



FOR IMMEDIATE RELEASE

Morris State Bancshares Announces Quarterly Earnings, Announces Retirement of Sub-Debt Tranche and Declares Third Quarter Dividend

DUBLIN, GA. (July 30, 2024) – Morris State Bancshares, Inc. (OTCQX: MBLU) (the “Company”), the parent of Morris Bank, today announced net income of \$5.3 million for the quarter ending June 30, 2024, representing an increase of \$515 thousand, or 10.70%, compared to net income of \$4.8 million for the quarter ended June 30, 2023. In the linked quarter comparison, the Company’s net income increased \$432 thousand, or 8.82%, compared to net income of \$4.9 million for the quarter ended March 31, 2024. Net interest income before provision for credit losses increased \$607 thousand, or 4.68%, from prior quarter levels. Increased quarterly net earnings were a result of growth in both loan balances and loan yields which pushed the bank’s net interest margin (NIM) back over 4.00% for the year.

“We are very pleased with the second quarter as we continued to outpace our budget. Our bankers have diligently continued to grow loans, mostly construction and development in our faster growing markets, which is providing steady growth in our earning asset yield as these loans fund. The growth in our earning asset yield outpaced the increase in our cost of funds by five basis points. We remain focused on growing our deposits, specifically noninterest bearing deposits to help further protect our margin.” said Spence Mullis, Chairman and CEO.

The net interest margin was 4.06% for the second quarter of 2024 compared to 3.99% for the first quarter of 2024 and 4.04% for the second quarter of 2023. The average yield on earning assets grew 12 basis points from 5.87%, as of March 31, 2024, to 5.99%, while the bank’s cost of funds increased seven basis points from 2.09% to 2.16% during the same period.

Loans increased \$21.2 million or an annualized 7.24% during the second quarter. The provision for credit losses increased \$267 thousand, primarily driven by the bank’s CECL provision for unfunded commitments. The bank’s reserve as a percentage of total loans was 1.30% for June 30, 2024, as compared to 1.34% for March 31, 2024, and 1.36% as of June 30, 2023. The Company’s adversely classified index increased slightly from 5.22% as of March 31, 2024 to 6.04% as of June 30, 2024, but was down from 6.41% from the quarter ended June 30, 2023. The bank’s efficiency ratio improved to 57.97% as of June 30, 2024 from 61.48% at March 31, 2024.

The Company’s total shareholders’ equity increased 2.33% during the quarter to \$186 million as of June 30, 2024, and up 9.69%, or \$16.4 million, from June 30, 2023. Tangible book value of the

Company grew to \$16.53¹ on June 30, 2024, from \$16.17¹ on March 31, 2024, and was up 10.27% from \$14.99 as of June 30, 2023. On July 17, 2024, the board of directors approved a second quarter dividend of \$0.092¹ per share payable on or about September 15, 2024, to all shareholders of record as of August 15, 2024.

During the quarter, the Company also redeemed in full the remaining \$8.25 million of its subordinated debt issued in 2019. This debt was set to reprice from its original fixed rate to a floating rate of 3-month SOFR plus 408 basis points, or 9.28% based upon current rates. The adjustment in the rate payable on this issuance would have increased the Company's pre-tax interest expense on the issuance from \$129 thousand to \$193 thousand per quarter, based upon rates at the time of the redemption. The Company has one remaining issuance of subordinated debt of \$15.0 million, which will convert from its current fixed rate of 5.25% to a floating rate currently equal to 10.20% in July 2025, at which time the debt will also be redeemable by the Company. As the Company continues to build cash reserves, it is management's intention to retire this tranche in full as well when it is eligible for redemption.

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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¹ Per share amounts for March 31, 2024 and previous quarters have been adjusted to reflect the April 22, 2024 4-for-1 stock dividend.

