

First Bancshares, Inc.

Bank Holding Company



Credit
Rating
Agency

Financial Institutions
September 2, 2025
A NRSRO Rating*

First Bancshares
LT
HR BBB+ (G)
Stable Outlook



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Information Disclosure Form

Rule 17g-7

The Rating Action Commentary (RAC) associated with this disclosure form is an integral part of the form.

1. Symbol, Number, or Score in the Rating Scale used by HR Ratings as required by Paragraph (a)(1)(ii)(A) of Rule 17g-7:

Entity/Instrument	Rating Action	Rating Type	Rating Code
First Bancshares LT	Assigned	Long Term Rating	HR BBB+ (G) / Stable Outlook

2. Version of the Procedure or Methodology used to determine the credit rating as required by Paragraph (a)(1)(ii)(B) of Rule 17g-7:

The rating assigned by HR Ratings to the entity is based in accordance with the following methodologies established by the rating agency:

- U.S. Banks & Bank Holding Companies Methodology, June 2025

https://www.hrratings.com/html/Methodology/Instituciones%20Financieras/20250625/US_Banks_Bank_Holding_Companies_Methodology.html



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3. Main assumptions and principles used in constructing the procedures and methodologies to determine the credit rating as required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

HR Ratings' methodology allows the assignment of a credit rating that represents the ability of banking institutions established within the United States to cover their debt obligations in a timely manner, including their customers' deposits. This methodology considers the regulatory requirements applicable to banking institutions within the United States which may vary depending on the size of the banks as measured by the total assets they hold, the extent and complexity of their business models, their participation in non-banking activities, holding a federal charter versus holding a state charter, amongst other characteristics. Additionally, a section is established where the process used by HR Ratings to assign a credit rating to bank holding companies (BHC) is exposed.

The rating process is mainly based on a quantitative analysis grounded on an understanding of the bank's assets, considering trends, composition and concentration. Liabilities are also analyzed in terms of the bank's access to various sources of funding and liquidity, considering the composition of liabilities and the concentration of the main depositors. The currency and interest rate risk to which the bank is exposed, as well as its available hedging tools, are also considered. The effects of these concepts are studied using three main categories found in the financial model: (i) profitability and operational efficiency, (ii) solvency and capitalization, and (iii) liquidity. The standard rating process considers two years of historical information and the projection for the next eight quarters of a series of financial metrics in a Base Scenario and in a Stress Scenario. However, modified timeframes of analysis are available for recently established institutions that cannot yet comply with this requirement. The result of this quantitative analysis can be modified by the addition or subtraction of qualitative notches following the concepts established in this methodology to arrive at a credit rating.

HR Ratings may assign qualitative adjustments to the rating, in either direction, for factor that cannot be fully incorporated into the model, for example: (i) support from the authorities if the failure of the bank could imply a risk for the financial market where it operates, (ii) when the bank's historical information may not be representative of its future operation, and (iii) when the strength or weakness of an asset, liability, or any other quantitative factor cannot be fully incorporated into the financial model.

The credit rating process for bank holding companies (BHC) begins with determining their main subsidiaries. Usually, a bank is identified as the main axis of the group. However, on some occasions it could be determined that a set of banking and/or nonbanking institutions represent the basis for the group's rating. The analysis will take the credit rating of the main subsidiary as a starting point or, where applicable, the weighted average of the main subsidiaries. From this point, the credit rating of the BHC will usually be downgraded to one level below the credit rating for the main subsidiary based on the following concepts:

- The structural weakness of the BHC's debt instruments is based on the subordination that they present against the obligations of the main subsidiaries. A BHC's debt instruments usually have an implied structural subordination in relation to the debt instruments of its main banking subsidiary even though they might both be established at the senior level. This specific type of subordination comes from the BHC's reliance on the bank's dividend distributions as its main source of income for its debt payments. Since dividend distributions are a lower priority against other types of claims



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or distributions could be stopped in case of capital degradation, the banking subsidiary may withhold distributions under specific circumstances which would in turn pressure the BHC's capacity to maintain its debt obligation payments.

- The regulatory importance of maintaining the safety of a bank's customer deposits could imply the presence of external support for a banking subsidiary which would not be extended for the BHC's position. Furthermore, a supervisory institution could exhort the banking subsidiary to take actions which would have a direct negative impact on the BHC's debt payment capacity. For example, the previously mentioned stoppage on dividend distribution as a measure against capital degradation.

