



It Pays to Bank Blue.

FOR IMMEDIATE RELEASE

**Morris State Bancshares Announces Quarterly Earnings
and Declares Third Quarter Dividend**

DUBLIN, GA. (July 27, 2022) – Morris State Bancshares, Inc. (OTCQX: MBLU) (the “Company”), the parent of Morris Bank, today announced net income of \$6.8 million for the quarter ended June 30, 2022, representing an increase of \$1.2 million, or 22.31%, compared to net income of \$5.6 million for the quarter ended March 31, 2022. The company also announced diluted earnings per share of \$3.21 for quarter, representing a 21.59% increase over diluted earnings per share of \$2.64 for prior quarter. Higher quarter over quarter net earnings were driven primarily by increased net interest income and lower non-interest expense. The decline in non-interest expense was driven by a one-time adjustment to health insurance expense during the quarter. At the bank level, the company generated a Return on Average Assets (ROA) of 2.08% during the quarter ending June 30, 2022, versus a 1.74% ROA during the quarter ending March 31, 2022.

“The second quarter was a very solid one for the company. During the quarter, our team generated loan growth of over \$52.3 million, which was an increase of over 5.4% (annualized over 21%) from the quarter ending March 31, 2022. As our loan portfolio grew with only slightly higher deposit costs, we produced net interest income of \$14.1 million, a 3.66% increase over the first quarter’s level of \$13.6 million” said Spence Mullis, CEO and Chairman. “We’re proud of our results in the second quarter, and we’re positioned well for the second half of the year. As the Federal Reserve continues to try and tame inflation through tighter monetary policy, we expect some softening in the broader economy along with higher deposit costs in the coming months. However, our balance sheet is positioned well to perform in this scenario as we are entering the second half of the year with a low-cost deposit mix as well as solid credit metrics.”

The Company’s total shareholders’ equity increased 3.72% to \$159 million as of June 30, 2022, as compared to \$153 million as of March 31, 2022. Tangible book value per share increased to \$69.52 as of June 30, 2022, a 3.79% increase from \$66.98 per share on March 31, 2022. On July 20, 2022, the board of directors approved a third quarter dividend of \$0.44 per share payable on or about September 15th to all shareholders of record as of August 15th.

The bank sold a piece of other real estate during the second quarter and realized a gain of \$305 thousand, which contributed to an overall net gain on sales of other real estate of \$290 thousand during the quarter. Provision for loan losses was \$375 thousand for the quarter ended June 30, 2022, which is in line with the quarter ending March 31, 2022. The bank’s reserve as a percentage of total loans was 1.24% as of June 30, 2022, versus 1.30% as of March 31, 2022.

Asset quality improved during the quarter as the bank's adversely classified coverage ratio improved to 6.82% as of June 30, 2022, versus 8.28% as of March 31, 2022.

"We are very excited about our bank's footprint and future with the recent announcement of several industrial and manufacturing projects in our service areas. Large manufacturing projects were announced in both Houston and Bulloch counties during the second quarter, as well as an electric vehicle manufacturer just to the south of our Bulloch County market, which will be transformational for the whole region," said Mullis. "We look forward to continuing to serve our customers, communities, team members as well as our shareholders with a commitment to enhancing value for each every day."

*In the prior earnings release dated April 28, 2022, net income for the first quarter of 2022 was understated by \$314 thousand. The understatement was related to a gain on sale of other real estate (different from this quarter's aforementioned gain). All other performance ratios, per share data and credit metrics were correct in the April 28, 2022, earnings announcement.