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Consolidating Balance Sheet June 30, 2024



	June 30, 2024	March 31, 2024	Change	% Change	June 30, 2023	Change	% Change
	<i>(Unaudited)</i>	<i>(Unaudited)</i>			<i>(Unaudited)</i>		
ASSETS							
Cash and due from banks	\$ 43,688,884	\$ 67,354,916	\$ (23,666,032)	-35.14%	\$ 49,157,915	\$ (5,469,031)	-11.13%
Federal funds sold	14,624,710	3,746,408	10,878,302	290.37%	16,908,217	(2,283,507)	-13.51%
Total cash and cash equivalents	<u>58,313,594</u>	<u>71,101,324</u>	<u>(12,787,730)</u>	<u>-17.99%</u>	<u>66,066,132</u>	<u>(7,752,538)</u>	<u>-11.73%</u>
Interest-bearing time deposits in other banks	100,000	100,000	-	0.00%	100,000	-	0.00%
Securities available for sale, at fair value	7,669,642	7,845,095	(175,453)	-2.24%	-	7,669,642	0.00%
Securities held to maturity, at cost (net of CECL Reserve)	227,532,821	231,758,455	(4,225,634)	-1.82%	253,917,288	(26,384,467)	-10.39%
Federal Home Loan Bank stock, restricted, at cost	1,027,800	1,029,600	(1,800)	-0.17%	1,494,300	(466,500)	-31.22%
Loans, net of unearned income	1,081,790,223	1,060,755,992	21,034,231	1.98%	1,024,348,931	57,441,292	5.61%
Less-allowance for credit losses	(14,109,191)	(14,236,149)	126,958	-0.89%	(13,912,231)	(196,960)	1.42%
Loans, net	<u>1,067,681,032</u>	<u>1,046,519,843</u>	<u>21,161,189</u>	<u>2.02%</u>	<u>1,010,436,700</u>	<u>57,244,332</u>	<u>5.67%</u>
						-	
Bank premises and equipment, net	13,051,972	13,112,437	(60,465)	-0.46%	13,528,556	(476,584)	-3.52%
ROU assets for operating lease, net	945,268	1,035,712	(90,444)	-8.73%	1,327,882	(382,614)	-28.81%
Goodwill	9,361,704	9,361,704	-	0.00%	9,361,704	-	0.00%
Intangible assets, net	1,508,214	1,594,101	(85,887)	-5.39%	1,851,765	(343,551)	-18.55%
Other real estate and foreclosed assets	43,408	38,558	4,850	12.58%	3,749,267	(3,705,859)	-98.84%
Accrued interest receivable	6,421,999	5,964,911	457,088	7.66%	5,224,150	1,197,849	22.93%
Cash surrender value of life insurance	14,915,967	14,813,139	102,828	0.69%	14,516,332	399,635	2.75%
Other assets	21,721,225	25,151,653	(3,430,428)	-13.64%	23,327,101	(1,605,876)	-6.88%
Total Assets	<u>\$ 1,430,294,646</u>	<u>\$ 1,429,426,532</u>	<u>\$ 868,114</u>	<u>0.06%</u>	<u>\$ 1,404,901,177</u>	<u>25,393,469</u>	<u>1.81%</u>
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits:							
Non-interest bearing	\$ 298,997,994	\$ 302,810,356	\$ (3,812,362)	-1.26%	\$ 318,451,205	(19,453,211)	-6.11%
Interest bearing	914,360,430	904,181,606	10,178,824	1.13%	858,291,311	56,069,119	6.53%
	<u>1,213,358,424</u>	<u>1,206,991,962</u>	<u>6,366,462</u>	<u>0.53%</u>	<u>1,176,742,516</u>	<u>36,615,908</u>	<u>3.11%</u>
						-	
Other borrowed funds	18,998,904	27,169,934	(8,171,030)	-30.07%	45,113,982	(26,115,078)	-57.89%
Lease liability for operating lease	945,268	1,035,712	(90,444)	-8.73%	1,327,882	(382,614)	-28.81%
Accrued interest payable	1,730,280	1,419,439	310,841	21.90%	580,607	1,149,673	198.01%
Accrued expenses and other liabilities	9,038,821	10,830,616	(1,791,795)	-16.54%	11,359,139	(2,320,318)	-20.43%
						-	
Total liabilities	<u>1,244,071,697</u>	<u>1,247,447,663</u>	<u>(3,375,966)</u>	<u>-0.27%</u>	<u>1,235,124,126</u>	<u>8,947,571</u>	<u>0.72%</u>
Shareholders' Equity:							
Common stock	10,688,223	10,645,509	42,714	0.40%	10,645,374	42,849	0.40%
Paid in capital surplus	34,729,351	34,349,749	379,602	1.11%	33,015,191	1,714,160	5.19%
Retained earnings	132,061,494	133,038,717	(977,223)	-0.73%	117,637,067	14,424,427	12.26%
Current year earnings	10,213,197	4,890,818	5,322,379	108.82%	8,911,726	1,301,471	14.60%
Accumulated other comprehensive income (loss)	1,648,392	1,811,160	(162,768)	-8.99%	2,302,605	(654,213)	-28.41%
Treasury Stock, at cost 83,142	(3,117,708)	(2,757,084)	(360,624)	13.08%	(2,734,912)	(382,796)	14.00%
Total shareholders' equity	<u>186,222,949</u>	<u>181,978,869</u>	<u>4,244,080</u>	<u>2.33%</u>	<u>169,777,051</u>	<u>16,445,898</u>	<u>9.69%</u>
Total Liabilities and Shareholders' Equity	<u>\$ 1,430,294,646</u>	<u>\$ 1,429,426,532</u>	<u>\$ 868,114</u>	<u>0.06%</u>	<u>\$ 1,404,901,177</u>	<u>25,393,469</u>	<u>1.81%</u>

