



## FOR IMMEDIATE RELEASE

### **Morris State Bancshares Announces Quarterly Earnings, Declares Second Quarter Dividend and Announces new Chairman and Lead Director**

DUBLIN, GA. (April 28, 2022) – Morris State Bancshares, Inc. (OTCQX: MBLU) (the “Company”), the parent of Morris Bank, today announced net income of \$5.2 million for the quarter ending March 31, 2022. This level was in line with the first quarter of 2021’s net income of \$5.2 million and below record-level net income of \$7.1 million in the fourth quarter of 2021. Tangible book value of the company grew to \$66.98 on March 31, 2022, from \$56.77, or 15.24%, from the March 31, 2021, and from \$64.77 or 3.41% from December 31, 2021.

#### 1<sup>st</sup> Quarter 2022 Highlights:

- Returned 1.74% on average assets and 14.87% percent on average tangible common equity
- Annualized loan growth of 16.76%, or \$38.3 million, during the quarter (excluding PPP)
- Continued strong asset quality, with a net recovery realized in the first 3 months of 2022
- Annualized core deposit growth of 14.72%, or \$38.6 million, during the quarter
- Appointment of CEO and President, Spence Mullis to serve as Chairman of the Board
- Appointment of Leonard Blount as Lead Director

“I’m very pleased to report a solid start to 2022. The team followed the record 4<sup>th</sup> quarter of 2021 with a very solid first quarter in 2022. We generated symmetrical balance sheet growth with organic, non-PPP loans and core deposits each increasing over \$38 million during the quarter. These core items significantly outpaced our overall asset growth of \$27.6 million, or 2% from year-end 2021. Although confronted with headwinds of the tight labor market and slower mortgage fee revenue, we are poised to offset those with, solid organic loan growth in our Middle and Southeast Georgia markets. We remain optimistic that our team will continue to execute our strategy to generate solid profits the remainder of the year.”

#### Lower sequential net income was due to 3 key factors including:

- the recording of income tax expense of \$547 thousand during 2022Q1 versus no income tax expense in the 2021Q4 at the company continued its use of tax credits
- lower overall net interest income, including mortgage fees of \$13.6 million during 2022Q1 versus \$14.0 million in 2021Q4
- 5% higher salaries and benefit costs totaling \$5.1 million in 2022Q1 versus \$4.8 million in 2021Q4

The Company's total shareholders' equity increased 16.8% year-over-year to \$153 million as of March 31, 2021, and up 3% or \$5 million from December 31, 2021. During the quarter, management made the decision to move our entire securities portfolio from available for sale to held to maturity effective January 1, 2022. This change eliminated the volatility in tangible book value that would occur due to changes in accumulated other comprehensive income (AOCI) in equity as bond yields increased significantly during the quarter and are projected to increase further as the Fed continues raising rates. With the bank's core liquidity levels and robust contingent funding plans in place, management was able to make this decision to eliminate the "noise" from the numbers on a go-forward basis as it relates to tangible book value, which ended the quarter at \$66.98.

On April 20, 2022, the board of directors approved a second quarter dividend of \$0.44 per share payable on or about June 15, 2022, to all shareholders of record as of May 15, 2022. During said meeting, the board also elected Spence Mullis to serve as Chairman of the Board. Mullis started with the bank 20 years ago and initially served as a community and commercial lender and CFO. He became President in 2005 and CEO in 2006. The board also elected Leonard Blount as Lead Independent Director. Blount became a part of Morris Bank in 2019 when Morris purchased Farmers and Merchants Bank (FMB) in Statesboro, Georgia. Prior to the merger, Blount served 27 years on the FMB board of directors. Since the merger with Morris, Blount has served as a member of the bank's board of directors, Chair of the Audit Committee and a Bulloch Advisory Board member. He is owner and principal of Blount Property Group, a retail and commercial investment company. He is also a founder of Capstone Benefits Consulting, a firm specializing in employee benefit solutions throughout the Southeast.

"It has been an absolute honor and pleasure to have worked with such a great team of bankers at Morris Bank for the past 20 years. We've worked hard to grow the bank from less than \$150 million in total assets to now over \$1.4 billion serving customers throughout Middle and Southeast Georgia," said Mullis. "I'm honored and humbled beyond measure that our board has entrusted me to serve as Chairman. Furthermore, I'm excited we have a Lead Independent Director that is of the caliber of Leonard Blount. His over 30 years of community banking experience will continue to augment our other great board members' and team members' passion to deliver best-in-class products and services to our customers in the years to come, driving great value for our shareholders, team members, and communities."

