



It Pays to Bank Blue.

FOR IMMEDIATE RELEASE

**Morris State Bancshares Announces Solid Earnings in 2023 and
Increases Quarterly Dividend**

DUBLIN, GA. (January 31, 2024) – Morris State Bancshares, Inc. (OTCQX: MBLU) (the “Company”), the parent of Morris Bank (the “Bank”), today reported its financial results for the quarter and year ended December 31, 2023. Year over year and quarter by quarter comparisons are included herewith.

On January 24, 2024, the Company’s Board of Directors declared a quarterly cash dividend of \$0.46 per common share payable on or about March 15, 2024, to all shareholders of record as of February 15, 2024. This represents an increase of \$0.02 per share, or 4.5%, from the quarterly dividend levels paid to shareholders in 2023.

“Morris Bank delivered another year of strong financial performance despite the Fed’s continued tighter monetary policy. We made net earnings of \$19.3 million in 2023, compared to \$21.1 million in 2022. As interest rates increased another 100 basis points during 2023, our cost of funds increased at a higher pace than our earning asset yields, causing our net interest margin (NIM) to compress 12 basis points. However, operationally we improved our core profitability as we generated earnings of \$24.2 million before taxes and tax credit amortization expense compared to \$22.3 million in 2022.” said Spence Mullis, Chairman and CEO. “At the bank level, we produced a 1.55% return on average assets and 12.25% return on average equity. This was while growing assets \$5.8 million and total equity \$13.2 million at the company level after distributing \$3.7 million in dividends back to our shareholders. We continued our strategy of building cash reserves and plan to pay off a tranche of sub debt totaling \$8.25 million when the debt’s window for payment opens on April 15th of this year. We plan to continue to build cash reserves during 2024 in order to pay off our remaining sub debt totaling \$15.0 million when its window opens in July of 2025.”

Following is a summary of the quarterly and annual highlights:

Fourth Quarter 2023 Highlights

- Net income for the fourth quarter of 2023 was \$6.5 million, compared to \$4.5 million for the third quarter of 2023 and \$6.6 million for the fourth quarter of 2022.
- Diluted earnings per share for the fourth quarter of 2023 was \$2.81, compared to \$2.12 for the third quarter of 2023 and \$3.14 for the fourth quarter of 2022.

- Earnings before taxes for the fourth quarter of 2023 was \$6.1 million, compared to \$4.7 million for the third quarter of 2023 and \$5.9 million for the fourth quarter of 2022.
- Average cost of funds for the fourth quarter of 2023 was 192 basis points, compared to 169 basis points for the third quarter of 2023 and 77 basis points for the fourth quarter of 2022.
- Return on average assets (annualized) at the bank level for the fourth quarter of 2023 was 1.84%, compared to 1.45% for the third quarter of 2023 and 2.03% for the fourth quarter of 2022.

Full Year 2023 Highlights

- Total assets remained level at \$1.44 billion at December 31, 2023, compared to \$1.44 billion at December 31, 2022.
- Earnings before taxes and tax credit amortization expense totaled \$24.2 million at December 31, 2023 compared to \$22.3 million at December 31, 2022.
- Full year net income of \$19.3 million in 2023, compared to \$21.1 million in 2022.
- Return on average assets at the bank level of 1.55% for the full year 2023, compared to 1.66% for 2022.
- Diluted earnings per share of \$9.14 in 2023, compared to \$9.98 in 2022.
- Total shareholders' equity increased 8% or \$13.2 million to \$178.1 million at December 31, 2023, compared to \$164.9 million at December 31, 2022.
- Tangible book value per share of \$78.97 at December 31, 2023, compared to \$72.68 at December 31, 2022.
- Net loans grew \$11.2 million, or 1.08%, during 2023.
- The Bank's asset quality remains solid, ending the year with nonperforming assets to total loans and other real estate of 0.58%, past due and nonaccrual loans of 0.65% and net charge offs to average loans of 0.01% for 2023.
- Bank-level efficiency ratio of 57.51% in 2023, compared to 52.11% in 2022.

The Bank hired Jeremy Pritchard in December 2023 to serve in a newly created Chief Deposit Officer role. Mullis stated that "We are excited to bring someone onto the team with Jeremy's experience and background, which includes overseeing a team of treasury sales professionals responsible for generating deposits across nine southeastern states, including Georgia, and serving on the NACHA Government Relations Board. We look forward to Jeremy leading commercial and retail deposit operation and treasury services for the Bank and are excited about him helping us in building further shareholder value through core deposit generation, strengthening the Bank's sales culture, and ensuring consistency throughout the organization."

