



It Pays to Bank Blue.

FOR IMMEDIATE RELEASE

Morris State Bancshares Announces Solid Earnings in 2022 and Declares Dividend

DUBLIN, GA. (February 2, 2023) – 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, 2022. Year over year and quarter by quarter comparisons are included herewith. Following is a summary of the quarterly and annual highlights:

Fourth Quarter 2022 Highlights

- Net income for the fourth quarter of 2022 was \$6.6 million, compared to \$2.1 million for the third quarter of 2022 and \$7.1 million for the fourth quarter of 2021.
- Diluted earnings per share for the fourth quarter of 2022 was \$3.14, compared to \$0.99 for the third quarter of 2022 and \$3.38 for the fourth quarter of 2021.
- Earnings before taxes for the fourth quarter of 2022 was \$5.9 million, compared to \$2.7 million for the third quarter of 2022 and \$7.1 million for the fourth quarter of 2021.
- Average cost of funds for the fourth quarter of 2022 was 77 basis points, compared to 43 basis points for the third quarter of 2022 and 17 basis points for the fourth quarter of 2021.
- Loans net of PPP grew \$20.5 million, or 7.8% annualized, during the fourth quarter of 2022 as compared to September 30, 2022.
- Return on average assets at the bank level for the fourth quarter of 2022 was 2.03%, compared to 0.80% for the third quarter of 2022 and 2.24% annualized for the fourth quarter of 2021.

Full Year 2022 Highlights

- Total assets were \$1.44 billion at December 31, 2022, compared to \$1.41 billion at December 31, 2021.
- Total shareholders’ equity was \$165.0 million at December 31, 2022, compared to \$148.3 at December 31, 2021.
- Full year net income of \$21.1 million in 2022, compared to \$24.0 million in 2021.
- Diluted earnings per share of \$9.98 in 2022, compared to \$11.40 in 2021.
- Net loans grew \$125.7 million, or 13.57%, during 2022.
- Bank-level efficiency ratio of 52.11% in 2022, compared to 50.56% in 2021.
- Tangible book value per share of \$72.65 at December 31, 2022, compared to \$64.77 at December 31, 2021.

- Return on average assets at the bank level of 1.66% for the full year 2022, compared to 1.96% for 2021.

“We are very pleased with the overall financial performance of the Company in 2022. In a year in which the Fed raised interest rates an unprecedented seven times and the occurrence of a fraud-related \$3 million isolated loan loss we were still able to produce very strong returns for our shareholders,” said Spence Mullis, Chairman and CEO. “At the bank level we produced a 1.66% return on average assets and 13.45% return on average equity while growing assets \$25.5 million and total equity \$16.8 million at the company level after distributing \$3.7 million in dividends back to our shareholders.”

On January 25, 2023, the company approved a first quarter dividend of \$0.44 per share payable on or about March 15, 2023, to all shareholders of record as of February 28, 2023. The company also announced that Morris Bank’s Chief Banking Officer Stacy Brantley will be leaving the bank on February 3, 2023, to pursue other career opportunities. Mullis stated, “I would like to thank Stacy Brantley for his contributions to the bank since joining in 2009. Stacy is a great friend to me and has contributed to the growth and success of Morris Bank. I wish him well in his future endeavors.” Mullis was appointed to the additional role of Acting Chief Banking Officer of Morris Bank with Stacy’s departure.