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Income for the Three Months Ended



	June 30, 2024 <i>(Unaudited)</i>	March 31, 2024 <i>(Unaudited)</i>	Change	% Change	June 30, 2023 <i>(Unaudited)</i>	Change	% Change
Interest and Dividend Income:							
Interest and fees on loans	\$ 17,879,134	\$ 17,124,889	\$ 754,245	4.40%	\$ 15,361,766	\$ 2,517,368	16.39%
Interest income on securities	1,837,396	1,970,394	(132,998)	-6.75%	2,099,593	(262,197)	-12.49%
Income on federal funds sold	156,184	168,129	(11,945)	-7.10%	106,490	49,694	46.67%
Income on time deposits held in other banks	590,205	408,412	181,793	44.51%	267,047	323,158	121.01%
Other interest and dividend income	64,639	75,848	(11,209)	-14.78%	66,236	(1,597)	-2.41%
Total interest and dividend income	<u>20,527,558</u>	<u>19,747,672</u>	<u>779,886</u>	<u>3.95%</u>	<u>17,901,132</u>	<u>2,626,426</u>	<u>14.67%</u>
Interest Expense:							
Deposits	6,568,679	6,339,843	228,836	3.61%	4,290,251	2,278,428	53.11%
Interest on other borrowed funds	389,629	445,278	(55,649)	-12.50%	574,301	(184,672)	-32.16%
Interest on federal funds purchased	--	--	--	0.00%	705	(705)	0.00%
Total interest expense	<u>6,958,308</u>	<u>6,785,121</u>	<u>173,187</u>	<u>2.55%</u>	<u>4,865,257</u>	<u>2,093,051</u>	<u>43.02%</u>
Net interest income before provision for loan losses	13,569,250	12,962,551	606,699	4.68%	13,035,875	533,375	4.09%
Less-provision for credit losses	272,419	4,501	267,918	5952.41%	(141,187)	413,606	-292.95%
Net interest income after provision for credit losses	<u>13,296,831</u>	<u>12,958,050</u>	<u>338,781</u>	<u>2.61%</u>	<u>13,177,062</u>	<u>119,769</u>	<u>0.91%</u>
Noninterest Income:							
Service charges on deposit accounts	535,847	491,568	44,279	9.01%	533,273	2,574	0.48%
Other service charges, commissions and fees	397,787	362,692	35,095	9.68%	376,266	21,521	5.72%
Gain on sales of foreclosed assets	--	700	(700)	-100.00%	--	--	0.00%
Gain on sales of premises and equipment	141	--	--	--	--	141	0.00%
Increase in CSV of life insurance	102,828	101,516	1,312	1.29%	92,372	10,456	11.32%
Other income	355,155	251,361	103,794	41.29%	106,051	249,104	234.89%
Total noninterest income	<u>1,391,758</u>	<u>1,207,837</u>	<u>183,921</u>	<u>15.23%</u>	<u>1,107,962</u>	<u>283,796</u>	<u>25.61%</u>
Noninterest Expense:							