The impact of the previous concepts could be diminished for certain BHC's who ensure the safety of their own positions through credit enhancements like cross-default clauses between their instruments and the banking subsidiary's funding sources. However, the existence of regulatory constraints and the focus of maintaining a bank's operation over funding a BHC's obligations make it so that the one notch negative difference may be maintained for most cases. Alternatively, the following conditions could increase the negative notching for the BHC's credit rating:

- The BHC's use of double leverage could increase its risk position as it increases its dependence on the dividend distributions from its operating subsidiaries for its debt repayment.
- A BHC must show prudent liquidity management to comply with its required short-term obligations. This includes contingency planning and the proper tracking of any mismatches between the timing of sources of funding and its payment schedule. Where potential funding mismatches or tight liquidity positions are found in the BHC's funding planning process an additional negative notching could be applied to the credit rating.
- While the basis for a BHC's credit rating will be the credit rating derived from its main subsidiary, any worrying trend found within the BHC's financial statements, either in its consolidated or unconsolidated financial statements, could lead to an additional negative notching for the BHC's rating. For example, the leverage ratio of the BHC being at a particularly high level or showing a constant upward trend. An incoming exceptional financial expense that could pressure the institution's liquidity position like a financial penalty for participating in non-banking activities other than those specified under Regulation Y.

4. Potential limitations of the credit rating as required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- HR Ratings does not validate, guarantee or certify the accuracy, correctness or completeness of any information and is not responsible for any errors or omissions or for results obtained from the use of such information.
- Ratings and/or opinions assigned by HR Ratings are based on an analysis of the creditworthiness of an entity, issue or issuer, and do not necessarily imply a statistical likelihood of default.
- The credit ratings do not opine on the liquidity of the issuer's securities or stock.
- The credit ratings do not consider the possible loss severity on an obligation default.



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- The credit ratings are not an opinion of the market value of any issuer's securities or stock, or the possibility that this value suffers a deterioration.

5. Information on the uncertainty of the credit rating as required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

The Analysis Committee noted no material limitations on the reliability, accuracy and quality on the data relied on in determining the credit rating.

The Analysis Committee noted no lack of information on the scope of historical data that would have better informed any credit rating listed in this disclosure form.

6. Use of third-party due diligence services as required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

HR Ratings did not use third party due diligence services for the rating.

7. Use of servicer or remittance reports to conduct surveillance of the credit rating as required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

HR Ratings did not use Servicer or Remittance Reports for the rating.

8. Description of types of data about any obligor, issue, security or money market instrument relied upon for determining credit rating as required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

Among the main information used for the rating is:

- Quarter and annual public financial information obtained from regulatory financial data from 1Q21 to 2Q25 obtained from Public Information.
- Annual report for 2024 of the Bank's Holding Company (First Bancshares, Inc) obtained from Public Information.
- Regulatory Reports (FR Y-9C) data from 1Q21 to 2Q25 obtained from Public Information
- BHCPR Report data from 1Q21 to 2Q25 obtained from Public Information

9. Overall assessment of quality of information available and considered in determining credit rating as required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

The quality of the information provided by the entity is considered to be consistent with the quality observed within the asset class.



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10. Information relating to conflicts of interest as required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

This is an unsolicited rating, so HR Ratings did not receive any payment from the Entity for its issue. Unsolicited ratings are issued in accordance with the Agency's current methodologies and follow the same policies and procedures as for the requested ratings as applicable. HR Ratings may withdraw or change this rating at any time, without liability whatsoever. The following information can be found on our website at www.hrratings.com: (i) The internal procedures for the monitoring and surveillance of our ratings and the periodicity with which they are formally updated, (ii) the criteria used by HR Ratings for the withdrawal or suspension of the maintenance of a rating, (iii) the procedure and process of voting on our Analysis Committee, and (iv) the rating scales and their definitions.

11. Explanation or measure of potential volatility to the credit rating as required by Paragraph (a)(1)(ii)(K) of Rule17g-7

1. Factors that are reasonably likely to lead to a change in the credit rating:

- **Bank's CET1.** If the CET1 ratio rises above 14.5%, the weighted average for the period considered in the Credit Rating for the base case scenario and stress case scenario, the rating could be upgraded with Minimum Impact.
- **Bank's Total Risk Based Capitalization Ratio.** If the Total Risk-Based Capital ratio above 15.5%, the weighted average for the period considered in the Credit Rating for the base case scenario and stress case scenario, the rating could be upgraded with Minimum Impact.
- **Bank's Performing loan portfolio over net debt.** If the ratio of performing loan portfolio to net debt rises above 1.25x, the weighted average for the period considered in the Credit Rating for the base and stress case scenarios, the rating could be upgraded with Minimum Impact.
- **Bank's Asset quality.** If the non-accrual loan ratio and the adjusted non-accrual loan ratio rises above 1.26%, the weighted average for the period considered in the Credit Rating for the base and stress case scenario, the rating could be downgraded with Minimum Impact.
- **Bank's Profitability.** If the average ROA falls below 0.26%, the weighted average for the period considered in the Credit Rating for the base and stress case scenario, the rating could be downgraded with Minimum Impact.
- **Holding's asset composition.** Any change in the Bank participation in the Holding's asset composition, can lead to a downgrade with Minimum Impact to Strong Impact.

