NOTE G - REGULATORY MATTERS

The Company and its subsidiary banks are subject to regulatory capital requirements administe agencies. Failure to meet minimum capital requirements can initiate certain mandatory and po discretionary actions by regulators that, if undertaken, could have a direct material effect statements. Under capital adequacy guidelines and the regulatory framework for prompt correc Company and its subsidiary banks must meet specific capital guidelines that involve quantitat liabilities, and certain off-balance-sheet items as calculated under regulatory accounting pr and classifications are also subject to qualitative judgment by regulators about components, other related factors.

To ensure capital adequacy, quantitative measures have been established by regulators and the Company and its subsidiary banks to maintain minimum amounts and ratios (set forth in the tab Tier I capital (as defined) to risk-weighted assets (as defined), and of Tier I capital to ad Management believes, as of December 31, 2001, that the Company and its subsidiary banks excee adequacy requirements.

At December 31, 2001, the subsidiary banks were categorized by regulators as well-capitalized framework for prompt corrective action. A financial institution is considered to be well-cap risk-based capital ratio of 10% or more, has a Tier I risk-based capital ratio of 6% or more, capital ratio of 5% or more. There are no conditions or anticipated events that, in the opin change the categorization.

(Continued)

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE G - REGULATORY MATTERS (Continued)

The actual capital amounts and ratios at December 31, 2001 and 2000, are presented in the fol amount was deducted from capital for interest-rate risk exposure.

($ In thousands)

	Company (Consolidated)		Subsidia	
			The First	
	Amount	Ratio	Amount	Ratio
December 31, 2001				
Total risk-based	$ 14,938	15.8%	$ 7,574	13.1%
Tier I risk-based	13,878	14.7%	6,888	11.9%
Tier I leverage	13,878	10.2%	6,888	7.8%
December 31, 2000				

Total risk-based	$ 14,145	15.8%	$ 6,577	11.4%
Tier I risk-based	13,167	14.7%	5,976	10.3%
Tier I leverage	13,167	11.5%	5,976	8.2%

The minimum amounts of capital and ratios as established by banking regulators at December 31
are as follows:

	($ In thousands)				
	Company (Consolidated)		Subsidiar		
			The First		
	Amount	Ratio	Amount	Ratio	
December 31, 2001					
Total risk-based	$ 7,575	8.0%	$ 4,636	8.0%	$
Tier I risk-based	3,789	4.0%	2,318	4.0%	
Tier I leverage	5,461	4.0%	3,555	4.0%	
December 31, 2000					
Total risk-based	$ 7,152	8.0%	$ 4,627	8.0%	$
Tier I risk-based	3,576	4.0%	2,314	4.0%	
Tier I leverage	4,565	4.0%	2,931	4.0%	

The Company's dividends, if any, are expected to be made from dividends received from its sub
OCC limits dividends of a national bank in any calendar year to the net profits of that year
retained net profits for the two preceding years.

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE H - COMPREHENSIVE INCOME

The Company and its subsidiary banks report comprehensive income as required by FASB Statemen
"Reporting Comprehensive Income." In accordance with this statement, unrealized gains and lo
available-for-sale are included in other comprehensive income.

In the calculation of comprehensive income, certain reclassification adjustments are made to
amounts that are displayed as part of net income for a period that also had been displayed as
comprehensive income. The disclosure of the reclassification amounts are as follows:

	Years En
	2001
Unrealized holding gains (losses) on available-for sale securities	$ 155,
Reclassification adjustment for losses (gains) realized in income	
Net unrealized gains (losses)	155,
Tax effect	(55,
Net-of-tax amount	$ 100,

NOTE I - INCOME TAXES

The components of income tax expense (benefit) are as follows:

	2001
Current	$ 206,
Deferred	39,
	$ 245,

(Continued)

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE I - INCOME TAXES (Continued)

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

	Years Ended Decembe		
	2001		
	Amount	%	A
Income taxes at statutory rate	$ 312,045	34%	$
Tax-exempt income	(5,715)	(1%)	
State income tax, net of federal tax effect	7,075	1%	
Rate difference	-	-	
Other items, net	(12,283)	(1%)	
Change in valuation allowance	(55,257)	(6%)	
	$ 245,865	27%	$

The components of deferred income taxes are as follows:

	2001
Deferred tax assets:	
Allowance for loan losses	$ 330

Pre-opening expenses	29
Other	1
	361
Valuation allowance	
	361
Deferred tax liabilities:	
Securities	(23
Premises and equipment	(147
Unrealized gain on available-for-sale securities	(59
	(231
	$ 129

(Continued)

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE I - INCOME TAXES (Continued)

For the years 2001 and 2000, the valuation allowance was adjusted by $55,257 and $93,242, res
management's re-evaluation of the likelihood of realization.