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, 2022



	December 31, 2022	December 31, 2021	Change	% Change
	<i>(Unaudited)</i>	<i>(Unaudited)</i>		
<u>ASSETS</u>				
Cash and due from banks	\$ 49,302,788	\$ 162,649,843	\$ (113,347,055)	-69.69%
Federal funds sold	21,007,642	14,278,248	6,729,394	47.13%
Total cash and cash equivalents	<u>70,310,430</u>	<u>176,928,091</u>	<u>(106,617,661)</u>	<u>-60.26%</u>
Interest-bearing time deposits in other banks	100,000	350,000	(250,000)	-71.43%
Securities available for sale, at fair value	--	244,979,034	(244,979,034)	--
Securities held to maturity, at cost	259,677,508	11,123,253	248,554,255	2234.55%
Federal Home Loan Bank stock, restricted, at cost	1,578,400	624,300	954,100	152.83%
Loans, net of unearned income	1,051,888,290	926,226,134	125,662,156	13.57%
Less-allowance for loan losses	(13,629,255)	(12,008,416)	(1,620,839)	13.50%
Loans, net	<u>1,038,259,035</u>	<u>914,217,718</u>	<u>124,041,317</u>	<u>13.57%</u>
Bank premises and equipment, net	13,865,943	14,938,591	(1,072,648)	-7.18%
ROU assets for operating lease, net	1,529,545	1,239,826	289,719	23.37%
Goodwill	9,361,704	9,361,704	--	--
Intangible assets, net	2,023,540	2,369,390	(345,850)	-14.60%
Other real estate and foreclosed assets	3,715,202	5,332,096	(1,616,894)	-30.32%
Accrued interest receivable	5,341,616	4,647,197	694,419	14.94%
Cash surrender value of life insurance	14,333,544	13,977,951	355,593	2.54%
Other assets	16,558,916	11,014,182	5,544,734	50.34%
Total Assets	<u>\$ 1,436,655,383</u>	<u>\$ 1,411,103,333</u>	<u>\$ 25,552,050</u>	<u>1.81%</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Deposits:				
Non-interest bearing	\$ 339,657,309	\$ 337,810,442	\$ 1,846,867	0.55%
Interest bearing	876,009,017	886,394,003	(10,384,986)	-1.17%
	<u>1,215,666,326</u>	<u>1,224,204,445</u>	<u>(8,538,119)</u>	<u>-0.70%</u>
Other borrowed funds	48,826,681	28,752,079	20,074,602	69.82%
Lease liability for operating lease	1,529,545	1,239,826	289,719	23.37%
Accrued interest payable	143,899	134,392	9,507	7.07%
Accrued expenses and other liabilities	5,461,126	8,513,648	(3,052,522)	-35.85%
Total liabilities	<u>1,271,627,577</u>	<u>1,262,844,390</u>	<u>8,783,187</u>	<u>0.70%</u>
Shareholders' Equity:				
Common stock	2,171,665	2,159,148	12,517	0.58%
Paid in capital surplus	41,086,276	40,349,139	737,137	1.83%
Retained earnings	99,943,774	80,075,546	19,868,228	24.81%
Current year earnings	21,108,630	23,964,290	(2,855,660)	-11.92%
Accumulated other comprehensive income (loss)	2,608,086	3,404,364	(796,278)	-23.39%
Treasury Stock, at cost 56,912 shares	(1,890,625)	(1,693,544)	(197,081)	11.64%
Total shareholders' equity	<u>165,027,806</u>	<u>148,258,943</u>	<u>16,768,863</u>	<u>11.31%</u>
Total Liabilities and Shareholders' Equity	<u>\$ 1,436,655,383</u>	<u>\$ 1,411,103,333</u>	<u>25,552,050</u>	<u>1.81%</u>

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Income for the Three Months Ended



	December 31, 2022 <i>(Unaudited)</i>	December 31, 2021 <i>(Unaudited)</i>	Change	% Change
Interest and Dividend Income:				
Interest and fees on loans	\$ 52,930,545	\$ 52,043,715	\$ 886,830	1.70%
Interest income on securities	7,294,294	5,895,358	1,398,936	23.73%
Income on federal funds sold	186,056	74,911	111,145	148.37%
Income on time deposits held in other banks	807,990	130,572	677,418	518.81%
Other interest and dividend income	460,924	177,004	283,920	160.40%
Total interest and dividend income	<u>61,679,809</u>	<u>58,321,560</u>	<u>3,358,249</u>	<u>5.76%</u>
Interest Expense:				
Deposits	4,530,637	2,338,787	2,191,850	93.72%
Interest on other borrowed funds	1,741,037	1,559,428	181,609	11.65%
Interest on federal funds purchased	3,221	--	3,221	--
Total interest expense	<u>6,274,895</u>	<u>3,898,215</u>	<u>2,376,680</u>	<u>60.97%</u>
Net interest income before provision for loan losses	55,404,914	54,423,345	981,569	1.80%
Less-provision for loan losses	5,100,000	2,000,000	3,100,000	155.00%
Net interest income after provision for loan losses	<u>50,304,914</u>	<u>52,423,345</u>	<u>(2,118,431)</u>	<u>-4.04%</u>
Noninterest Income:				
Service charges on deposit accounts	2,417,905	1,983,721	434,184	21.89%
Other service charges, commissions and fees	1,512,194	1,600,219	(88,025)	-5.50%
Gain on sales of foreclosed assets	608,935	--	608,935	--
Gain on sales and calls of securities	--	299,870	(299,870)	--
Gain on sale of loans	--	37,683	(37,683)	--
Increase in CSV of life insurance	355,593	357,508	(1,915)	-0.54%
Other income	162,625	380,138	(217,513)	-57.22%
Total noninterest income	<u>5,057,252</u>	<u>4,659,139</u>	<u>398,113</u>	<u>8.54%</u>
Noninterest Expense:				
Salaries and employee benefits	18,532,771	18,241,891	290,880	1.59%
Occupancy and equipment expenses, net	2,290,897	2,201,420	89,477	4.06%
(Gain) Loss on sales of foreclosed assets and other real estate	--	(2,610)	2,610	-100.00%
Loss on sales of premises and equipment	201,009	--	201,009	--
Other expenses	12,397,182	10,413,609	1,983,573	19.05%
Total noninterest expense	<u>33,421,859</u>	<u>30,854,310</u>	<u>2,567,549</u>	<u>8.32%</u>
Income Before Income Taxes	21,940,307	26,228,174	(4,287,867)	-16.35%
Provision for income taxes	831,677	2,263,886	(1,432,209)	-63.26%
Net Income	<u>\$ 21,108,630</u>	<u>\$ 23,964,288</u>	<u>(2,855,658)</u>	<u>-11.92%</u>
Earnings per common share:				
Basic	\$ 9.98	\$ 11.40	(1.42)	-12.46%
Diluted	\$ 9.98	\$ 11.40	(1.42)	-12.46%