2. The magnitude of the change that could occur under different market conditions determined by HR Ratings to be relevant to the rating:

- **Weakening in economic activity in the United States, primarily in Indiana and neighboring states.** Economic weakness or a resurgence of recession risk and/or credit market instability often precedes to deflation, market fluctuations, and liquidity risks. This can also result in declining home prices, higher loan delinquencies, and decreased commercial activity. This weakening could result in a moderate negative impact of the credit rating.



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- **Inflation risk.** A surge in Inflation could lead to higher interest rates, which may decrease the value of the Bank's investment securities and increase its expenses (brick and mortar branches). Customers' ability to repay their loans might also be negatively impacted by inflation and rising cost of goods. This could result in a moderate negative impact of the credit rating.

NOTE: The Credit Analysis Committee must convene to review and discuss the changes that could occur under different market conditions. All the ratings issued by HR Ratings must be approved by the Credit Analysis Committee in accordance with the applicable methodology and the information available at the time. However, the magnitude of a potential change in the rating that could reasonably occur as a result of the impact of the factors listed above are characterized by the following summary chart:

Rating change impact	Number of notches
Minimum	(0-1)
Moderate	(2 - 3)
Strong	>3

12. Historical performance and expected probability of default and expected loss in event of default as required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

For the historical performance of each rating listed in the disclosure form, click on the link in the ratings table presented on the first page.

Our credit ratings need to be understood as rankings of the relative creditworthiness of different entities or credits. Creditworthiness takes into consideration both the ability and willingness to meet debt obligations in the manner prescribed in the relevant documentation. Default refers to the noncompliance of previously agreed obligations.

As our ratings measure relative creditworthiness, they do not necessarily reflect any specific statistical probability of default. However, HR Ratings provides to the market participants the default rate for historical default and loss statistics for the class or subclass of the credit rating. Although the default rate is not the expected probability of default or loss given default, we consider it the ratio that could be interpreted by market participants as such. The default rate for each of the asset classes in which HR Ratings provides ratings and for each rating category is publicly available for each calendar year at: https://www.hrratings.com/regulatory_disclosure/transition_matrix.xhtml

13. Assumptions made by HR Ratings in determining announced credit ratings and examples of how assumptions impact the rating as required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

1. Assumptions made in the ratings process that, without accounting for any other factor, would have the greatest impact on the credit rating if proven false or inaccurate:



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HR Ratings bases its ratings and/or opinions on information obtained from sources that are believed to be accurate and reliable. The assumption is that the information provided is reliable and credible, however, does not validate, guarantee or certify the accuracy, correctness or completeness of any information and is not responsible for any errors or omissions or for results obtained from the use of such information.

- **Bank's Asset quality.** In our base case scenario, we consider that the non-accrual ratio will remain stable with its historical levels, remaining at 0.2% for 4Q26 and 4Q27. Regarding the portfolio composition, 67.0% share of the loan portfolio is comprised of real estate loan as of the 2Q25, which had a non-accrual ratio of 0.2%.
- **Bank's Performing loan portfolio over net debt.** We expect the relation between the performing loan portfolio and the net debt to remain stable at a level of 1.1x over the next three years, in line with the Bank's indicator over 2022, 2023 and 2024.
- **Bank's Profitability.** Our base case estimate of the ROA is 1.5% as of the 4Q27. We expect the rate spread, efficiency ratio and the adjusted MIN to remain in line with its historical levels, the latter, thus, supports the expected average ROA result.
- **Bank's CET1 Ratio.** We expect the CET1 Ratio to gradually increase as the Bank generates net income. We estimate the base case scenario CET1 Ratio to be 13.2% by the end of 2027.
- **Bank's Total Based-Risk Capital Ratio.** We expect the Total Based-Risk Capital Ratio to gradually increase as the Bank generates net income. We estimate the base case scenario Total Based-Risk Capital Ratio to be 14.4% by the end of 2027.
- **Holding Asset Composition.** The Bank assets represent 99.9% of the Holding's positions and 99.2% of the adjusted net income margin as of 2024. We expect the Holding's asset composition to remain stable.