Salaries and employee benefits	4,650,704	4,861,534	(210,830)	-4.34%	3,889,461	761,243	19.57%
Occupancy and equipment expenses, net	536,330	545,126	(8,796)	-1.61%	570,746	(34,416)	-6.03%
Loss on sales and calls of securities	265	--	265	--	--	265	--
Loss on sales of foreclosed assets	--	--	--	--	5,816	(5,816)	--
Other expenses	3,860,188	3,716,219	143,969	3.87%	3,681,617	178,571	4.85%
Total noninterest expense	<u>9,047,487</u>	<u>9,122,879</u>	<u>(75,392)</u>	<u>-0.83%</u>	<u>8,147,640</u>	<u>899,847</u>	<u>11.04%</u>
Income Before Income Taxes	5,641,102	5,043,008	598,094	11.86%	6,137,384	(496,282)	-8.09%
Provision for income taxes	318,723	152,190	166,533	-109.42%	1,329,595	(1,010,872)	-76.03%
Net Income	<u>\$ 5,322,379</u>	<u>\$ 4,890,818</u>	<u>431,561</u>	<u>8.82%</u>	<u>\$ 4,807,789</u>	<u>514,590</u>	<u>10.70%</u>
Earnings per common share:							
Basic	\$ 0.50	\$ 0.46	0.04	8.70%	\$ 0.45	0.05	11.11%
Diluted	\$ 0.50	\$ 0.46	0.04	8.70%	\$ 0.45	0.05	11.11%

Per share amounts for each period have been adjusted to reflect the April 22, 2024 4-for-1 stock dividend.

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Selected Financial Information



	June 30, 2024	March 31, 2024	June 30, 2023
Dollars in thousand, except per share data	(Unaudited)	(Unaudited)	(Unaudited)
Per Share Data			
Basic Earnings per Common Share	\$ 0.50	\$ 0.46	\$ 0.45
Diluted Earnings per Common Share	0.50	0.46	0.45
Dividends per Common Share	0.092	0.092	0.088
Book Value per Common Share	17.56	17.20	16.05
Tangible Book Value per Common Share	16.53	16.17	14.99
Average Diluted Shared Outstanding	10,611,811	10,602,289	10,585,884
End of Period Common Shares Outstanding	10,605,080	10,624,932	10,583,263
Annualized Performance Ratios (Bank Only)			
Return on Average Assets	1.73%	1.55%	1.60%
Return on Average Equity	13.12%	11.74%	12.79%
Equity/Assets	13.18%	13.09%	12.45%
Yield on Earning Assets	5.99%	5.87%	5.38%
Cost of Funds	2.16%	2.09%	1.47%
Net Interest Margin	4.06%	3.99%	4.04%
Efficiency Ratio	57.97%	61.48%	54.37%
Credit Metrics			
Allowance for Loan Losses to Total Loans	1.30%	1.34%	1.36%
Adversely Classified Assets to Tier 1 Capital plus Allowance for Loan Losses	6.04%	5.22%	6.41%

Per share amounts for each period have been adjusted to reflect the April 22, 2024 4-for-1 stock dividend.