NOTE J - EMPLOYEE BENEFITS

The subsidiary banks provide a deferred compensation arrangement (401(k) plan) whereby employ
a percentage of their compensation. For employee contributions of three percent or less, the
provide a matching contribution. Contributions by the subsidiary banks totaled $30,423 in 20
2000.

The Company and its subsidiary banks have employment agreements with certain executive office
agreements contain provisions concerning salaries, bonuses, incentive programs, and benefits
in control.

NOTE K - STOCK PLANS

In 1997, the Company adopted the 1997 Stock Option Plan (1997 Plan) which provides for the gr
to purchase up to 72,185 shares of Company common stock by directors and key employees of the
its subsidiaries. Options granted under the 1997 Plan were exercisable at December 31, 1999,
after the grant date. As of December 31, 2001, 69,998 grants had not been exercised. The op
at not less than the market value of the Company's stock at the grant date. Accordingly, no
been recognized.

On May 27, 1999, the Company's shareholders approved the 1999 Stock Incentive Plan (1999 Plan
provides for the granting of options to purchase up to 106,689 shares of the Company's common
Company's and its subsidiaries' directors, key employees, and management. Under the 1999 Pla

grant either incentive stock options or nonqualified stock options. Options granted to direc in equal amounts over three years. Stock options granted to management vest based on annual or after nine years and eleven months, if still employed. At December 31, 2001, 93,963 optio and 2,543 had been exercised. Of the remaining grants available, 60,109 were vested. All opt unless exercised on or before April 15, 2009. The options are exercisable at not less than t Company's stock at the grant date. Accordingly, no compensation expense has been recognized.

(Continued)

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE K - STOCK PLANS (Continued)

A summary of the status of the stock option plans as of December 31, 2001 and 2000, and chang ending on those dates is presented below:

	December 31,		
	2001		
	Shares	Weighted Average Exercise Price	S
Options outstanding at beginning of year	163,961	$ 13	
Options granted	-	-	
Options exercised	(2,534)	$ 15	
Options forfeited	-	-	
Options outstanding at end of year	161,427	$ 13	
Options exercisable at end of year	130,107	$ 12	

Had compensation cost for the stock plans been determined based on the fair values of the opt consistent with the method of FASB Statement No. 123, the Company's net income and net income have been reduced to the pro forma amounts indicated below:

	20
Net income, pro forma	$ 5
Basic net income per share, pro forma	
Diluted net income per share, pro forma	

The assumptions used in estimating compensation cost on a pro forma basis were: dividend yie life of ten years, volatility of near 0%, and a risk-free interest rate of 6.5%.

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE L - RELATED PARTY TRANSACTIONS

In the normal course of business, the subsidiary banks make loans to their directors and offi
in which they have a significant ownership interest. These loans are made on substantially t
interest rates and collateral, as those prevailing at the time for comparable transactions wi
loans amounted to approximately $6,148,000 and $5,002,000 at December 31, 2001 and 2000, resp
opinion of management, such loans are consistent with sound banking policies and are within a
and lending limitations.

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

In the normal course of business, there are outstanding various commitments and contingent li
guaranties, commitments to extend credit, etc., which are not reflected in the accompanying f
The subsidiary banks had outstanding letters of credit of $261,000 and $458,000 at December 3
respectively, and had made loan commitments of approximately $9,750,000 and $10,310,000 at De
and 2000, respectively. The subsidiary banks' exposure to credit loss in the event of nonper
party to the financial instrument for commitments to extend credit and letters of credit is r
contractual amount of the instrument. The subsidiary banks use the same credit policies in m
and conditional obligations as it does for its lending activities. No significant losses are
these transactions.

The primary market area served by the subsidiary banks are Forrest, Lamar, and Jones Counties
Mississippi. Management closely monitors its credit concentrations and attempts to diversify
its primary market area. As of December 31, 2001, management does not consider there to be a
concentration within the loan portfolio. Although the banks' loan portfolio, as well as exis
the diversity of its primary market area, a substantial portion of a borrower's ability to re
the economic stability of the area.

The First has Sixteenth Section land leases and contracts for bank premises. The leases expi
rentals of $20,240 subject to reappraisals every 10 years.

The First has a lease for facilities that expires in June, 2003. Monthly lease payments are
of 3% after twelve months. The lease contains an option to renew annually for three years at
and 3% increase each twelve month period.

The Company and its subsidiary banks are subject to claims and lawsuits which arise primarily
of business. It is the opinion of management that the disposition or ultimate resolution of
will not have a material adverse effect on the consolidated financial position of the Company

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE N - FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures about financial instruments at December 31, 2001 and 2000, are presented as requi
Statement No. 107, "Disclosures About Fair Value of Financial Instruments." The following in
purport to represent the aggregate consolidated fair value of the Company at December 31, 200

The carrying amounts presented are the amounts at which the financial instruments are reporte
financial statements.

Cash and Cash Equivalents

The carrying amount for cash and due from banks, interest-bearing deposits, and federal funds
fair values of such assets at December 31, 2001 and 2000.

