FOR IMMEDIATE RELEASE

Morris State Bancshares Announces Quarterly Earnings and Declares Second Quarter Dividend

DUBLIN, GA. (April 27, 2023) – Morris State Bancshares, Inc. (OTCQX: MBLU) (the "Company"), the parent of Morris Bank, today announced net income of $4.1 million for the quarter ending March 31, 2023, representing a decrease of $2.5 million, or 38.23%, compared to net income of $6.6 million for the quarter ended December 31, 2022. Lower quarter over quarter net earnings were a result of higher deposit costs, higher noninterest expense, and higher tax provisioning.

"We continued to navigate a challenging economic environment in the first quarter marked by uncertainty in the banking industry with the backdrop of continued rising interest rates." Said Spence Mullis, Chairman and CEO. "While up 8.66% year over year in loans, we did see our loan book contract slightly, 1.09% or $11.4 million, from year-end. Our deposits held steady at $1.2 billion, which is in line with year-end deposit levels. The cost of these deposits, however, were up $1.2 million, or 51.86% over the fourth quarter of 2022. We expect deposit costs to continue to increase for the remainder of the year as the Fed signals that they will maintain higher rates for longer."

The net interest margin was 3.98% for the first quarter of 2023 compared to 4.13% for the fourth quarter of 2022 and 4.04% for the first quarter of 2022. The average yield on earning assets grew 24 basis points from 4.82%, as of December 31, 2022, to 5.06%, while the bank's cost of funds grew 41 basis points to 1.18% during the same period. Management expects the bank's cost of funds to continue to increase and peak during the latter part of the third quarter of the year based on the current Fed rate forecast.

Noninterest expense increased $573,228, or 6.90%, over December 31, 2022, and provision for income taxes increased $1,695,418, or 240.81%, during the quarter. The increase in noninterest expense and income taxes quarter over quarter was due to the bank not investing in new solar tax credit projects and having to amortize the solar credits used in 2022. Provision for credit losses declined $216,624 during the quarter as the bank moved to the Current Expected Credit Losses Methodology (CECL). The Company's asset quality remains consistent with an adversely classified index of 6.49% as of March 31, 2023, which compares with 5.99% as of December 31, 2022. The bank's reserve as a percentage of total loans was 1.35% for March 31, 2023, as compared to 1.30% for March 31, 2022 and 1.30% for December 31, 2022.

The Company's total shareholders' equity increased 8.57% year-over-year to $166 million as of March 31, 2022, and up 0.83% or $1.4 million from December 31, 2022. Tangible book value of the company grew to $73.14 on March 31, 2023, from $66.98, or 9.20%, from March 31, 2022, and was in line with the value as of December 31, 2022 of $72.68. On April 19, 2023, the board of directors approved a second quarter dividend of $0.44 per share payable on or about June 15, 2023, to all shareholders of record as of May 15, 2023.

