



FOR IMMEDIATE RELEASE

Morris State Bancshares Announces Solid Earnings in 2021 and Increases Quarterly Dividend

DUBLIN, GA. (February 1, 2022) – Morris State Bancshares, Inc. (OTCQX: MBLU) (the “Company”), the parent of Morris Bank (the “Bank”), today announced net income of \$24.0 million for the year-ended December 31, 2021, representing an increase of \$6.6 million, or 37.66%, compared to net income of \$17.4 million for the year-ended December 31, 2020. The company also announced diluted earnings per share of \$11.40 for 2021, representing a 37.35% increase over diluted earnings per share of \$8.30 for 2020.

Highlights of the Company’s and Bank’s performance in 2021 include the following:

- Growth in net interest income of \$5.6 million, representing an increase of 11.52% over 2020
- Organic growth in loans of \$146 million, or 19.01% exclusive of PPP loans
- Return on average assets (Bank) of 1.96%, compared to 1.78% in 2020
- Return on average tangible common equity (Bank) of 16.55%, compared with 14.38% in 2020
- Net interest margin (Bank) of 4.09% during 2021, down 42 basis points from 2020 amid a challenging rate environment
- Growth in tangible book value per share of 15.56%, from \$56.04 at the end of 2020 to \$64.77 at the end of 2021
- Successful lift-out and integration of a team of seasoned commercial and mortgage lenders in the Bulloch County market leading the Company to record more security deeds than any competitor in that market over a 12-month period
- Successful upgrade of core banking platform that will enhance our technology services for customers
- Efficiency ratio of 50.56% versus 51.52% at the end of 2020
- Net charge-offs of 0.09% of average total loans
- Continued management of nonperforming assets, down 32 basis points to 0.89% of total loans and other real estate as of 12/31/2021 compared to 12/31/2020.

“I’m very proud of the company’s performance this year. Our team worked hard to complete another round of SBA’s Paycheck Protection Program (PPP) loans while continuing to grow core commercial business and consumer mortgage relationships throughout our markets. On a sequential basis, we finished the year strong growing both loans and deposits in the fourth quarter

producing strong net interest income capping off a very strong performance for the year,” said Spence Mullis, President and CEO.

The Company’s total shareholders’ equity increased 14.56% to \$148.3 million as of December 31, 2021, as compared to \$129 million as of December 31, 2020. Tangible book value per share increased to \$64.77 as of December 31, 2021, a 15.56% increase or \$8.73 per share from December 31, 2020. On January 24, 2022, the board of directors approved an increase in its first quarter dividend to \$0.44 per share payable on or about March 15, 2022 to all shareholders of record as of February 15, 2022.

Net interest income before provision for loan losses for the year-ended December 31, 2021 and December 31, 2020 was \$54.4 million and \$48.8 million respectively, an increase of \$5.6 million, or 11.52%. The Bank’s net interest margin for the year-ended December 31, 2021 was 4.09%, which was a decline from 4.51% for the year-ended December 31, 2020. The Bank’s cost of funds declined from 0.52% for the year-ended December 31, 2020 to 0.20% for the year-ended December 31, 2021.

“As the Federal Reserve is expected to dial back its accommodative monetary policy via rate hikes and tapering of its net asset purchases in the coming quarters, our management team is focused on offering prudent terms to both our borrowers and depositors and growing non-interest-bearing deposits further in order to maintain a solid net interest margin,” said Mullis.

Provision for loan losses was \$2.0 million for the year ended December 31, 2021, versus \$3.6 million for the year ended December 30, 2020. The Bank’s reserve as a percentage of total loans remained at 1.30% for the year ended December 31, 2021, as it was on December 31, 2020. The Bank’s adversely classified coverage ratio was 8.74% as of December 31, 2021, as compared to 8.76% as of December 31, 2020. The Bank’s non-performing assets to total loans and other real estate declined from 1.21% as of December 31, 2020, to 0.89% as of December 31, 2021.

Noninterest expense increased 9.75%, or \$2.7 million, to \$30.9 million for the year ended December 31, 2021, versus \$28.1 million as of December 31, 2020. Most of this increase was related to salaries and employee benefits as the labor market remains tight.