Securities

The estimated fair value of securities is based on quoted market prices, if available. The e
on quoted market prices of comparable instruments, if quoted market prices are not available.

Date	Carryin Amount
December 31, 2001	$ 22,946
December 31, 2000	$ 19,390

Loans held for sale

The fair value of loans held for sale approximates the carrying value since the loans are gene
of less than forty-five days.

Loans

It is the opinion of management that in the current interest environment, the net carrying val
$90,118,107 at December 31, 2001 and $80,655,946 at December 31, 2000, approximates fair value

(Continued)

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE N - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Deposits

Fair values of demand deposits and savings accounts are defined by FASB Statement No. 107 as the amounts payable. The fair value of variable rate deposits approximates their carrying value. Because of the current interest environment, management is of the opinion that the carrying value of fixed rate time deposits also approximates their fair value. Thus, the carrying value of deposits of $113,237,626 at December 31, 2001, and $96,845,288 at December 31, 2000, does not differ significantly from the fair value. No value has been considered from expected retention of deposits for a future time period. This value, often referred to as a core deposit intangible, is neither included in any fair value amounts nor recorded as an asset in the consolidated balance sheets.

Borrowed Funds

Borrowed funds consist of obligations with terms comparable to those currently available. Thus, the carrying value of these obligations approximates market value.

Off-Balance Sheet Instruments

Fair values of off-balance sheet financial instruments are based on fees charged to enter into similar agreements. However, commitments to extend credit do not represent a significant value until such commitments are funded or closed. Management has determined that these instruments do not have a distinguishable fair value, and no fair value has been assigned.

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE O - SEGMENTS

The Company's principal activity is commercial banking, which includes providing deposit products and commercial, mortgage and consumer loans. These services are provided through the Company's subsidiary banks, which are located in adjacent, but separate, geographic areas. Results of operations and other selected financial information by bank are presented below:

	(In thousands) Years Ended December 31,			
	2001		2000	
	The First	Pine Belt	The First	Pine Belt
Results of Operations				
Interest income	$ 6,758	$ 3,179	$ 5,882	$ 2,792
Interest expense	3,240	1,782	3,115	1,582
Net interest income	3,518	1,397	2,767	1,210
Provision for loan losses	173	169	169	156
Net interest income after provision for loan losses	3,345	1,228	2,598	1,054
Other income	886	265	597	134
Other expense	3,299	1,461	2,706	1,108
Net income before income taxes	932	32	489	80
Income tax expense (benefit)	323	(60)	86	(88)

Net income	$ 609	$ 92	$ 403	$ 168
Selected Financial Data				
Loans, net of allowance for loan losses	$ 61,496	$ 28,622	$ 54,131	$ 26,525
Deposits	74,617	40,025	63,829	34,810
Total assets	87,077	47,757	75,345	41,522

(Continued)

THE FIRST BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

NOTE O - SEGMENTS (Continued)

The following reconciles the above table to amounts reflected on the consolidated financial statements as of and for the years ended December 31, 2001 and 2000:

	(In thousands) 2001	2000
Net income:		
Net income of subsidiary banks	$ 701	$ 571
Net loss of Company, excluding intercompany accounts	(29)	(6)
	672	565
Total assets:		
Total assets of subsidiary banks	$134,834	$116,867
Total assets of Company, excluding investment in subsidiaries	2,244	2,549
Intercompany eliminations	(1,457)	(1,834)
	$135,621	$117,582

NOTE P - PARENT COMPANY FINANCIAL INFORMATION

The balance sheets, statements of income, and cash flows for The First Bancshares, Inc. (parent only) follow:

Condensed Balance Sheets

	December 31, 2001	2000
Assets:		
Cash and cash equivalents	$ 1,404,549	$ 1,793,736
Investment in subsidiary banks	11,746,065	10,644,720
Premises and equpiment	812,292	752,292
Other	27,586	3,100
	$ 13,990,492	$ 13,193,848
Liabilities:		
Other	$ -	$ 13,295
Stockholders' equity	13,990,492	13,180,553

	$ 13,990,492	$ 13,193,848

(Continued)

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

NOTE P - PARENT COMPANY FINANCIAL INFORMATION (Continued)

Condensed Statements of Income

	Years Ended December 31,	
	2001	2000
Income:		
Interest	$ 52,060	$ 105,90
Expenses:		
Other	97,732	115,61
Loss before income taxes and equity in undistributed income of subsidiaries	(45,672)	(9,71
Income tax benefit	(16,860)	(3,10
Loss before equity in undistributed income of subsidiaries	(28,812)	(6,61
Equity in undistributed income of subsidiaries	700,725	571,35
Net income	$ 671,913	$ 564,74