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
March 31, 2023

MORRIS BANK

	March 31, 2023	March 31, 2022	Change	% Change	December 31, 2022	Change	% Change
	(Unaudited)	*(Unaudited)*			*(Unaudited)*		
ASSETS							
Cash and due from banks	$ 51,448,341	$ 143,422,859	$ (91,974,518)	-64.13%	$ 49,302,788	$ 2,145,553	4.35%
Federal funds sold	16,102,872	15,664,564	438,308	2.80%	21,007,642	(4,904,770)	-23.35%
Total cash and cash equivalents	67,551,213	159,087,423	(91,536,210)	-57.54%	70,310,430	(2,759,217)	-3.92%
Interest-bearing time deposits in other banks	100,000	350,000	(250,000)	-71.43%	100,000	-	0.00%
Securities available for sale, at fair value							
Securities held to maturity, at cost (net of CECL Reserve)	257,399,845	267,833,392	(10,433,547)	-3.90%	259,677,508	(2,277,663)	-0.88%
Federal Home Loan Bank stock, restricted, at cost	1,588,300	624,300	964,000	154.41%	1,578,400	9,900	0.63%
						-	
Loans, net of unearned income	1,040,411,604	957,533,245	82,878,359	8.66%	1,051,888,290	(11,476,686)	-1.09%
Less-allowance for credit losses	(14,047,855)	(12,408,458)	(1,639,397)	13.21%	(13,629,255)	(418,600)	3.07%
Loans, net	1,026,363,749	945,124,787	81,238,962	8.60%	1,038,259,035	(11,895,286)	-1.15%
						-	
Bank premises and equipment, net	13,658,218	14,837,637	(1,179,419)	-7.95%	13,865,943	(207,725)	-1.50%
ROU assets for operating lease, net	1,431,413	1,158,386	273,027	23.57%	1,529,545	(98,132)	-6.42%
Goodwill	9,361,704	9,361,704	-	0.00%	9,361,704	-	0.00%
Intangible assets, net	1,937,652	2,282,410	(344,758)	-15.10%	2,023,540	(85,888)	-4.24%
Other real estate and foreclosed assets	3,803,252	5,106,587	(1,303,335)	-25.52%	3,715,202	88,050	2.37%
Accrued interest receivable	4,959,915	4,352,997	606,918	13.94%	5,341,616	(381,701)	-7.15%
Cash surrender value of life insurance	14,423,960	14,065,097	358,863	2.55%	14,333,544	90,416	0.63%
Other assets	22,390,328	14,505,874	7,884,454	54.35%	16,467,513	5,922,815	35.97%
Total Assets	$ 1,424,969,549	$ 1,438,690,594	$ (13,721,045)	-0.95%	$ 1,436,563,980	(11,594,431)	-0.81%
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits:							
Non-interest bearing	$ 323,091,870	$ 355,354,700	$ (32,262,830)	-9.08%	$ 339,657,309	(16,565,439)	-4.88%
Interest bearing	877,794,418	896,502,158	(18,707,740)	-2.09%	876,009,017	1,785,401	0.20%
	1,200,886,288	1,251,856,858	(50,970,570)	-4.07%	1,215,666,326	(14,780,038)	-1.22%
						-	
Other borrowed funds	47,095,332	28,770,730	18,324,602	63.69%	48,826,681	(1,731,349)	-3.55%
Lease liability for operating lease	1,431,413	1,158,386	273,027	23.57%	1,529,545	(98,132)	-6.42%
Accrued interest payable	491,159	321,188	169,971	52.92%	143,899	347,260	241.32%
Accrued expenses and other liabilities	8,660,358	3,316,942	5,343,416	161.09%	5,461,126	3,199,232	58.58%
						-	
Total liabilities	1,258,564,550	1,285,424,104	(26,859,554)	-2.09%	1,271,627,577	(13,063,027)	-1.03%
Shareholders' Equity:							
Common stock	2,177,510	2,165,730	11,780	0.54%	2,169,557	7,953	0.37%
Paid in capital surplus	42,045,076	40,907,274	1,137,802	2.78%	41,302,572	742,504	1.80%
Retained earnings	117,806,614	103,112,378	14,694,236	14.25%	99,943,774	17,862,840	17.87%
Current year earnings	4,103,935	5,561,414	(1,457,479)	-26.21%	21,108,630	(17,004,695)	-80.56%
Accumulated other comprehensive income (loss)	2,468,079	3,213,238	(745,159)	-23.19%	2,608,086	(140,007)	-5.37%
Treasury Stock, at cost 56,912	(2,196,215)	(1,693,544)	(502,671)	29.68%	(2,196,216)	1	0.00%
Total shareholders' equity	166,404,999	153,266,490	13,138,509	8.57%	164,936,403	1,468,596	0.89%
Total Liabilities and Shareholders' Equity	$ 1,424,969,549	$ 1,438,690,594	(13,721,045)	-0.95%	$ 1,436,563,980	(11,594,431)	-0.81%

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Income for the Three Months Ended