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 June 30, 2022



	<u>June 30,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>	<u>Change</u>	<u>% Change</u>	<u>June 30,</u> <u>2021</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>			<i>(Unaudited)</i>
<u>ASSETS</u>					
Cash and due from banks	\$ 74,271,951	\$ 143,422,859	\$ (69,150,908)	-48.21%	\$ 66,121,775
Federal funds sold	18,873,609	15,664,564	3,209,045	20.49%	87,869,237
Total cash and cash equivalents	<u>93,145,560</u>	<u>159,087,423</u>	<u>(65,941,863)</u>	<u>-41.45%</u>	<u>153,991,012</u>
Interest-bearing time deposits in other banks	350,000	350,000	--	--	350,000
Securities available for sale, at fair value	--	--	--	--	263,891,405
Securities held to maturity, at cost	275,498,923	267,833,392	7,665,531	2.86%	1,682,445
Federal Home Loan Bank stock, restricted, at cost	744,500	624,300	120,200	19.25%	624,200
Loans, net of unearned income	1,009,838,142	957,533,245	52,304,897	5.46%	858,178,798
Less-allowance for loan losses	(12,519,189)	(12,408,458)	(110,731)	0.89%	(12,099,672)
Loans, net	<u>997,318,953</u>	<u>945,124,787</u>	<u>52,194,166</u>	<u>5.52%</u>	<u>846,079,126</u>
Bank premises and equipment, net	14,721,005	14,837,637	(116,632)	-0.79%	15,178,731
ROU assets for operating lease, net	1,061,310	1,158,386	(97,076)	-8.38%	505,635
Goodwill	9,361,704	9,361,704	--	--	9,361,770
Intangible assets, net	2,196,485	2,282,410	(85,925)	-3.76%	2,543,350
Other real estate and foreclosed assets	3,751,184	5,106,587	(1,355,403)	-26.54%	271,389
Accrued interest receivable	4,685,278	4,352,997	332,281	7.63%	4,362,402
Cash surrender value of life insurance	14,153,898	14,065,097	88,801	0.63%	13,798,452
Other assets	14,274,462	14,505,874	(231,412)	-1.60%	10,029,683
Total Assets	<u>\$ 1,431,263,262</u>	<u>\$ 1,438,690,594</u>	<u>\$ (7,427,332)</u>	<u>-0.52%</u>	<u>\$ 1,322,669,600</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>					
Deposits:					
Non-interest bearing	\$ 367,004,039	\$ 355,354,700	\$ 11,649,339	3.28%	\$ 306,244,572
Interest bearing	871,719,946	896,502,158	(24,782,212)	-2.76%	853,411,310
Total deposits	<u>1,238,723,985</u>	<u>1,251,856,858</u>	<u>(13,132,873)</u>	<u>-1.05%</u>	<u>1,159,655,882</u>
Other borrowed funds	28,789,380	28,770,730	18,650	0.06%	28,714,778
Lease liability for operating lease	1,061,310	1,158,386	(97,076)	-8.38%	505,635
Accrued interest payable	106,192	321,188	(214,996)	-66.94%	198,992
Accrued expenses and other liabilities	3,616,439	3,316,942	299,497	9.03%	6,958,927
Total liabilities	<u>1,272,297,306</u>	<u>1,285,424,104</u>	<u>(13,126,798)</u>	<u>-1.02%</u>	<u>1,196,034,214</u>
Shareholders' Equity:					
Common stock	2,171,665	2,165,730	5,935	0.27%	2,151,398
Paid in capital surplus	41,391,867	40,907,274	484,593	1.18%	39,735,842
Retained earnings	101,723,321	103,112,378	(1,389,057)	-1.35%	81,672,346
Current year earnings	12,363,616	5,561,414	6,802,202	122.31%	10,679,804
Accumulated other comprehensive income (loss)	3,009,031	3,213,238	(204,207)	-6.36%	5,061,193
Treasury Stock, at cost 51,291	(1,693,544)	(1,693,544)	--	--	(1,665,197)
Total shareholders' equity	<u>158,965,956</u>	<u>153,266,490</u>	<u>5,699,466</u>	<u>3.72%</u>	<u>137,635,386</u>
Total Liabilities and Shareholders' Equity	<u>\$ 1,431,263,262</u>	<u>\$ 1,438,690,594</u>	<u>(7,427,332)</u>	<u>-0.52%</u>	<u>\$ 1,333,669,600</u>

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Income for the Three Months Ended