Condensed Statements of Cash Flows

	Years Ended December 31,	
	2001	2000
Cash flows from operating activities:		
Net income	$ 671,913	$ 564,74
Adjustments to reconcile net income to net cash and cash equivalents:		
Equity in undistributed income of subsidiaries	(700,725)	
Other, net	(38,385)	10,19
Net cash provided by (used in) operating activities	(67,197)	3,58
Cash flows from investing activities:		
Investment in subsidiary bank	(300,000)	(350,00
Acquisition of fixed assets	(60,000)	(21,75
Sale of premises to subsidiary	--	10,00
Net cash used in investing activities	(360,000)	(361,75
Cash flows from financing activities		
Exercise of stock options	38,010	--
Net cash provided by financing activities	38,010	--
Net decrease in cash and cash equivalents	(389,187)	(358,17

Cash and cash equivalents at beginning of year	1,793,736	2,151,91
Cash and cash equivalents at end of year	$1,404,549	$1,793,73

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

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

	Three Months Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31
	(In thousands, except per share amounts)			
2001				
Total interest income	$2,517	$2,502	$2,470	$2,448
Total interest expense	1,364	1,316	1,213	1,077
Net interest income	1,153	1,186	1,257	1,371
Provision for loan losses	94	72	99	77
Net interest income after provision for loan losses	1,059	1,114	1,158	1,294
Total non-interest income	205	224	310	335
Total non-interest expense	1,086	1,138	1,212	1,345
Income tax expense	73	66	79	28
Net income	$ 105	$ 134	$ 177	$ 256
Per share:				
Net income	$ .09	$ .12	$ .15	$ .22
Net income, diluted	.09	.11	.15	.22
Cash dividends declared	--	--	--	--
2000				
Total interest income	$1,828	$2,093	$2,273	$2,481
Total interest expense	922	1,071	1,250	1,349
Net interest income	906	1,022	1,023	1,132
Provision for loan losses	138	103	63	20
Net interest income after provision for loan losses	768	919	960	1,112
Total non-interest income	140	164	185	186
Total non-interest expense	870	929	987	1,088
Income tax benefit	--	--	--	5
Net income	$ 38	$ 154	$ 158	$ 215
Per share:				
Net income	$ .03	$ .13	$ .14	$ .19
Net income, diluted	.03	.13	.13	.19
Cash dividends declared	--	--	--	--

Exhibit 13.2

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED: September 30, 2002

OR

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

COMMISSION FILE NUMBER: 33-94288

THE FIRST BANCSHARES, INC.

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

MISSISSIPPI	64-0862173
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
6480 U.S. HIGHWAY 98 WEST HATTIESBURG, MISSISSIPPI	39404-5549
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(601) 268-8998

(ISSUER'S TELEPHONE NUMBER, INCLUDING AREA CODE)

NONE

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

INDICATE BY CHECK MARK WHETHER THE ISSUER: (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES X NO ___

ON OCTOBER 31, 2002, 1,165,165 SHARES OF THE ISSUER'S COMMON STOCK, PAR VALUE $1.00 PER SHARE, WERE ISSUED AND OUTSTANDING.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (CHECK ONE):

YES ___ NO X

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE FIRST BANCSHARES, INC.

CONSOLIDATED BALANCE SHEETS

($ amounts in thousands)	(Unaudited) September 30, 2002	December 31, 2001
ASSETS		
Cash and due from banks	$ 4,836	$ 4,080
Interest-bearing deposits with banks	543	1,358
Federal funds sold	5,070	3,896
TOTAL CASH AND CASH EQUIVALENTS	10,449	9,334
Securities held-to-maturity, at amortized cost	25	32
Securities available-for-sale, at fair value	23,335	22,915
Loans	103,052	91,178
Allowance for loan losses	(1,194)	(1,060)
LOANS, NET	101,858	90,118
Loans held for sale	3,693	3,113
Premises and equipment	8,050	7,615
Accrued income receivable	939	962
Cash surrender value	1,964	757
Other assets	2,223	775
	$152,536	$135,621
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 16,128	$ 15,254
Time, $100,000 or more	31,624	28,776
Interest-bearing	67,626	69,208
TOTAL DEPOSITS	115,378	113,238
Interest payable	248	352
Borrowed funds	14,695	7,832
Trust preferred securities	7,000	-
Other liabilities	485	208
TOTAL LIABILITIES	137,806	121,630
SUBORDINATED DEBENTURES		-
SHAREHOLDERS' EQUITY:		
Common stock, $1 par value. Authorized 10,000,000 shares; 1,165,165 and 1,155,412 shares issued and outstanding at September 30, 2002 and December 31, 2001, respectively.	1,165	1,155

Preferred stock, par value $1 per share, 10,000,000 shares authorized; no shares issued and outstanding	-	-
Additional paid-in capital	12,512	12,412
Retained earnings	876	313
Accumulated other comprehensive income	177	111
TOTAL SHAREHOLDERS' EQUITY	14,730	13,991
	$152,536	$135,621