2. Analysis, using specific examples, of how each of the assumptions identified in the preceding paragraph impacts the credit rating:

- **Bank's Asset quality.** If the non-accrual loan ratio and the adjusted non-accrual loan ratio rises above 1.26%, the weighted average for the period considered in the Credit Rating for the base and stress case scenario, the rating could be downgraded.
- **Bank's Performing loan portfolio over net debt.** If the ratio of performing loan portfolio to net debt rises above 1.25x, the weighted average for the period considered in the Credit Rating for the base and stress case scenarios, the rating could be upgraded.
- **Bank's Profitability.** If the average ROA falls below 0.26%, the weighted average for the period considered in the Credit Rating for the base and stress case scenario, the rating could be downgraded.
- **Bank's CET1.** If the CET1 ratio rises above 14.5%, the weighted average for the period considered in the Credit Rating for the base case scenario and stress case scenario, the rating could be upgraded.
- **Bank's Total Risk Based Capitalization Ratio.** If the Total Risk-Based Capital ratio above 15.5%, the weighted average for the period considered in the Credit Rating for the base case scenario and stress case scenario, the rating could be upgraded.



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- **Holding's asset composition.** Any change in the Bank participation in the Holding's asset composition, can lead to a downgrade.

14. Representations, warranties and enforcement mechanisms available to investors as required by Paragraph (a)(1)(ii)(N) of Rule 17g-7

The reporting of representations, warranties, and enforcement mechanisms does not apply to any of the credit ratings listed in the disclosure form.



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Credit Rating Attestation

I, Roberto Soto, Financial Institutions / ABS Sr. Executive Director have the responsibility for this rating action and, to the best of my knowledge:

- No part of the credit rating was influenced by any other business activities.
- The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated; and
- The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument

Mexico City, September, 2. 2025

/s/ Roberto Soto
Financial Institutions / ABS Sr. Executive Director
HR Ratings de México, S.A. de C.V.



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This is an unsolicited rating, so HR Ratings did not receive any payment from company or person, for its issue. Unsolicited ratings are issued in accordance with the Agency's current methodologies and follow the same policies and procedures as for the requested ratings, as applicable. HR Ratings may withdraw or change this rating at any time, without liability whatsoever. The following information can be found on our website at www.hrratings.com: (i) The internal procedures for the monitoring and surveillance of our ratings and the periodicity with which they are formally updated, (ii) the criteria used by HR Ratings for the withdrawal or suspension of the maintenance of a rating, (iii) the procedure and process of voting on our Analysis Committee, and (iv) the rating scales and their definitions.

The ratings and/or opinions of HR Ratings de México S.A. de C.V. (HR Ratings) are opinions regarding the credit quality and/or the asset management capacity, or relative to the performance of the tasks aimed at the fulfillment of the corporate purpose, by issuing companies and other entities or sectors, and are based on exclusively in the characteristics of the entity, issue and/or operation, regardless of any business activity between HR Ratings and the entity or issuer. The ratings and/or opinions granted are issued on behalf of HR Ratings and not of its management or technical personnel and do not constitute recommendations to buy, sell or maintain any instrument, or to carry out any type of business, investment or operation, and may be subject to updates at any time, in accordance with the rating methodologies of HR Ratings.

HR Ratings bases its ratings and/or opinions on information obtained from sources that are believed to be accurate and reliable. HR Ratings, however, does not validate, guarantee or certify the accuracy, correctness or completeness of any information and is not responsible for any errors or omissions or for results obtained from the use of such information. Most issuers of debt securities rated by HR Ratings have paid a fee for the credit rating based on the amount and type of debt issued. The degree of creditworthiness of an issue or issuer, opinions regarding asset manager quality or ratings related to an entity's performance of its business purpose are subject to change, which can produce a rating upgrade or downgrade, without implying any responsibility for HR Ratings. The ratings issued by HR Ratings are assigned in an ethical manner, in accordance with healthy market practices and in compliance with applicable regulations found on the www.hrratings.com rating agency webpage. HR Ratings' Code of Conduct, rating methodologies, rating criteria and current ratings can also be found on the website.

Ratings and/or opinions assigned by HR Ratings are based on an analysis of the creditworthiness of an entity, issue or issuer, and do not necessarily imply a statistical likelihood of default. HR Ratings defines as the inability or unwillingness to satisfy the contractually stipulated payment terms of an obligation, such that creditors and/or bondholders are forced to take action in order to recover their investment or to restructure the debt due to a situation of stress faced by the debtor. Without disregard to the aforementioned point, in order to validate our ratings, our methodologies consider stress scenarios as a complement to the analysis derived from a base case scenario. The fees HR Ratings receives from issuers generally range from US\$1,000 to \$1,000,000 (one million dollars, legal tender in the United States of America) (or the equivalent in another currency) per offering. In some cases, HR Ratings will rate all or some of a particular issuer's offerings for an annual fee. Annual fees are estimated to vary between \$5,000 and US\$2,000,000 (five thousand to two million dollars, legal tender in the United States of America) (or the equivalent in another currency).

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