

FIRST BANCSHARES INC /MS/  
Form 10QSB  
November 13, 2006

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

WASHINGTON, D. C. 20549

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**FORM 10-QSB**

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

**FOR THE QUARTERLY PERIOD ENDED: September 30, 2006**

**OR**

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

**COMMISSION FILE NUMBER: 33-94288**

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**THE FIRST BANCSHARES, INC.**

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

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**MISSISSIPPI**  
(STATE OF INCORPORATION)

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

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

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

**39404-5549**  
(ZIP CODE)

**(601) 268-8998**

(ISSUER'S TELEPHONE NUMBER, INCLUDING AREA CODE)

**NONE**

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

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INDICATE BY CHECK MARK WHETHER THE ISSUER: (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES  NO

ON SEPTEMBER 30, 2006, 2,379,630 SHARES OF THE ISSUER S COMMON STOCK, PAR VALUE \$1.00 PER SHARE, WERE OUTSTANDING.

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

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A SHELL COMPANY (AS DEFINED IN RULE 12B-2 OF THE EXCHANGE ACT): YES  NO

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## PART I FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

## THE FIRST BANCSHARES, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(\$ amounts in thousands)	(Unaudited) September 30, 2006	December 31, 2005
<b>ASSETS</b>		
Cash and due from banks	\$ 18,738	\$ 12,144
Interest-bearing deposits with banks	892	959
Federal funds sold	11,543	15,785
<b>Total cash and cash equivalents</b>	<b>31,173</b>	<b>28,888</b>
Securities held-to-maturity, at amortized cost	13	14
Securities available-for-sale, at fair value	61,520	48,543
Other securities	2,367	2,103
Loans held for sale	5,094	3,319
Loans	245,978	196,991
Allowance for loan losses	(2,897)	(2,367)
<b>LOANS, NET</b>	<b>243,081</b>	<b>194,624</b>
Premises and equipment	8,527	8,331
Interest receivable	2,266	1,715
Cash surrender value	5,201	5,054
Other assets	2,522	1,799
	<b>\$ 361,764</b>	<b>\$ 294,390</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>Liabilities:</b>		
<b>Deposits:</b>		
Noninterest-bearing	\$ 62,246	\$ 49,585
Time, \$100,000 or more	58,840	49,876
Interest-bearing	181,115	142,488
<b>TOTAL DEPOSITS</b>	<b>302,201</b>	<b>241,949</b>
Interest payable	872	452
Borrowed funds	26,371	25,465
Subordinated debentures	11,217	7,217
Other liabilities	426	829
<b>TOTAL LIABILITIES</b>	<b>341,087</b>	<b>275,912</b>
<b>SHAREHOLDERS EQUITY:</b>		
Common stock, \$1 par value. Authorized 10,000,000 shares; 2,406,124 issued at September 30, 2006 and 1,213,844 issued at December 31, 2005.	2,406	1,214
Preferred stock, par value \$1 per share, 10,000,000 shares authorized; no shares issued or outstanding		
Treasury stock, at cost, 26,494 shares at September 30, 2006 and December 31, 2005	(464)	(464)
Additional paid-in capital	12,071	13,221
Retained earnings	6,794	4,695
Accumulated other comprehensive income (loss)	(130)	(188)

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TOTAL SHAREHOLDERS EQUITY	20,677	18,478
	\$ 361,764	\$ 294,390