THE FIRST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF INCOME

($ amounts in thousands except earnings per share)

	(Unaudited) Three Months Ended September 30,		(Unaudited) Nine Months Ended September 30,	
	2002	2001	2002	2001
INTEREST INCOME:				
Loans, including fees	$2,412	$2,139	$6,552	$6,358
Securities:				
Taxable	195	231	614	841
Tax exempt	24	1	40	7
Federal funds sold	13	81	45	239
Other	-	18	45	44
TOTAL INTEREST INCOME	2,644	2,470	7,296	7,489
INTEREST EXPENSE:				
Deposits	675	1,126	2,213	3,628
Other borrowings	253	87	578	265
TOTAL INTEREST EXPENSE	928	1,213	2,791	3,893
NET INTEREST INCOME	1,716	1,257	4,505	3,596
PROVISION FOR LOAN LOSSES	50	99	259	265
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	1,666	1,158	4,246	3,331
OTHER INCOME:				
Service charges on deposit accounts	369	186	980	438
Other service charges, commissions and fees	114	124	270	301
TOTAL OTHER INCOME	483	310	1,250	739
OTHER EXPENSES:				
Salaries and employee benefits	884	640	2,346	1,836
Occupancy and equipment expense	293	189	762	532
Other operating expenses	491	383	1,353	1,068

TOTAL OTHER EXPENSES	1,668	1,212	4,461	3,436
INCOME BEFORE INCOME TAXES	481	256	1,035	634
INCOME TAXES	164	79	355	218
NET INCOME	$ 317	$ 177	$ 680	$ 416
INCOME PER SHARE - BASIC	$ .27	$ .15	$ .58	$ .36
INCOME PER SHARE - ASSUMING DILUTION	$ .26	$ .15	$ .57	$ .35

THE FIRST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ Amounts in Thousands)

	(Unaudited) Nine Months Ended September 30,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	$ 680	$ 416
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	372	335
Provision for loan losses	259	265
(Increase) decrease in accrued interest receivable	(23)	133
Increase (decrease) in interest payable	104	(72)
Other, net	(1,371)	(544)
NET CASH PROVIDED BY OPERATING ACTIVITIES	21	533
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturities and calls of held-to-maturity securities	7	27
Maturities and calls of securities available-for-sale	17,876	17,152
Purchases of securities available-for-sale	(18,196)	(22,965)
Net increase in loans	(12,579)	(10,326)
Purchases of premises and equipment	(803)	(505)
Increase in cash surrender value	(1,207)	-
NET CASH USED BY INVESTING ACTIVITIES	(14,902)	(16,617)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in deposits	2,140	17,420
Increase in trust preferred securities	7,000	-
Dividends paid on common stock	(117)	-
Exercise of stock options	110	-
Net increase in borrowed funds	6,863	530
NET CASH PROVIDED BY FINANCING ACTIVITIES	15,996	17,950

NET INCREASE IN CASH	1,115	1,866
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,334	6,906
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 10,449	$ 8,772
CASH PAYMENTS FOR INTEREST	$ 2,895	$ 3,965
CASH PAYMENTS FOR INCOME TAXES	267	125

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2002, are not necessarily indicative of the results that may be expected for the year ended December 31, 2002. For further information, please refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-KSB for the year ended December 31, 2001.

NOTE B -- SUMMARY OF ORGANIZATION

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

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

The Hattiesburg and Laurel Banks are wholly-owned subsidiaries of the Company. The Company's strategy is for the Hattiesburg Bank and the Laurel Bank to operate on a decentralized basis, emphasizing each Bank's local board of directors and management and their knowledge of their local community. Each Bank's local board of directors acts to promote its Bank and introduce prospective customers. The Company believes that this autonomy allows each Bank to generate high-yielding loans and to attract and retain core deposits.

The Hattiesburg Bank and the Laurel Bank engage in general commercial banking business, emphasizing in its marketing the Bank's local management and ownership. The Banks offer a full range of banking services designed to meet the basic financial needs of its customers. These services include checking accounts, NOW accounts, money market deposit accounts, savings accounts, certificates of deposit, and individual retirement accounts. The Banks also offer short to medium-term commercial, mortgage, and personal loans. At September 30, 2002, the Company had approximately $152.5 million in consolidated assets, $101.9 million in consolidated loans, $115.3 million in consolidated deposits, and $14.7 million in consolidated shareholders' equity. For the nine months ended September 30, 2002, the Company reported a consolidated net income of $680,000. For the same period, the Laurel Bank reported net income of $151,000, and the Hattiesburg Bank net income of $655,000.

The Company declared and paid its first dividend since inception of $.10 per common share during the first quarter of 2002.

NOTE C -- EARNINGS PER COMMON SHARE

Basic per share data is calculated based on the weighted-average number of common shares outstanding during the reporting period. Diluted per share data includes any dilution from potential common stock outstanding, such as exercise of stock options.