## **Forward-looking Statements**

Certain statements contained in this release may not be based on historical facts and are forward-looking statements. These forward-looking statements may be identified by their reference to a future period or periods or by the use of forward-looking terminology such as "anticipate," "believe," "estimate," "expect," "may," "might," "will," "would," "could" or "intend." We caution you not to place undue reliance on the forward-looking statements contained in this news release, in that actual results could differ materially from those indicated in such forward-looking

statements as a result of a variety of factors, including, among others, the business and economic conditions; risks related to the integration of acquired businesses and any future acquisitions; changes in management personnel; interest rate risk; ability to execute on planned expansion and organic growth; credit risk and concentrations associated with the Company's loan portfolio; asset quality and loan charge-offs; inaccuracy of the assumptions and estimates management of the Company makes in establishing reserves for probable loan losses and other estimates; lack of liquidity; impairment of investment securities, goodwill or other intangible assets; the Company's risk management strategies; increased competition; system failures or failures to prevent breaches of our network security; changes in federal tax law or policy; the impact of recent and future legislative and regulatory changes; and increases in capital requirements. We undertake no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date of this news release.

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# MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

## Consolidating Balance Sheet March 31, 2022



	<u>2022</u> <i>(Unaudited)</i>	<u>2021</u> <i>(Unaudited)</i>	<u>Change</u>	<u>% Change</u>
<b><u>ASSETS</u></b>				
Cash and due from banks	\$ 143,422,859	\$ 71,164,883	\$ 72,257,976	101.54%
Federal funds sold	15,664,564	115,957,486	(100,292,922)	-86.49%
Total cash and cash equivalents	<u>159,087,423</u>	<u>187,122,369</u>	<u>(28,034,946)</u>	<u>-14.98%</u>
Interest-bearing time deposits in other banks	350,000	350,000	-	0.00%
Securities available for sale, at fair value	-	245,200,205	(245,200,205)	-100.00%
Securities held to maturity, at cost	267,833,392	12,707,803	255,125,589	2007.63%
Federal Home Loan Bank stock, restricted, at cost	624,300	899,700	(275,400)	(30.61%)
Loans, net of unearned income	957,533,245	851,806,225	105,727,020	12.41%
Less-allowance for loan losses	(12,408,458)	(11,400,979)	(1,007,479)	8.84%
Loans, net	<u>945,124,787</u>	<u>840,405,246</u>	<u>104,719,541</u>	<u>12.46%</u>
Bank premises and equipment, net	14,837,637	15,278,014	(440,377)	-2.88%
ROU assets for operating lease, net	1,158,386	570,961	587,425	102.88%
Goodwill	9,361,704	9,361,770	(66)	0.00%
Intangible assets, net	2,282,410	2,630,331	(347,921)	-13.23%
Other real estate and foreclosed assets	5,106,587	265,542	4,841,045	1823.08%
Accrued interest receivable	4,352,997	4,358,189	(5,192)	-0.12%
Cash surrender value of life insurance	14,065,097	13,708,665	356,432	2.60%
Other assets	14,505,874	6,882,236	7,623,638	110.77%
<b>Total Assets</b>	<u>\$ 1,438,690,594</u>	<u>\$ 1,339,741,031</u>	<u>\$ 98,949,563</u>	<u>7.39%</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>				
Deposits:				
Non-interest bearing	\$ 355,354,700	\$ 305,974,839	\$ 49,379,861	16.14%
Interest bearing	896,502,158	870,266,327	26,235,831	3.01%
	<u>1,251,856,858</u>	<u>1,176,241,166</u>	<u>75,615,692</u>	<u>6.43%</u>
Other borrowed funds	28,770,730	28,696,127	74,603	0.26%
Lease liability for operating lease	1,158,386	570,961	587,425	102.88%
Accrued interest payable	321,188	413,062	(91,874)	-22.24%
Accrued expenses and other liabilities	3,316,942	2,613,863	703,079	26.90%
Total liabilities	<u>1,285,424,104</u>	<u>1,208,535,179</u>	<u>76,888,925</u>	<u>6.36%</u>
Shareholders' Equity:				
Common stock	2,165,730	2,150,798	14,932	0.69%
Paid in capital surplus	40,907,274	39,690,242	1,217,032	3.07%
Retained earnings	103,112,378	82,470,411	20,641,967	25.03%
Current year earnings	5,561,414	5,219,266	342,148	6.56%
Accumulated other comprehensive income (loss)	3,213,238	3,340,332	(127,094)	-3.80%
Treasury Stock, at cost 51,291	(1,693,544)	(1,665,197)	(28,347)	1.70%
Total shareholders' equity	<u>153,266,490</u>	<u>131,205,852</u>	<u>22,060,638</u>	<u>16.81%</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 1,438,690,594</u>	<u>\$ 1,339,741,031</u>	<u>98,949,563</u>	<u>7.39%</u>

# MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

## Consolidating Statement of Income for the Three Months Ended



	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>Change</b>	<b>% Change</b>	<b>March 31, 2021</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>			<i>(Unaudited)</i>
<b>Interest and Dividend Income:</b>					
Interest and fees on loans	\$ 12,708,366	\$ 13,222,192	\$ (513,826)	-3.89%	\$ 13,183,691
Interest income on securities	1,581,771	1,591,250	(9,479)	-0.60%	1,273,895
Income on federal funds sold	4,771	15,365	(10,594)	-68.95%	19,057
Income on time deposits held in other banks	66,520	44,472	22,048	49.58%	27,936
Other interest and dividend income	50,708	50,890	(182)	-0.36%	21,217
Total interest and dividend income	<u>14,412,136</u>	<u>14,924,169</u>	<u>(512,033)</u>	<u>-3.43%</u>	<u>14,525,796</u>
<b>Interest Expense:</b>					
Deposits	462,472	505,251	(42,779)	-8.47%	569,068
Interest on other borrowed funds	391,195	389,776	1,419	0.36%	393,271
Interest on federal funds purchased	--	--	--	--	--
Total interest expense	<u>853,667</u>	<u>895,027</u>	<u>(41,360)</u>	<u>-4.62%</u>	<u>962,339</u>
Net interest income before provision for loan losses	13,558,469	14,029,142	(470,673)	-3.35%	13,563,457
Less-provision for loan losses	375,000	150,000	225,000	150.00%	650,000
Net interest income after provision for loan losses	<u>13,183,469</u>	<u>13,879,142</u>	<u>(695,673)</u>	<u>-5.01%</u>	<u>12,913,457</u>
<b>Noninterest Income:</b>					
Service charges on deposit accounts	569,074	578,480	(9,406)	-1.63%	469,437
Other service charges, commissions and fees	363,780	353,683	10,097	2.85%	375,312
Gain on sales and calls of securities	--	298,025	(298,025)	-100.00%	--
Gain on sale of loans	--	37,683	(37,683)	-100.00%	--
Increase in CSV of life insurance	87,146	88,787	(1,641)	-1.85%	88,222
Other income	41,987	40,686	1,301	3.20%	248,699
Total noninterest income	<u>1,061,987</u>	<u>1,397,344</u>	<u>(335,357)</u>	<u>-24.00%</u>	<u>1,181,670</u>
<b>Noninterest Expense:</b>					
Salaries and employee benefits	5,066,729	4,826,176	240,553	4.98%	4,318,080
Occupancy and equipment expenses, net	532,932	539,247	(6,315)	-1.17%	513,406
Loss (gain) on sales of foreclosed assets and other real estate	--	--	--	--	4,202
Other expenses	2,851,857	2,820,816	31,041	1.10%	2,486,633
Total noninterest expense	<u>8,451,518</u>	<u>8,186,239</u>	<u>265,279</u>	<u>3.24%</u>	<u>7,322,321</u>
<b>Income Before Income Taxes</b>	5,793,938	7,090,247	(1,296,309)	-18.28%	6,772,806
Provision for income taxes	546,734	--	546,734	--	1,553,540
<b>Net Income</b>	<u>\$ 5,247,204</u>	<u>\$ 7,090,247</u>	<u>(1,843,043)</u>	<u>-25.99%</u>	<u>\$ 5,219,266</u>
<b>Earnings per common share:</b>					
Basic	<u>\$ 2.64</u>	<u>\$ 3.38</u>	<u>(0.74)</u>	<u>-21.89%</u>	<u>\$ 2.49</u>
Diluted	<u>\$ 2.64</u>	<u>\$ 3.38</u>	<u>(0.74)</u>	<u>-21.89%</u>	<u>\$ 2.49</u>

# MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

## Selected Financial Information



Dollars in thousand, except per share data	March 31, 2022 (Unaudited)	December 31, 2021 (Unaudited)	March 31, 2021 (Unaudited)
<b>Per Share Data</b>			
Basic Earnings per Common Share	\$ 2.64	\$ 3.38	\$ 2.49
Diluted Earnings per Common Share	2.64	3.38	2.49
Dividends per Common Share	0.44	0.38	0.38
Book Value per Common Share	72.49	70.34	62.48
Tangible Book Value per Common Share	66.98	64.77	56.77
Average Diluted Shares Outstanding	2,108,037	2,102,359	2,094,978
End of Period Common Shares Outstanding	2,114,439	2,107,857	2,099,871
<b>Annualized Performance Ratios (Bank Only)</b>			
Return on Average Assets	1.74%	2.24%	1.81%
Return on Average Equity	14.87%	18.99%	15.25%
Equity/Assets	11.90%	11.85%	11.37%
Yield on Earning Assets	4.18%	4.31%	4.60%
Cost of Funds	0.15%	0.17%	0.25%
Net Interest Margin	4.04%	4.16%	4.37%
Efficiency Ratio	53.50%	51.25%	47.80%
<b>Credit Metrics</b>			
Allowance for Loan Losses to Total Loans	1.30%	1.30%	1.34%
Allowance for Loan Losses to Total Loans*	1.30%	1.31%	1.43%
Adversely Classified Assets to Tier 1 Capital plus Allowance for Loan Losses	8.28%	8.74%	9.20%

\* Excludes PPP Loans