



FOR IMMEDIATE RELEASE

Morris State Bancshares Announces Quarterly Earnings, Announces Retirement of Subordinated Debt and Declares Third Quarter Dividend

DUBLIN, GA. (July 29, 2025) – Morris State Bancshares, Inc. (OTCQX: MBLU) (the “Company”), the parent of Morris Bank (the “Bank”), today announced net income of \$6.0 million for the quarter ending June 30, 2025, representing an increase of \$1.1 million, or 22.10%, compared to net income of \$4.9 million for the quarter ended March 31, 2025. Compared to the same quarter a year ago, net income increased by \$677 thousand, or 12.71%, from \$5.3 million for the quarter ending June 30, 2024. Net interest income before provision for credit losses increased from the linked and prior year quarters by \$744 thousand and \$2.7 million, respectively.

“The Company delivered solid second quarter results, driven by continued net interest margin expansion and steady balance sheet growth,” said Spence Mullis, Chairman and CEO. “Our net interest margin at the end of June was 4.43%, an increase of 14 basis points from the linked quarter and 41 basis points higher than the same quarter a year ago. The average yield on earning assets grew 13 basis points during the second quarter from 6.07% to 6.20%, while the Bank’s cost of funds increased 1 basis point from 1.97% to 1.98% during the same period. While we experienced significant payoffs during the quarter, our loan portfolio expanded by \$16.0 million, or 1.41% for the quarter, an annualized growth rate of approximately 5.7%. Deposits increased by \$24.8 million, or 1.91% for the quarter, which equates to an annualized growth rate of roughly 7.8%. As previously communicated, it was our intention to pay off the Company’s remaining subordinated debt as soon as the opportunity became available. We’re pleased to report that on July 22, 2025, we retired the full \$15.0 million. This will result in significant interest expense savings for the Company going forward.”

The Bank’s allowance for credit losses as a percentage of total loans was 1.28% for June 30, 2025, as compared to 1.30% for March 31, 2025, and 1.30% for June 30, 2024. The Bank’s adversely classified index increased during the quarter from 4.66% as of March 31, 2025, to 9.51% as of June 30, 2025. The quarterly change was concentrated in one loan relationship. Overall, classified assets levels remain below historical trends.

The Bank’s efficiency ratio improved to 50.97% for the quarter ending June 30, 2025, from 57.97% at March 31, 2025 and 58.36% at June 30, 2024. Noninterest expense declined by \$287,000, or 3.00%, compared to the quarter ending March 31, 2025. This decrease was driven by lower salary and benefits costs, along with several routine operating expenses coming in

below budget. Provision for income taxes increased \$407 thousand, or 27.58%, as a result of higher pre-tax income.

The Company's total shareholders' equity increased 2.53% during the quarter to \$203 million as of June 30, 2025, and up 8.97%, or \$16.7 million, from June 30, 2024. The tangible book value of the Company grew to \$18.06 as of June 30, 2025, from \$17.66 as of March 31, 2025, and was up 9.26% from \$16.53 as of June 30, 2024. On July 17, 2025, the board of directors approved a third quarter dividend of \$0.12 per share payable on or about September 15, 2025, to all shareholders of record as of August 15, 2025.