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," "plan," "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, 2023



	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>Change</u>	<u>% Change</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>		
<u>ASSETS</u>				
Cash and due from banks	\$ 51,060,389	\$ 49,302,788	\$ 1,757,601	3.56%
Federal funds sold	17,268,446	21,007,642	(3,739,196)	-17.80%
Total cash and cash equivalents	<u>68,328,835</u>	<u>70,310,430</u>	<u>(1,981,595)</u>	<u>-2.82%</u>
Interest-bearing time deposits in other banks	100,000	100,000	--	0.00%
Securities available for sale, at fair value	7,875,780	--	7,875,780	0.00%
Securities held to maturity, at cost	240,205,635	259,677,508	(19,471,873)	-7.50%
Federal Home Loan Bank stock, restricted, at cost	1,029,600	1,578,400	(548,800)	(34.77%)
Loans, net of unearned income	1,063,772,222	1,051,888,290	11,883,932	1.13%
Less-allowance for loan losses	(14,291,923)	(13,629,255)	(662,668)	4.86%
Loans, net	<u>1,049,480,299</u>	<u>1,038,259,035</u>	<u>11,221,264</u>	<u>1.08%</u>
Bank premises and equipment, net	13,188,353	13,865,943	(677,590)	-4.89%
ROU assets for operating lease, net	1,126,156	1,529,545	(403,389)	-26.37%
Goodwill	9,361,704	9,361,704	--	0.00%
Intangible assets, net	1,679,989	2,023,540	(343,551)	-16.98%
Other real estate and foreclosed assets	3,611,235	3,715,202	(103,967)	-2.80%
Accrued interest receivable	6,424,090	5,341,616	1,082,474	20.26%
Cash surrender value of life insurance	14,711,623	14,333,544	378,079	2.64%
Other assets	25,321,095	16,467,513	8,853,582	53.76%
Total Assets	<u>\$ 1,442,444,394</u>	<u>\$ 1,436,563,980</u>	<u>\$ 5,880,414</u>	<u>0.41%</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Deposits:				
Non-interest bearing	\$ 316,224,444	\$ 339,657,309	\$ (23,432,865)	-6.90%
Interest bearing	909,976,336	876,009,017	33,967,319	3.88%
	<u>1,226,200,780</u>	<u>1,215,666,326</u>	<u>10,534,454</u>	<u>0.87%</u>
Other borrowed funds	27,151,283	48,826,681	(21,675,398)	-44.39%
Lease liability for operating lease	1,126,156	1,529,545	(403,389)	-26.37%
Accrued interest payable	1,059,226	143,899	915,327	636.09%
Accrued expenses and other liabilities	8,773,430	5,461,126	3,312,304	60.65%
Total liabilities	<u>1,264,310,875</u>	<u>1,271,627,577</u>	<u>(7,316,702)</u>	<u>-0.58%</u>
Shareholders' Equity:				
Common stock	2,179,210	2,169,557	9,653	0.44%
Paid in capital surplus	42,177,860	41,302,572	875,288	2.12%
Retained earnings	115,232,197	99,943,774	15,288,423	15.30%
Current year earnings	19,332,490	21,108,630	(1,776,140)	-8.41%
Accumulated other comprehensive income (loss)	1,968,846	2,608,086	(639,240)	-24.51%
Treasury Stock, at cost 63,290 shares	(2,757,084)	(2,196,216)	(560,868)	25.54%
Total shareholders' equity	<u>178,133,519</u>	<u>164,936,403</u>	<u>13,197,116</u>	<u>8.00%</u>
Total Liabilities and Shareholders' Equity	<u>\$ 1,442,444,394</u>	<u>\$ 1,436,563,980</u>	<u>5,880,414</u>	<u>0.41%</u>

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Income for the Twelve Months Ended



	December 31, 2023 <i>(Unaudited)</i>	December 31, 2022 <i>(Unaudited)</i>	Change	% Change
Interest and Dividend Income:				
Interest and fees on loans	\$ 62,157,217	\$ 52,930,545	\$ 9,226,672	17.43%
Interest income on securities	8,196,152	7,294,294	901,858	12.36%
Income on federal funds sold	627,235	186,056	441,179	237.12%
Income on time deposits held in other banks	1,214,072	807,990	406,082	50.26%
Other interest and dividend income	255,689	460,924	(205,235)	-44.53%
Total interest and dividend income	<u>72,450,365</u>	<u>61,679,809</u>	<u>10,770,556</u>	<u>17.46%</u>
Interest Expense:				
Deposits	18,599,664	4,530,637	14,069,027	310.53%
Interest on other borrowed funds	2,148,019	1,741,037	406,982	23.38%
Interest on federal funds purchased	842	3,221	(2,379)	-73.86%
Total interest expense	<u>20,748,525</u>	<u>6,274,895</u>	<u>14,473,630</u>	<u>230.66%</u>
Net interest income before provision for loan losses	51,701,840	55,404,914	(3,703,074)	-6.68%
Less-provision for loan losses	450,475	5,100,000	(4,649,525)	-91.17%
Net interest income after provision for loan losses	<u>51,251,365</u>	<u>50,304,914</u>	<u>946,451</u>	<u>1.88%</u>
Noninterest Income:				
Service charges on deposit accounts	2,143,550	2,417,905	(274,355)	-11.35%
Other service charges, commissions and fees	1,589,747	1,512,194	77,553	5.13%
Gain on sales of foreclosed assets	--	608,935	(608,935)	-100.00%
Gain on sales and calls of securities	--	--	--	--
Gain on sale of loans	--	--	--	--
Increase in CSV of life insurance	378,079	355,593	22,486	6.32%
Other income	606,754	162,625	444,129	273.10%
Total noninterest income	<u>4,718,130</u>	<u>5,057,252</u>	<u>(339,122)</u>	<u>-6.71%</u>
Noninterest Expense:				
Salaries and employee benefits	17,414,685	18,532,771	(1,118,086)	-6.03%
Occupancy and equipment expenses, net	2,250,663	2,290,897	(40,234)	-1.76%
(Gain) Loss on sales of foreclosed assets and other real estate	321,783	--	321,783	0.00%
Loss on sales of premises and equipment	54,269	201,009	(146,740)	-73.00%
Tax credit amortization expense	2,733,248	405,126	2,328,122	574.67%
Other expenses	11,713,424	11,992,056	(278,632)	-2.32%
Total noninterest expense	<u>34,488,072</u>	<u>33,421,859</u>	<u>1,066,213</u>	<u>3.19%</u>
Income Before Income Taxes	21,481,423	21,940,307	(458,884)	-2.09%
Provision for income taxes	2,148,933	831,677	1,317,256	158.39%
Net Income	<u>\$ 19,332,490</u>	<u>\$ 21,108,630</u>	<u>(1,776,140)</u>	<u>-8.41%</u>
Earnings per common share:				
Basic	\$ 9.14	\$ 9.98	(0.84)	-8.42%
Diluted	\$ 9.14	\$ 9.98	(0.84)	-8.42%