	For the Three Months Ended September 30, 2002		
	Net Income (Numerator)	Shares (Denominator)	Per Share Data
Basic per share	$317,000	1,165,165	$ .27
Effect of dilutive shares:			
Stock options	-	35,145	
Diluted per share	$317,000	1,200,310	$ .26

	For the Nine Months Ended September 30, 2002		
	Net Income (Numerator)	Shares (Denominator)	Per Share Data
Basic per share	$680,000	1,165,165	$ .58
Effect of dilutive shares:			
Stock options	-	35,137	
Diluted per share	$680,000	1,200,302	$ .57

	For the Three Months Ended September 30, 2001		
	Net Income (Numerator)	Shares (Denominator)	Per Share Data
Basic per share	$177,000	1,152,878	$ .15
Effect of dilutive shares:			
Stock options	-	23,333	
Diluted per share	$177,000	1,176,211	$ .15

	For the Nine Months Ended September 30, 2001		
	Net Income (Numerator)	Shares (Denominator)	Per Share Data
Basic per share	$416,000	1,152,878	$ .36
Effect of dilutive shares:			
Stock options		23,333	
Diluted per share	$416,000	1,176,211	$ .35

ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

The following discussion contains "forward-looking statements" relating to, without limitation, future economic performance, plans and objectives of management for future operations, and projections of revenues and other financial items that are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. The words "expect," "estimate," "anticipate," and "believe," as well as similar expressions, are intended to identify forward-looking statements. The Company's actual results may differ materially from the results discussed in the forward-looking statements, and the Company's operating performance each quarter is subject to various risks and uncertainties related to the banking industry.

The Hattiesburg Bank completed its first full year of operations in 1997 and has grown substantially since opening on August 5, 1996. The Laurel Bank has been in operation since January 19, 1999. Comparisons of the Company's results for the periods presented should be made with an understanding of the subsidiary Banks' short histories.

The subsidiary Banks represent the primary assets of the Company. The Hattiesburg Bank reported total assets of $102.8 million at September 30, 2002, compared to $87.1 million at December 31, 2001. Loans increased $10.1 million, or 16.2%, during the first nine months of 2002. Deposits at September 30, 2002, totaled $81.2 million compared to

$74.6 million at December 31, 2001. For the nine month period ended September 30, 2002, the Hattiesburg Bank reported net income of $655,000, compared to $424,000 for the nine months ended September 30, 2001. At September 30, 2002, the Laurel Bank had total assets of $48.1, compared $47.8 million at December 31, 2001, total loans of $30.8 million, compared to $29.0 million at December 31, 2001, and total deposits of $39.7, compared to $40.0 million at December 31, 2001. For the nine month period ended September 30, 2002, the Laurel Bank reported net income from operations of $151,000, compared to $91,000 for the nine months ended September 30, 2001.

NONPERFORMING ASSETS AND RISK ELEMENTS. Diversification within the loan portfolio is an important means of reducing inherent lending risks. At September 30, 2002, the subsidiary Banks had no concentrations of ten percent or more of total loans in any single industry nor any geographical area outside their immediate market areas.

At September 30, 2002, the subsidiary banks had loans past due as follows:

	($ In Thousands)
Past due 30 through 89 days	$1,291
Past due 90 days or more and still accruing	135

The accrual of interest is discontinued on loans which become ninety days past due (principal and/or interest), unless the loans are adequately secured and in the process of collection. Nonaccrual loans totaled $231,000 at September 30, 2002. Any other real estate owned is carried at fair value, determined by an appraisal. Other real estate owned totaled $146,000 at September 30, 2002. A loan is classified as a restructured loan when the interest rate is materially reduced or the term is extended beyond the original maturity date because of the inability of the borrower to service the debt under the original terms. The subsidiary Banks had no restructured loans at September 30, 2002.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is adequate with cash and cash equivalents of $10.4 million as of September 30, 2002. In addition, loans and investment securities repricing or maturing within one year or less exceed $36.4 million at September 30, 2002. Approximately $11.1 million in loan commitments are expected to be funded within the next six months and other commitments, primarily standby letters of credit, totaled $328,000 at September 30, 2002.

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

Total consolidated equity capital at September 30, 2002, is $14.7 million, or approximately 9.7% of total assets. The Hattiesburg Bank and Laurel Bank currently have adequate capital positions to meet the minimum capital requirements for all regulatory agencies. Their capital ratios as of September 30, 2002, are as follows:

	Hattiesburg Bank	Laurel Bank

Tier 1 leverage	9.4%	10.3%
Tier 1 risk-based	11.9%	13.1%
Total risk-based	12.9%	14.2%

On March 26, 2002, The First Bancshares Statutory Trust 1 (the Trust), a wholly-owned subsidiary trust of the Company, issued $7,000,000 of redeemable cumulative trust preferred securities. The Trust used the funds to acquire floating rate subordinated debentures from the Company. The debentures had an initial interest rate of 5.59% which was adjusted at June 26, 2002, to the 3-month LIBOR plus 3.60%. The debentures have a maturity of 30 years. These debentures qualify as Tier 1 capital up to 25% of other components of Tier 1 capital.