	June 30, 2022 <i>(Unaudited)</i>	March 31, 2022 <i>(Unaudited)</i>	Change	% Change	June 30, 2021 <i>(Unaudited)</i>
Interest and Dividend Income:					
Interest and fees on loans	\$ 12,916,106	\$ 12,708,366	\$ 207,740	1.63%	\$ 12,795,036
Interest income on securities	1,809,274	1,581,771	227,503	14.38%	1,449,522
Income on federal funds sold	18,380	4,771	13,609	285.24%	18,769
Income on time deposits held in other banks	145,381	66,520	78,861	118.55%	28,685
Other interest and dividend income	49,189	50,708	(1,519)	-3.00%	53,518
Total interest and dividend income	<u>14,938,330</u>	<u>14,412,136</u>	<u>526,194</u>	<u>3.65%</u>	<u>14,345,530</u>
Interest Expense:					
Deposits	485,077	462,472	22,605	4.89%	626,030
Interest on other borrowed funds	398,866	391,195	7,671	1.96%	387,005
Interest on federal funds purchased	--	--	--	--	--
Total interest expense	<u>883,943</u>	<u>853,667</u>	<u>30,276</u>	<u>3.55%</u>	<u>1,013,035</u>
Net interest income before provision for loan losses	14,054,387	13,558,469	495,918	3.66%	13,332,495
Less-provision for loan losses	375,000	375,000	-	0.00%	750,000
Net interest income after provision for loan losses	<u>13,679,387</u>	<u>13,183,469</u>	<u>495,918</u>	<u>3.76%</u>	<u>12,582,495</u>
Noninterest Income:					
Service charges on deposit accounts	628,174	569,074	59,100	10.39%	418,331
Other service charges, commissions and fees	472,427	363,780	108,647	29.87%	365,636
Gain on sales of foreclosed assets	290,564	314,210	(23,646)	-7.53%	--
Gain on sales and calls of securities	--	--	--	--	--
Gain on sale of loans	--	--	--	--	--
Increase in CSV of life insurance	88,800	87,146	1,654	1.90%	89,787
Other income	7,992	41,987	(33,995)	-80.97%	41,655
Total noninterest income	<u>1,487,957</u>	<u>1,376,197</u>	<u>111,760</u>	<u>8.12%</u>	<u>915,409</u>
Noninterest Expense:					
Salaries and employee benefits	4,516,545	5,066,729	(550,184)	-10.86%	4,449,439
Occupancy and equipment expenses, net	543,815	532,932	10,883	2.04%	573,066
Loss (gain) on sales of foreclosed assets and other real estate	--	--	--	--	(138)
Other expenses	2,883,858	2,851,857	32,001	1.12%	2,467,806
Total noninterest expense	<u>7,944,218</u>	<u>8,451,518</u>	<u>(507,300)</u>	<u>-6.00%</u>	<u>7,490,173</u>
Income Before Income Taxes	7,223,126	6,108,148	1,114,978	18.25%	6,007,731
Provision for income taxes	420,925	546,734	(125,809)	-23.01%	547,193
Net Income	<u>\$ 6,802,201</u>	<u>\$ 5,561,414</u>	<u>1,240,787</u>	<u>22.31%</u>	<u>\$ 5,460,538</u>
Earnings per common share:					
Basic	\$ 3.21	\$ 2.64	0.57	21.59%	\$ 2.60
Diluted	\$ 3.21	\$ 2.64	0.57	21.59%	\$ 2.60

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Selected Financial Information



	June 30, 2022 (Unaudited)	March 31, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Dollars in thousand, except per share data			
Per Share Data			
Basic Earnings per Common Share	\$ 3.21	\$ 2.64	\$ 2.60
Diluted Earnings per Common Share	3.21	2.64	2.60
Dividends per Common Share	0.44	0.44	0.38
Book Value per Common Share	74.97	72.49	65.53
Tangible Book Value per Common Share	69.52	66.98	59.86
Average Diluted Shared Outstanding	\$ 2,112,305	\$ 2,108,037	\$ 2,097,534
End of Period Common Shares Outstanding	\$ 2,120,374	\$ 2,114,439	\$ 2,100,471
Annualized Performance Ratios (Bank Only)			
Return on Average Assets	2.08%	1.74%	1.80%
Return on Average Equity	16.93%	14.87%	15.23%
Equity/Assets	12.44%	11.90%	12.02%
Yield on Earning Assets	4.29%	4.18%	4.30%
Cost of Funds	0.16%	0.15%	0.22%
Net Interest Margin	4.14%	4.04%	4.10%
Efficiency Ratio	48.06%	53.50%	51.03%
Credit Metrics			
Allowance for Loan Losses to Total Loans	1.24%	1.30%	1.41%
Allowance for Loan Losses to Total Loans*	1.24%	1.30%	1.47%
Adversely Classified Assets to Tier 1 Capital plus Allowance for Loan Losses	6.82%	8.28%	8.43%

* Excludes PPP Loans