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

Consolidated Balance Sheets June 30, 2025



	June 30, 2025 <i>(Unaudited)</i>	March 31, 2025 <i>(Unaudited)</i>	Change	% Change	June 30, 2024 <i>(Unaudited)</i>	Change	% Change
<u>ASSETS</u>							
Cash and due from banks	\$ 106,289,134	\$ 92,342,678	\$ 13,946,456	15.10%	\$ 43,688,884	\$ 62,600,250	143.29%
Federal funds sold	24,863,860	15,606,716	9,257,144	59.32%	14,624,710	10,239,150	70.01%
Total cash and cash equivalents	131,152,994	107,949,394	23,203,600	21.49%	58,313,594	72,839,400	124.91%
Interest-bearing time deposits in other banks	100,000	100,000	--	0.00%	100,000	--	0.00%
Securities available for sale, at fair value	9,805,608	9,414,147	391,461	4.16%	7,669,642	2,135,966	0.00%
Securities held to maturity, at cost (net of CECL Reserve)	205,814,736	208,561,077	(2,746,341)	-1.32%	227,532,821	(21,718,085)	-9.55%
Federal Home Loan Bank stock, restricted, at cost	1,084,200	1,084,200	--	0.00%	1,027,800	56,400	5.49%
Loans, net of unearned income	1,155,735,771	1,139,719,828	16,015,943	1.41%	1,081,790,223	73,945,548	6.84%
Less-allowance for credit losses	(14,816,647)	(14,829,709)	13,062	-0.09%	(14,109,191)	(707,456)	5.01%
Loans, net	1,140,919,124	1,124,890,119	16,029,005	1.42%	1,067,681,032	73,238,092	6.86%
Bank premises and equipment, net	14,720,155	14,844,597	(124,442)	-0.84%	13,051,972	1,668,183	12.78%
ROU assets for operating lease, net	601,700	692,339	(90,639)	-13.09%	945,268	(343,568)	-36.35%
Goodwill	9,361,704	9,361,704	--	0.00%	9,361,704	--	0.00%
Intangible assets, net	1,167,611	1,253,288	(85,677)	-6.84%	1,508,214	(340,603)	-22.58%
Other real estate and foreclosed assets	3,300	15,503	(12,203)	-78.71%	43,408	(40,108)	-92.40%
Accrued interest receivable	6,760,207	6,369,932	390,275	6.13%	6,421,999	338,208	5.27%
Cash surrender value of life insurance	15,340,444	15,233,512	106,932	0.70%	14,915,967	424,477	2.85%
Other assets	17,574,139	21,726,495	(4,152,356)	-19.11%	21,721,225	(4,147,086)	-19.09%
Total Assets	\$ 1,554,405,922	\$ 1,521,496,307	\$ 32,909,615	2.16%	\$ 1,430,294,646	124,111,276	8.68%
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>							
Deposits:							
Non-interest bearing	\$ 346,323,393	\$ 330,414,834	\$ 15,908,559	4.81%	\$ 298,997,994	47,325,399	15.83%
Interest bearing	972,826,660	963,948,287	8,878,373	0.92%	914,360,430	58,466,230	6.39%
	1,319,150,053	1,294,363,121	24,786,932	1.91%	1,213,358,424	105,791,629	8.72%
Other borrowed funds	19,039,839	19,029,606	10,233	0.05%	18,998,904	40,935	0.22%
Lease liability for operating lease	601,700	692,339	(90,639)	-13.09%	945,268	(343,568)	-36.35%
Accrued interest payable	3,331,983	2,778,669	553,314	19.91%	1,730,280	1,601,703	92.57%
Accrued expenses and other liabilities	9,362,044	6,726,119	2,635,925	39.19%	9,038,821	323,223	3.58%
Total liabilities	1,351,485,619	1,323,589,854	27,895,765	2.11%	1,244,071,697	107,413,922	8.63%
Shareholders' Equity:							
Common stock	10,754,034	10,701,756	52,278	0.49%	10,688,223	65,811	0.62%
Paid in capital surplus	35,876,904	35,307,009	569,895	1.61%	34,729,351	1,147,553	3.30%
Retained earnings	147,779,527	149,055,224	(1,275,697)	-0.86%	132,061,494	15,718,033	11.90%
Current year earnings	10,912,007	4,913,056	5,998,951	122.10%	10,213,197	698,810	6.84%
Accumulated other comprehensive income (loss)	1,153,839	1,289,137	(135,298)	-10.50%	1,648,392	(494,553)	-30.00%
Treasury Stock, at cost 83,142	(3,556,008)	(3,359,729)	(196,279)	5.84%	(3,117,708)	(438,300)	14.06%
Total shareholders' equity	202,920,303	197,906,453	5,013,850	2.53%	186,222,949	16,697,354	8.97%
Total Liabilities and Shareholders' Equity	\$ 1,554,405,922	\$ 1,521,496,307	\$ 32,909,615	2.16%	\$ 1,430,294,646	124,111,276	8.68%

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Income for the Three Months Ended