	March 31, 2023	December 31, 2022	Change	% Change	March 31, 2022	Change	% Change
	(Unaudited)	*(Unaudited)*			*(Unaudited)*		
Interest and Dividend Income:							
Interest and fees on loans	$ 14,466,103	$ 14,155,669	$ 310,434	2.19%	$ 12,708,366	$ 1,757,737	13.83%
Interest income on securities	2,005,741	2,020,319	(14,578)	-0.72%	1,581,771	423,970	26.80%
Income on federal funds sold	132,805	104,483	28,322	27.11%	4,771	128,034	2683.59%
Income on time deposits held in other banks	247,252	311,472	(64,220)	-20.62%	66,520	180,732	271.70%
Other interest and dividend income	61,186	57,094	4,092	7.17%	50,708	10,478	20.66%
Total interest and dividend income	16,913,087	16,649,037	264,050	1.59%	14,412,136	2,500,951	17.35%
Interest Expense:							
Deposits	3,469,654	2,284,739	1,184,915	51.86%	462,472	3,007,182	650.24%
Interest on other borrowed funds	564,278	517,834	46,444	8.97%	391,195	173,083	44.24%
Interest on federal funds purchased	--	240	(240)	-100.00%	--	-	
Total interest expense	4,033,932	2,802,813	1,231,119	43.92%	853,667	3,180,265	372.54%
Net interest income before provision for loan losses	12,879,155	13,846,224	(967,069)	-6.98%	13,558,469	(679,314)	-5.01%
Less-provision for credit losses	383,376	600,000	(216,624)	-36.10%	375,000	8,376	2.23%
Net interest income after provision for credit losses	12,495,779	13,246,224	(750,445)	-5.67%	13,183,469	(687,690)	-5.22%
Noninterest Income:							
Service charges on deposit accounts	562,893	580,688	(17,795)	-3.06%	569,074	(6,181)	-1.09%
Other service charges, commisions and fees	403,583	264,603	138,980	52.52%	363,780	39,803	10.94%
Gain on sales of foreclosed assets	1,420	5,126	(3,706)	-72.30%	314,210	(312,790)	-99.55%
Gain on sales of premises and equipment	--	19,270	(19,270)	-100.00%	--	-	
Increase in CSV of life insurance	90,416	88,744	1,672	1.88%	87,146	3,270	3.75%
Other income	420,788	41,739	379,049	908.14%	41,987	378,801	902.19%
Total noninterest income	1,479,100	1,000,170	478,930	47.88%	1,376,197	102,903	7.48%
Noninterest Expense:							
Salaries and employee benefits	4,896,748	4,450,154	446,594	10.04%	5,066,729	(169,981)	-3.35%
Occupancy and equipment expenses, net	549,051	595,444	(46,393)	-7.79%	532,932	16,119	3.02%
Other expenses	3,433,785	3,260,758	173,027	5.31%	2,851,857	581,928	20.41%
Total noninterest expense	8,879,584	8,306,356	573,228	6.90%	8,451,518	428,066	5.06%
Income Before Income Taxes	5,095,295	5,940,038	(844,743)	-14.22%	6,108,148	(1,012,853)	-16.58%
Provision for income taxes	991,360	(704,058)	1,695,418	240.81%	546,734	444,626	81.32%
						-	
Net Income	$ 4,103,935	$ 6,644,096	(2,540,161)	-38.23%	$ 5,561,414	(1,457,479)	-26.21%
Earnings per common share:							
Basic	$ 1.94	$ 3.14	(1.20)	-38.22%	$ 2.64	(0.70)	-26.52%
Diluted	$ 1.94	$ 3.14	(1.20)	-38.22%	$ 2.64	(0.70)	-26.52%

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Selected Financial Information

MORRIS BANK

Dollars in thousand, except per share data	**March 31, 2023** (Unaudited)	**December 31, 2022** (Unaudited)	**March 31, 2022** (Unaudited)
Per Share Data			
Basic Earnings per Common Share	$ 1.94	$ 3.14	$ 2.64
Diluted Earnings per Common Share	1.94	3.14	2.64
Dividends per Common Share	0.44	0.44	0.44
Book Value per Common Share	78.47	78.07	72.49
Tangible Book Value per Common Share	73.14	72.68	66.98
Average Diluted Shared Outstanding	$ 2,111,955	$ 2,114,934	$ 2,108,037
End of Period Common Shares Outstanding	$ 2,120,598	$ 2,112,645	$ 2,114,439
Annualized Performance Ratios (Bank Only)			
Return on Average Assets	1.33%	2.03%	1.74%
Return on Average Equity	10.64%	15.90%	14.87%
Equity/Assets	11.90%	12.83%	11.90%
Yield on Earning Assets	5.06%	4.82%	4.18%
Cost of Funds	1.18%	0.77%	0.15%
Net Interest Margin	3.98%	4.13%	4.04%
Efficiency Ratio	59.32%	54.12%	53.50%
Credit Metrics			
Allowance for Loan Losses to Total Loans	1.35%	1.30%	1.30%
Adversely Classified Assets to Tier 1 Capital plus Allowance for Loan Losses	6.49%	5.99%	8.27%