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 December 31, 2021



	December 31, 2021	December 31, 2020	Change	% Change
	<i>(Unaudited)</i>	<i>(Unaudited)</i>		
<u>ASSETS</u>				
Cash and due from banks	\$ 162,649,843	\$ 56,290,263	\$ 106,359,580	188.95%
Federal funds sold	14,278,248	93,200,409	(78,922,161)	-84.68%
Total cash and cash equivalents	<u>176,928,091</u>	<u>149,490,672</u>	<u>27,437,419</u>	<u>18.35%</u>
Interest-bearing time deposits in other banks	350,000	350,000	-	0.00%
Securities available for sale, at fair value	244,979,034	205,427,671	39,551,363	19.25%
Securities held to maturity, at cost	11,123,253	12,730,837	(1,607,584)	(12.63%)
Federal Home Loan Bank stock, restricted, at cost	624,300	899,700	(275,400)	(30.61%)
Loans, net of unearned income	926,226,134	837,333,161	88,892,973	10.62%
Less-allowance for loan losses	(12,008,416)	(10,781,434)	(1,226,982)	11.38%
Loans, net	<u>914,217,718</u>	<u>826,551,727</u>	<u>87,665,991</u>	<u>10.61%</u>
Bank premises and equipment, net	14,938,591	15,348,697	(410,106)	-2.67%
ROU assets for operating lease, net	1,239,826	641,008	598,818	93.42%
Goodwill	9,361,704	9,361,770	(66)	0.00%
Intangible assets, net	2,369,390	2,717,311	(347,921)	-12.80%
Other real estate and foreclosed assets	5,332,096	141,255	5,190,841	3674.80%
Accrued interest receivable	4,647,197	4,763,849	(116,652)	-2.45%
Cash surrender value of life insurance	13,977,951	13,620,443	357,508	2.62%
Other assets	11,014,182	7,370,992	3,643,190	49.43%
Total Assets	<u>\$ 1,411,103,333</u>	<u>\$ 1,249,415,932</u>	<u>\$ 161,687,401</u>	<u>12.94%</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Deposits:				
Non-interest bearing	\$ 337,810,442	\$ 282,746,775	\$ 55,063,667	19.47%
Interest bearing	886,394,003	804,440,237	81,953,766	10.19%
	<u>1,224,204,445</u>	<u>1,087,187,012</u>	<u>137,017,433</u>	<u>12.60%</u>
Other borrowed funds	28,752,079	28,677,477	74,602	0.26%
Lease liability for operating lease	1,239,826	641,008	598,818	93.42%
Accrued interest payable	134,392	269,880	(135,488)	-50.20%
Accrued expenses and other liabilities	8,513,648	3,221,471	5,292,177	164.28%
Total liabilities	<u>1,262,844,390</u>	<u>1,119,996,848</u>	<u>142,847,542</u>	<u>12.75%</u>
Shareholders' Equity:				
Common stock	2,159,148	2,144,766	14,382	0.67%
Paid in capital surplus	40,349,139	39,292,064	1,057,075	2.69%
Retained earnings	80,075,546	65,858,082	14,217,464	21.59%
Current year earnings	23,964,290	17,407,988	6,556,302	37.66%
Accumulated other comprehensive income (loss)	3,404,364	6,381,381	(2,977,017)	-46.65%
Treasury Stock, at cost 51,291	(1,693,544)	(1,665,197)	(28,347)	1.70%
Total shareholders' equity	<u>148,258,943</u>	<u>129,419,084</u>	<u>18,839,859</u>	<u>14.56%</u>
Total Liabilities and Shareholders' Equity	<u>\$ 1,411,103,333</u>	<u>\$ 1,249,415,932</u>	<u>161,687,401</u>	<u>12.94%</u>