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Selected Financial Information



	Year Ending		Quarter Ended				
	December 31, 2023	December 31, 2022	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
(Dollars in thousand, except per share data)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Per Share Data							
Basic Earnings per Common Share	\$ 9.14	\$ 9.98	\$ 2.81	\$ 2.12	\$ 2.27	\$ 1.94	\$ 3.14
Diluted Earnings per Common Share	9.14	9.98	2.81	2.12	2.27	1.94	3.14
Dividends per Common Share	1.76	1.76	0.44	0.44	0.44	0.44	0.44
Book Value per Common Share	84.19	78.07	84.19	81.87	80.23	78.47	78.07
Tangible Book Value per Common Share	78.97	72.68	78.97	76.61	74.93	73.14	72.68
Average Diluted Shares Outstanding	2,116,078	2,114,934	2,116,078	2,116,186	2,118,681	2,112,019	2,116,521
End of Period Common Shares Outstanding	2,115,920	2,112,645	2,115,920	2,116,196	2,116,061	2,120,598	2,114,753
Selected Balance Sheet Data (Bank Only)							
Net Loans	1,049,480	1,063,772	1,049,480	1,048,418	1,023,367	1,040,412	1,063,772
Non-Interest Bearing Deposits	315,953	339,785	315,953	336,698	339,177	346,232	339,785
Interest Bearing Demand Deposits	286,112	270,473	286,112	249,649	243,744	260,624	270,473
Savings & Money Market Deposits	393,139	444,170	393,139	401,234	422,048	441,911	444,170
Time Deposits	231,692	161,933	231,692	211,590	193,110	175,534	161,933
Earnings Summary							
Net Interest Income	51,701	55,405	13,352	12,853	13,036	12,879	13,846
Provision for Credit Losses	450	5,100	242	(33)	(141)	383	600
Non-Interest Income	4,718	5,057	1,098	1,037	1,108	1,479	1,000
Non-Interest Expense	34,488	33,422	8,101	9,186	8,148	8,880	8,306
Earnings before Taxes	21,481	21,940	6,108	4,737	6,137	5,095	5,940
Income Taxes	2,149	832	(416)	244	1,330	991	(704)
Net Income	19,332	21,109	6,524	4,493	4,807	4,104	6,644
Annualized Performance Ratios (Bank Only)							
Return on Average Assets	1.55%	1.66%	1.84%	1.45%	1.60%	1.33%	2.03%
Return on Average Equity	12.25%	13.45%	14.11%	11.37%	12.79%	10.64%	15.90%
Equity/Assets	13.07%	12.83%	13.07%	12.79%	12.45%	11.90%	12.83%
Cost of Funds	1.57%	0.38%	1.92%	1.69%	1.47%	1.18%	0.77%
Net Interest Margin	3.98%	4.11%	3.97%	3.94%	4.04%	3.98%	4.13%
Efficiency Ratio	57.51%	52.11%	55.18%	62.24%	53.45%	59.21%	54.12%
Efficiency Ratio Net of Tax Credit Amortization Expense	52.99%	51.20%	50.90%	56.25%	49.41%	55.40%	52.66%
Nonperforming Assets to Total Loans and Other Real Estate	0.58%	0.71%	0.58%	0.58%	0.64%	0.68%	0.71%
Past Due and Nonaccrual Loans Ratio	0.65%	0.62%	0.65%	0.64%	0.55%	0.62%	0.62%
Net Chargeoffs to Average Loans	0.01%	0.35%	0.01%	0.02%	0.02%	-0.01%	0.35%