RESULTS OF OPERATIONS

The Company had a consolidated net income of $680,000 for the nine months ended September 30, 2002, compared with consolidated net income of $416,000 for the same period last year.

Interest income and interest expense both declined in 2002 when compared to 2001 reflecting the declining interest rate market. Net interest income for the first nine months ended September 30, 2002, increased to $4.5 million from $3.6 million for the first nine months ended September 30, 2001, or an increase of 25.3%. Earning assets through September 30, 2002, increased $12.2 million and interest-bearing liabilities also increased $13.5 million compared to September 30, 2001, reflecting increases of 9.9% and 12.6%, respectively. The subsidiary banks are slightly negatively gapped, which means interest-bearing liabilities reprice more frequently than interest-bearing assets.

Noninterest income for the nine months ended September 30, 2002, was $1.2 million, compared to $739,000 for the same period in 2001, reflecting an increase of $511,000, or 69.1%. Included in noninterest income is service charges on deposit accounts, which for the nine months ended September 30, 2002, totaled $980,000, compared to $438,000 for the same period in 2001, and is a reflection of the continuing growth of the deposit base, as well as improvement in the fee pricing structure.

The provision for loan losses was $259,000 in the first nine months of 2002 compared to $265,000 in the first nine months of 2001. The allowance for loan losses of $1.2 million at September 30, 2002 (approximately 1.1% of loans) is considered by management to be adequate to cover losses inherent in the loan portfolio. The level of this allowance is dependent upon a number of factors, including the total amount of past due loans, general economic conditions, and management's assessment of potential losses. This evaluation is inherently subjective as it requires estimates that are susceptible to significant change. Ultimately, losses may vary from current estimates and future additions to the allowance may be necessary. Thus, there can be no assurance that charge-offs in future periods will not exceed the allowance for loan losses or that additional increases in the loan loss allowance will not be required. Management evaluates the adequacy of the allowance for loan losses quarterly and makes provisions for loan losses based on this evaluation.

Other expenses increased by $1.0 million, or 29.8%, for the nine months ended September 30, 2002, when compared with the same period in 2001. This increase is primarily due to the continued growth of the two financial institutions and the related services being offered.

ITEM 3. - CONTROLS AND PROCEDURES

Within 90 days prior to the filing of this report, an evaluation under the direction of the Company's Chief Executive Officer and Principal Accounting Officer was performed to determine the effectiveness of the Company's disclosure controls and procedures. These controls and procedures were found to be adequate.

There were no significant changes in the Company's internal controls or other factors subsequent to the date of the evaluation that could significantly affect these controls.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

b) The Company did not file any reports on Form 8-K during the quarter ended September 30, 2002.

SIGNATURES

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

THE FIRST BANCSHARES, INC.

(Registrant)

November 8, 2002	/S/ DAVID E. JOHNSON
(Date)	David E. Johnson, President and Chief Executive Officer
November 8, 2002	/S/ DAVID O. THOMS, JR.

_______________________________ _______________________________

(Date) David O. Thoms, Jr., Senior
Vice President and Principal
Accounting and Financial Officer

CERTIFICATIONS

CERTIFICATIONS PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, David E. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of The First Bancshares, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 8, 2002	/S/ DAVID E. JOHNSON
(Date)	David E. Johnson, President and Chief Executive Officer

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CERTIFICATIONS PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, David O. Thoms, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of The First Bancshares, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 8, 2002	/S/ DAVID O. THOMS, JR.
(Date)	David O. Thoms, Jr., Senior Vice President and Principal Accounting and Financial Officer

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with The First Bancshares, Inc. (the "Company") Quarterly Report on Form 10-QSB for the period ending September 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report") I, David E. Johnson, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2002

By: /S/ DAVID E. JOHNSON
David E. Johnson, President and Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with The First Bancshares, Inc. (the "Company") Quarterly Report on Form 10-QSB for the period ending September 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report") I, David O. Thoms, Jr., certify pursuant to 18 U.S.C. Section

1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2002

By: /S/ DAVID O. THOMS, JR.

David O. Thoms, Jr., Senior Vice President and Principal Accounting and Financial Officer

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EXHIBIT 23.1

We have issued our report dated January 28, 2002, accompanying the consolidated financial stateme
Bancshares, Inc. incorporated by reference in the Annual Report of The First Bancshares, Inc. on
year ended December 31, 2001. We hereby consent to the incorporation by reference of said report
Registration Statement on Form S-2.