## THE FIRST BANCSHARES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	(Unaudited)		(Unaudited)	
	Three Months Ended September 30,		Nine Months Ended September 30,	
(\$ amounts in thousands except earnings per share)	2006	2005	2006	2005
<b>INTEREST INCOME:</b>				
Loans, including fees	\$ 5,259	\$ 3,783	\$ 14,020	\$ 10,232
<b>Securities:</b>				
Taxable	684	211	1,962	632
Tax exempt	59	46	157	134
Federal funds sold	77	61	332	123
Other				
<b>TOTAL INTEREST INCOME</b>	<b>6,079</b>	<b>4,101</b>	<b>16,471</b>	<b>11,121</b>
<b>INTEREST EXPENSE:</b>				
Deposits	2,145	1,122	4,956	2,750
Other borrowings	237	371	1,242	1,090
<b>TOTAL INTEREST EXPENSE</b>	<b>2,382</b>	<b>1,493</b>	<b>6,198</b>	<b>3,840</b>
<b>NET INTEREST INCOME</b>	<b>3,697</b>	<b>2,608</b>	<b>10,273</b>	<b>7,281</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>289</b>	<b>313</b>	<b>583</b>	<b>750</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>3,408</b>	<b>2,295</b>	<b>9,690</b>	<b>6,531</b>
<b>NONINTEREST INCOME:</b>				
Service charges on deposit accounts	340	295	932	964
Other service charges, commissions and fees	169	73	476	296
Gain on sale of properties			224	
<b>TOTAL NONINTEREST INCOME</b>	<b>509</b>	<b>368</b>	<b>1,632</b>	<b>1,260</b>
<b>NONINTEREST EXPENSES:</b>				
Salaries and employee benefits	1,702	1,221	4,640	3,519
Occupancy and equipment expense	517	298	1,139	806
Other operating expenses	645	536	2,054	1,567
<b>TOTAL NONINTEREST EXPENSES</b>	<b>2,864</b>	<b>2,055</b>	<b>7,833</b>	<b>5,892</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,053</b>	<b>608</b>	<b>3,489</b>	<b>1,899</b>
<b>INCOME TAXES</b>	<b>322</b>	<b>203</b>	<b>1,010</b>	<b>635</b>
<b>NET INCOME</b>	<b>\$ 731</b>	<b>\$ 405</b>	<b>\$ 2,479</b>	<b>\$ 1,264</b>
<b>EARNINGS PER SHARE - BASIC</b>	<b>\$ .31</b>	<b>\$ .17</b>	<b>\$ 1.05</b>	<b>\$ .53</b>
<b>EARNINGS PER SHARE - ASSUMING DILUTION</b>	<b>\$ .29</b>	<b>\$ .16</b>	<b>\$ .98</b>	<b>\$ .51</b>
<b>DIVIDENDS PER SHARE</b>	<b>\$</b>	<b>\$</b>	<b>\$ .16</b>	<b>\$ .10</b>

## THE FIRST BANCSHARES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Compre- hensive Income	Treasury Stock	Total
Balance, January 1, 2005	1,195	\$ 12,986	\$ 3,019	\$ 4	\$ (464)	\$ 16,740
Net earnings			1,264			1,264
Net change in unrealized gain (loss) on available- for-sale securities, net of tax				(55)		(55)
Exercise of stock options	19	235				254
Cash dividend declared, \$.20 per share			(234)			(234)
Balance, September 30, 2005	1,214	\$ 13,221	\$ 4,049	\$ (51)	\$ (464)	\$ 17,969
Balance, January 1, 2006	1,214	\$ 13,221	\$ 4,695	\$ (188)	\$ (464)	\$ 18,478
Net earnings			2,479			2,479
2 for 1 stock split	1,188	(1,188)				
Net change in unrealized gain (loss) on available- for-sale securities, net of tax				58		58
2005 options granted		8				8
Exercise of stock Options	4	30				34
Cash dividend declared, \$.32 per share			(380)			(380)
Balance, September 30, 2006	2,406	\$ 12,071	\$ 6,794	\$ (130)	\$ (464)	\$ 20,677

The accompanying notes are an integral part of these statements.

## THE FIRST BANCSHARES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Unaudited)	
	Nine Months Ended September 30,	
(\$ Amounts in Thousands)	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
NET INCOME	\$ 2,479	\$ 1,264
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	426	420
Loss on disposal of assets		61
Provision for loan losses	583	750
Changes in:		
Interest receivable	(551)	(463)
Loans held-for-sale	(1,775)	(1,113)
Cash surrender value	(147)	(1,686)
Interest payable	420	249
Other, net	(1,126)	(372)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>309</b>	<b>(890)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Maturities and calls of securities available for sale	20,136	7,230
Maturities and calls of securities held-to- maturity		
Purchases of securities available-for-sale	(33,318)	