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Selected Financial Information



	Year Ending		Quarter Ended				
	December 31, 2022 (Unaudited)	December 31, 2021 (Unaudited)	December 31, 2022 (Unaudited)	September 30, 2022 (Unaudited)	June 30, 2022 (Unaudited)	March 31, 2022 (Unaudited)	December 31, 2021 (Unaudited)
(Dollars in thousand, except per share data)							
Per Share Data							
Basic Earnings per Common Share	\$ 9.98	\$ 11.40	\$ 3.14	\$ 0.99	\$ 3.21	\$ 1.79	\$ 3.38
Diluted Earnings per Common Share	9.98	11.40	3.14	0.99	3.21	1.79	3.38
Dividends per Common Share	1.76	1.52	0.44	0.44	0.44	0.44	0.38
Book Value per Common Share	78.04	70.34	78.04	75.42	74.97	72.49	70.34
Tangible Book Value per Common Share	72.65	64.77	72.65	70.01	69.52	66.98	64.77
Average Diluted Shares Outstanding	2,115,032	2,102,359	2,116,521	2,118,910	2,116,526	2,108,037	2,106,819
End of Period Common Shares Outstanding	2,114,753	2,107,857	2,114,753	2,116,921	2,120,374	2,114,439	2,107,857
Selected Balance Sheet Data (Bank Only)							
Loans (net of PPP)	1,049,916	913,818	1,049,916	1,029,464	1,006,632	952,139	913,818
PPP Loans	33	9,974	33	66	2,768	5,284	9,974
Total Loans	1,049,949	923,792	1,049,949	1,029,530	1,009,399	957,423	923,792
Non-Interest Bearing Deposits	339,785	343,437	339,785	366,924	367,639	365,018	343,437
Interest Bearing Demand Deposits	270,473	271,693	270,473	271,193	283,448	288,575	271,693
Savings & Money Market Deposits	444,170	436,462	444,170	434,765	415,922	434,635	436,462
Earnings Summary							
Net Interest Income	55,405	54,423	13,846	13,946	14,054	13,558	14,029
Provision for Loan Losses	5,100	2,000	600	3,750	375	375	150
Non-Interest Income	5,057	4,659	1,000	1,213	1,488	1,376	1,397
Non-Interest Expense	33,422	30,854	8,306	8,740	7,944	8,452	8,186
Earnings before Taxes	21,940	26,228	5,940	2,669	7,223	6,108	7,090
Income Taxes	832	2,264	(704)	568	421	547	-
Net Income	21,109	23,964	6,644	2,101	6,802	5,561	7,090
Annualized Performance Ratios (Bank Only)							
Return on Average Assets	1.66%	1.96%	2.03%	0.80%	2.08%	1.74%	2.24%
Return on Average Equity	13.45%	16.55%	15.90%	6.34%	16.93%	14.87%	18.99%
Equity/Assets	12.83%	11.85%	12.83%	12.49%	12.44%	11.90%	11.85%
Cost of Funds	0.38%	0.20%	0.77%	0.43%	0.16%	0.15%	0.17%
Net Interest Margin	4.11%	4.18%	4.13%	4.12%	4.14%	4.04%	4.16%
Efficiency Ratio	52.11%	50.56%	54.12%	52.81%	48.06%	53.50%	51.25%