/s/ T. E. Lott & Company

T.E. Lott & Company
Columbus, Mississippi
January 29, 2003

EXHIBIT 99

The First Bancshares, Inc.
Stock Order Form/Subscription Agreement

TO: David E. Johnson
President and Chief Executive Officer
The First Bancshares, Inc. .
P.O. Box 15549
Hattiesburg, Mississippi 39404-5549

Gentlemen:

You have informed me that The First Bancshares, Inc., a Mississippi corporation (the "Company"),
45,000 shares of its Common Stock, par value $1.00 per share (the "Common Stock"), at a price of
payable as provided herein and as described in the offering pursuant to the Prospectus furnished
Subscription Agreement (the "Prospectus").

1. SUBSCRIPTION. Subject to the terms and conditions hereof, the undersigned hereby tenders this
together with payment to "The First Bancshares, Inc.," the amount indicated below (the "Funds"),
payment of $17.50 per share for the number of shares of Common Stock indicated below. The total s
price must be paid at the time the Subscription Agreement is executed.

2. ACCEPTANCE OF SUBSCRIPTION. The Company shall have the right to accept or reject this subscrip whole or in part, for any reason whatsoever. The Company may reduce the number of shares for whic undersigned has subscribed, indicating acceptance of less than all of the shares subscribed on it

3. ACKNOWLEDGMENTS. The undersigned hereby acknowledges that he or she has received a copy of the Prospectus. This Subscription Agreement creates a legally binding obligation and the undersigned bound by the terms of this Agreement.

4. REVOCATION. The undersigned agrees that once this Subscription Agreement is tendered to the Co may not be withdrawn and that this Agreement shall survive the death or disability of the undersi

BY EXECUTING THIS AGREEMENT, THE SUBSCRIBER IS NOT WAIVING ANY RIGHTS HE OR SHE MAY HAVE UNDER FEDERAL SECURITIES LAWS, INCLUDING THE SECURITIES ACT OF 1933 AND THE SECURITIES EXCHANGE ACT OF 1934.

THE SHARES OF COMMON STOCK OFFERED HEREBY ARE NOT SAVINGS ACCOUNTS OR SAVINGS DEPOSITS ACCOUNTS AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY.

Please indicate in the space provided below the exact name or names and address in which the stoc representing shares subscribed for hereunder should registered.

-- --

Number of Shares Subscribed For Name or Names of Subscribers (Please Print)

$
-- --

Total Subscription Price at $17.50 per share (funds must be enclosed)

Please indicate form of ownership desir joint tenants with right of survivorship, ten common, trust corporation, partnership, cus

Date:

-- --

Signature of Subscriber(s)*

-- --

Social Security Number or Federal Taxpayer Identification Number

Signature of Subscriber(s)*

Street (Residence) Address:

City, State and Zip Code

*When signing as attorney, trustee, administrator, or guardian, please give your full title as su please sign in full corporate name by president or other authorized officer. In the case of joint common, each owner must sign.

TO BE COMPLETED BY THE COMPANY:

Accepted as of __________, 2003, as to __________ shares.

THE FIRST BANCSHARES, INC.

By:
Title:

FEDERAL INCOME TAX BACKUP WITHHOLDING

In order to prevent the application of federal income tax backup withholding, each subscriber must provide the Escrow Agent with a correct Taxpayer Identification Number (TIN). An individual s social security number is his or her TIN. The TIN should be provided in the space provided in the Substitute Form W-9, which is set forth below.

Under federal income tax law, any person who is required to furnish his or her correct TIN to another person, and who fails to comply with such requirements, may be subject to a $50 penalty imposed by the IRS.

Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If backup withholding results in an overpayment of taxes, a refund may be obtained from the IRS. Certain taxpayers, including all corporations, are not subject to these backup withholding and reporting requirements.

If the shareholder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future, Applied For should be written in the space provided for the TIN on the Substitute Form W-9.

SUBSTITUTE FORM W-9

Under penalties of perjury, I certify that: (i) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for taxpayer Identification Number to be issued to me), and (ii) I am not subject to backup withholding because: (a) I am exempt from backup withholding; or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends; or (c) the IRS has notified me that I am no longer subject to backup withholding.

You must cross out item (ii) above if you have been notified by the IRS that you are subject to backup withholding because of under reporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (ii).

Each Subscriber should complete this section.

Signature of Subscriber	Signature of Subscriber
Printed Name	Printed Name
Social Security or Employer Identification No.	Social Security or Employer Identification No.

February 11, 2003

Mr. John Saia
Securities and Exchange Commission
Washington, D.C. 20549

Re: The First Bancshares, Inc.
Registration Statement on Form S-2
File No. 333-102908

Dear Mr. Saia:

The First Bancshares, Inc. hereby requests acceleration of the effective date of its Registration
Form S-2 (File No. 333-102908), pursuant to Rule 461, to Thursday, February 13, 2003 at 8:00 a.m.
soon thereafter as practicable.

Sincerely,

/s/ David E. Johnson

David E. Johnson
Agent for Service of Process
The First Bancshares, Inc.