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Income December 31, 2021



	December 31, 2021 <i>(Unaudited)</i>	December 31, 2020 <i>(Unaudited)</i>	Change	% Change
Interest and Dividend Income:				
Interest and fees on loans	\$ 52,043,715	\$ 50,465,805	\$ 1,577,910	3.13%
Interest income on securities	5,895,358	4,015,455	1,879,903	46.82%
Income on federal funds sold	74,911	103,208	(28,297)	-27.42%
Income on time deposits held in other banks	130,572	286,418	(155,846)	-54.41%
Other interest and dividend income	177,004	59,919	117,085	195.41%
Total interest and dividend income	<u>58,321,560</u>	<u>54,930,805</u>	<u>3,390,755</u>	<u>6.17%</u>
Interest Expense:				
Deposits	2,338,787	5,037,818	(2,699,031)	-53.58%
Interest on other borrowed funds	1,559,428	1,091,607	467,821	42.86%
Interest on federal funds purchased	--	72	(72)	-100.00%
Total interest expense	<u>3,898,215</u>	<u>6,129,497</u>	<u>(2,231,282)</u>	<u>-36.40%</u>
Net interest income before provision for loan losses	54,423,345	48,801,308	5,622,037	11.52%
Less-provision for loan losses	<u>2,000,000</u>	<u>3,635,000</u>	<u>(1,635,000)</u>	<u>-44.98%</u>
Net interest income after provision for loan losses	<u>52,423,345</u>	<u>45,166,308</u>	<u>7,257,037</u>	<u>16.07%</u>
Noninterest Income:				
Service charges on deposit accounts	1,983,721	1,951,399	32,322	1.66%
Other service charges, commissions and fees	1,600,219	1,282,853	317,366	24.74%
Gain on sales and calls of securities	299,870	46,323	253,547	547.35%
Gain on sale of loans	37,683	187,006	(149,323)	-79.85%
Gain on sales of premises and equipment	--	4,000	(4,000)	-100.00%
Increase in CSV of life insurance	357,508	372,060	(14,552)	-3.91%
Other income	380,138	366,850	13,288	3.62%
Total noninterest income	<u>4,659,139</u>	<u>4,210,491</u>	<u>448,648</u>	<u>10.66%</u>
Noninterest Expense:				
Salaries and employee benefits	18,241,891	16,656,208	1,585,683	9.52%
Occupancy and equipment expenses, net	2,201,420	2,650,008	(448,588)	-16.93%
(Gain) Loss on sales of foreclosed assets and other real estate	(2,610)	74,094	(76,704)	-103.52%
Other expenses	10,413,609	8,732,695	1,680,914	19.25%
Total noninterest expense	<u>30,854,310</u>	<u>28,113,005</u>	<u>2,741,305</u>	<u>9.75%</u>
Income Before Income Taxes	26,228,174	21,263,794	4,964,380	23.35%
Provision for income taxes	<u>2,263,886</u>	<u>3,855,806</u>	<u>(1,591,920)</u>	<u>-41.29%</u>
Net Income	<u>\$ 23,964,288</u>	<u>\$ 17,407,988</u>	<u>\$ 6,556,300</u>	<u>37.66%</u>
Earnings per common share:				
Basic	<u>\$ 11.40</u>	<u>\$ 8.30</u>	<u>\$ 3.10</u>	<u>37.35%</u>
Diluted	<u>\$ 11.40</u>	<u>\$ 8.30</u>	<u>\$ 3.10</u>	<u>37.35%</u>

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Selected Financial Information



	Year Ending		Quarter Ended				
	December 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2021 (Unaudited)	September 30, 2021 (Unaudited)	June 30, 2021 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)
(Dollars in thousand, except per share data)							
Per Share Data							
Basic Earnings per Common Share	\$ 11.40	\$ 8.31	\$ 3.38	\$ 2.93	\$ 2.60	\$ 2.49	\$ 2.64
Diluted Earnings per Common Share	11.40	8.31	3.38	2.93	2.60	2.49	2.64
Dividends per Common Share	1.52	1.75	0.38	0.38	0.38	0.38	0.35
Book Value per Common Share	70.34	61.81	70.34	67.99	65.53	62.48	61.81
Tangible Book Value per Common Share	64.77	56.04	64.77	62.36	59.86	56.77	56.04
Average Diluted Shares Outstanding	2,102,359	2,095,633	2,106,819	2,105,370	2,102,108	2,094,978	2,095,185
End of Period Common Shares Outstanding	2,107,857	2,093,839	2,107,857	2,100,471	2,100,471	2,099,871	2,093,839
Selected Balance Sheet Data (Bank Only)							
Loans (net of PPP)	913,818	767,833	913,818	861,455	824,190	798,555	767,833
PPP Loans	9,974	63,945	9,974	20,421	32,700	51,349	63,945
Total Loans	923,792	831,778	923,792	881,876	856,890	849,904	831,778
Non-Interest Bearing Deposits	343,437	286,868	343,437	338,952	308,270	309,533	286,868
Interest Bearing Demand Deposits	271,693	227,097	271,693	242,023	236,871	248,681	227,097
Savings & Money Market Deposits	436,462	383,786	436,462	434,810	433,902	436,697	383,786
Earnings Summary							
Net Interest Income	54,423	48,801	14,029	13,421	13,332	13,563	12,190
Provision for Loan Losses	2,000	3,635	150	450	750	650	750
Non-Interest Income	4,659	4,210	1,397	1,345	915	1,182	1,219
Non-Interest Expense	30,854	28,113	8,186	7,969	7,490	7,322	6,989
Earnings before Taxes	26,228	21,264	7,090	6,347	6,008	6,773	5,669
Income Taxes	2,264	3,856	-	163	547	1,554	121
Net Income	23,964	17,408	7,090	6,184	5,461	5,219	5,548
Annualized Performance Ratios (Bank Only)							
Return on Average Assets	1.96%	1.78%	2.24%	1.97%	1.80%	1.81%	2.03%
Return on Average Equity	16.55%	14.38%	18.99%	16.56%	15.23%	15.25%	16.17%
Equity/Assets	11.85%	11.98%	11.85%	11.77%	12.02%	11.37%	11.98%
Cost of Funds	0.20%	0.52%	0.17%	0.17%	0.22%	0.25%	0.31%
Net Interest Margin	4.09%	4.51%	4.16%	4.10%	4.10%	4.37%	4.43%
Efficiency Ratio	50.56%	51.52%	51.25%	52.12%	51.03%	47.80%	51.45%