

FIRST BANCSHARES, INC.

AUDIT COMMITTEE CHARTER

Objective

The objective of the Audit Committee is to assist the Board of Directors of First Bancshares, Inc. (the “Company”) in fulfilling its fiduciary and oversight responsibilities for the internal and external audit functions; administrative, operating and internal accounting controls; financial reporting process; and process for monitoring compliance with laws, regulations, policies and procedures. The Audit Committee shall give reasonable assurance regarding the quality and integrity of financial and other data provided by the Company.

Authority

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Retain outside counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
- Seek any information it requires from employees – all of whom are directed to cooperate with the Committee’s requests – or external parties.
- Meet with Company officers, external auditors, or outside counsel, as necessary.

Committee Membership

The Audit Committee shall consist of three or more independent members of the Board of Directors. The Board or its nominating committee will appoint Committee members and the Committee chair.

Each Committee member will be both independent and financially literate, as defined by applicable regulations of the Securities and Exchange Commission and the National Association of Securities Dealers, and the Board of Directors. At least one member shall have expertise in accounting or financial reporting, as defined by the National Association of Securities Dealers. In the event no one member meets such definition, the collective expertise of all members will be assessed for meeting the definition.

Members of the Audit Committee will be considered independent if they have no relationship to the Company or the Company’s subsidiary, First Home Savings Bank (the “Bank”), that, in the opinion of the Board, may interfere with the exercise of their independent judgment. Examples of such relationships include, but are not limited to:

- Being employed by the Company or the Bank for the current year or any of the past five years.
- Accepting any compensation from the Company or the Bank other than compensation for services as a Board member.
- Serving or having served in a significant manner in any of the past five years as a consultant, advisor, promoter, or legal counsel of or to the Company or the Bank.

- Being an immediate family member of an individual who is, or has been in any of the past five years, employed as an officer of the Company or the Bank.

Meetings

The Audit Committee shall meet at least four times per year, with authority to convene additional meetings as circumstances require. All Committee members are expected to attend each meeting, in person or via tele-conference. The Committee will invite members of the Board, management, auditors, or others to attend meetings and provide pertinent information, as necessary. As part of its job to foster open communication, the Committee should meet at least annually with management, the Director of Internal Audit and the external auditors in separate executive sessions to discuss any matters that the Committee or any of these parties believes should be discussed privately. In addition, the Committee or at least its Chair should meet with the external auditors and management quarterly to review the Company's quarterly and annual financial statements. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

Responsibilities

The Audit Committee will carry out the following responsibilities:

Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the Company's annual financial statements and any financial statements submitted to the public, including any certification, report, opinion or review rendered by the external auditors.
- Review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.
- Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement.
- Review with financial management and the external auditors the financial statements, including disclosures made in Management's Discussion and Analysis of Financial Condition and Results of Operations, in the Company's reports on Forms 10-QSB and 10-KSB and annual report to stockholders prior to the filing of the report or prior to the release of earnings. The Committee shall recommend to the Board whether or not the audited financial statements should be included in the Company's Form 10-KSB.
- Review disclosures made by the Company's chief executive officer and chief financial officer regarding compliance with their certification obligations as required under the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, including the Company's disclosure controls and procedures and internal control over financial reporting and evaluations thereof.

Internal Control

- Ensure that management has established and maintains an adequate system of internal controls and performs risk assessments of each significant function.
- Consider the effectiveness of the company's internal control over annual and interim financial reporting, including information technology security and control.
- Evaluate security for computer systems, facilities, and back-up systems.
- Understand the scope of internal and external auditors' reviews of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Review with management and the Director of Internal Audit the charter, Audit Policy, risk assessment, audit plan, audit schedule, activities, staffing, and organizational structure of the internal audit function at least annually.
- Review Audit Reports submitted by the Director of Internal Audit at least quarterly, evaluate management's response to audit findings, and ascertain that appropriate implementation of significant recommendations is undertaken.
- As necessary, meet separately with the Director of Internal Audit to discuss any matters that the Committee or internal audit believes should be discussed privately.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Director of Internal Audit, who is ultimately accountable to the Committee and the Board.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.

External Audit

- Be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report, or performing other audit, review or attest services for the Company, and each such registered accounting firm shall report directly to the Audit Committee.
- Review the external auditors' annual engagement letter, including proposed audit scope and approach, coordination of audit effort with internal audit, and estimated fees as proposed.
- Pre-approve all audit engagement fees and terms and all non-audit engagements with the external auditors. The Committee may delegate authority to pre-approve non-audit services to one or more members of the Committee, provided that the delegatee must present all approved non-audit services to the Committee at its next meeting.
- Ensure the external auditors' ultimate accountability to the Audit Committee and the Board of Directors, as representatives of the stockholders, receiving reports directly from the auditors.

- Ensure receipt from the external auditors of a formal written statement delineating all relationships between the auditors and the Company, consistent with Independence Standards Board Standard 1. On an annual basis, review and discuss with the auditors any such relationships to determine the auditors' independence and objectivity. The Committee should take, or recommend to the Board that it take, appropriate action to oversee the independence of the auditors.
- Discuss with the external auditors all matters required to be communicated to audit committees in accordance with Statement of Auditing Standards No. 61.
- Review significant accounting policies, significant risks and exposures, audit activities, and audit findings.
- As necessary, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately, such as internal controls and the completeness and accuracy of the Company's financial statements.
- Ensure that the lead audit partner of the external auditors and the concurring audit partner are rotated at least every five years, and that all other audit partners are rotated at least every seven years.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws, regulations, and internal policies and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies and any auditor observations.
- Review the process for communicating the code of conduct to Company personnel and for monitoring compliance therewith.
- Coordinate the investigation of conflicts of interest and unethical conduct.
- On an ongoing basis, review all related party transactions for potential conflict of interest situations. Approve related party transactions when warranted.
- Obtain regular updates from management and/or Company legal counsel regarding compliance matters.

Reporting Responsibilities

- Regularly report the results of audits, findings, related recommendations, and Committee activities to the Board of Directors.
- Provide an independent, direct communication channel between the Board of Directors and the Company's internal auditors, external auditors, and regulators.
- Prepare the Audit Committee Report for inclusion in the Company's annual proxy statement, consulting with the Company's legal counsel, if necessary.
- Review any other reports the Company issues that relate to Committee responsibilities.

Other Responsibilities

- Review (and in the case of the external auditors, settle) any disagreement among management and the external auditors or the internal auditors in connection with the preparation of financial statements.
- Establish procedures that allow employees of the Company or any of its subsidiaries to submit confidential and anonymous concerns regarding questionable accounting or auditing matters.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.
- Ensure policies in place are reasonably designed to achieve disclosure and clarity regarding the Company's true financial performance and business strategy.
- Perform other activities related to this Charter as requested by the Board of Directors.
- Institute and oversee special investigations, examinations, or reviews as the Committee deems advisable to ensure the adequacy of the systems of internal controls and accounting practices.
- Review and assess the adequacy of this Charter annually, requesting Board approval for proposed changes.
- Determine the appropriate funding for payment of (i) compensation to the external auditors, (ii) compensation to any advisers employed by the Committee and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the Committee's and individual members' performance on a regular basis.

Limitations of the Audit Committee's Roles

While the Committee has the responsibilities and powers set forth in this Audit Committee Charter, it is not the duty of the Committee to prepare financial statements, plan or conduct audits, or determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the external auditors.