	June 30, 2025 <i>(Unaudited)</i>	March 31, 2025 <i>(Unaudited)</i>	Change	% Change	June 30, 2024 <i>(Unaudited)</i>	Change	% Change
Interest and Dividend Income:							
Interest and fees on loans	\$ 20,414,871	\$ 19,338,360	\$ 1,076,511	5.57%	\$ 17,879,134	\$ 2,535,737	14.18%
Interest income on securities	1,568,867	1,671,657	(102,790)	-6.15%	1,837,396	(268,529)	-14.61%
Income on federal funds sold	201,101	534,479	(333,378)	-62.37%	156,184	44,917	28.76%
Income on time deposits held in other banks	850,388	605,454	244,934	40.45%	590,205	260,183	44.08%
Other interest and dividend income	19,576	25,413	(5,837)	-22.97%	64,639	(45,063)	-69.71%
Total interest and dividend income	23,054,803	22,175,363	879,440	3.97%	20,527,558	2,527,245	12.31%
Interest Expense:							
Deposits	6,545,646	6,413,065	132,581	2.07%	6,568,679	(23,033)	-0.35%
Interest on other borrowed funds	289,514	286,480	3,034	1.06%	389,629	(100,115)	-25.69%
Interest on federal funds purchased	--	--	--	0.00%	--	--	0.00%
Total interest expense	6,835,160	6,699,545	135,615	2.02%	6,958,308	(123,148)	-1.77%
Net interest income before provision for loan losses	16,219,643	15,475,818	743,825	4.81%	13,569,250	2,650,393	19.53%
Less-provision for credit losses	439,040	577,123	(138,083)	-23.93%	272,419	166,621	61.16%
Net interest income after provision for credit losses	15,780,603	14,898,695	881,908	5.92%	13,296,831	2,483,772	18.68%
Noninterest Income:							
Service charges on deposit accounts	546,848	540,600	6,248	1.16%	535,847	11,001	2.05%
Other service charges, commissions and fees	384,400	380,482	3,918	1.03%	397,787	(13,387)	-3.37%
Gain on sales of premises and equipment	--	--	--	--	141	(141)	0.00%
Increase in CSV of life insurance	106,932	104,750	2,182	2.08%	102,828	4,104	3.99%
Other income	332,498	20,407	312,091	1529.33%	355,155	(22,657)	-6.38%
Total noninterest income	1,370,678	1,046,239	324,439	31.01%	1,391,758	(21,080)	-1.51%
Noninterest Expense:							
Salaries and employee benefits	4,951,680	5,122,152	(170,472)	-3.33%	4,650,704	300,976	6.47%
Occupancy and equipment expenses, net	609,642	527,532	82,110	15.56%	536,330	73,312	13.67%
Loss on sales and calls of securities	--	--	--	--	265	(265)	-100.00%
Loss on sales of foreclosed assets	1,400	--	--	--	--	1,400	0.00%
Other expenses	3,706,152	3,905,857	(199,705)	-5.11%	3,860,188	(154,036)	-3.99%
Total noninterest expense	9,268,874	9,555,541	(286,667)	-3.00%	9,047,487	221,387	2.45%
Income Before Income Taxes	7,882,407	6,389,393	1,493,014	23.37%	5,641,102	2,241,305	39.73%
Provision for income taxes	1,883,456	1,476,337	407,119	27.58%	318,723	1,564,733	490.94%
Net Income	\$ 5,998,951	\$ 4,913,056	1,085,895	22.10%	\$ 5,322,379	676,572	12.71%
Earnings per common share:							
Basic	\$ 0.57	\$ 0.46	0.10	21.92%	\$ 0.50	0.06	12.74%
Diluted	\$ 0.57	\$ 0.46	0.11	22.93%	\$ 0.50	0.07	13.09%

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Selected Financial Information



	June 30, 2025 (Unaudited)	March 31, 2025 (Unaudited)	June 30, 2024 (Unaudited)
Dollars in thousand, except per share data			
Per Share Data			
Basic Earnings per Common Share	\$ 0.57	\$ 0.46	\$ 0.50
Diluted Earnings per Common Share	0.57	0.46	0.50
Dividends per Common Share	0.12	0.12	0.092
Book Value per Common Share	19.05	18.66	17.56
Tangible Book Value per Common Share	18.06	17.66	16.53
Average Diluted Shared Outstanding	10,608,771	10,593,370	10,611,811
End of Period Common Shares Outstanding	10,650,112	10,606,258	10,605,080
Annualized Performance Ratios (Bank Only)			
Return on Average Assets	1.71%	1.41%	1.73%
Return on Average Equity	13.33%	11.12%	13.12%
Equity/Assets	12.70%	12.75%	13.18%
Yield on Earning Assets	6.20%	6.07%	5.96%
Cost of Funds	1.98%	1.97%	2.16%
Net Interest Margin	4.43%	4.29%	4.02%
Efficiency Ratio	50.97%	57.90%	58.36%
Credit Metrics			
Allowance for Loan Losses to Total Loans	1.28%	1.30%	1.30%
Adversely Classified Assets to Tier 1 Capital plus Allowance for Loan Losses	9.51%	4.66%	6.02%