



FOR IMMEDIATE RELEASE

Morris State Bancshares Announces Quarterly Earnings and Declares Third Quarter Dividend

DUBLIN, GA. (July 25, 2023) – Morris State Bancshares, Inc. (OTCQX: MBLU) (the “Company”), the parent of Morris Bank, today announced net income of \$4.8 million for the quarter ending June 30, 2023, representing an increase of \$704 thousand, or 17.15%, compared to net income of \$4.1 million for the quarter ended March 31, 2023. Higher quarter-over-quarter net earnings were a result of three primary factors:

1. Higher net interest income
2. Lower credit provisioning
3. Lower salaries and benefits costs centered around lower bonus compensation and deferred compensation valuation adjustments

“We’re pleased with our execution of operational resiliency during the second quarter, which produced higher quarterly net income.” said Spence Mullis, Chairman and CEO. “While we experienced slight contraction in both loans and deposits during the quarter, we were able to produce a higher net interest margin of 4.04% and slightly higher net interest income of \$13.0 million versus \$12.9 in the first quarter. The Federal Reserve’s ongoing attempt to tame inflation by increasing rates continued to affect both our deposit and loan levels. We saw net loans decrease \$15.9 million, or 1.55%, during the quarter, while overall deposits were down \$24.1 million, or 2.01%. Net loan balances decreased due to normal amortization of the portfolio and many customers continuing to sell underlying collateral and paying off their debt. However, our bankers worked hard generating \$112 million in gross new loans during the quarter pushing our average earning asset yield up by 32 basis points. Increased asset yields outpaced our cost of funds increase of 29 basis points. We expect competition for solid loans will remain strong, but we are confident in our team of relationship bankers and their focus on not only producing solid loans but more core deposits as well.”

Credit quality of the loan book continued to improve during the quarter with adversely classified assets to Tier 1 Capital plus the allowance ending at 6.41%, down from 6.49% in March and 6.82% at the end of June in the prior year. Due to net loans decreasing slightly and the bank’s recent transition to CECL, the bank recorded a negative provision expense of \$141 thousand during the quarter. The bank’s allowance for loan losses as a percentage of loans increased during the same period to 1.36% from 1.35% at the end of the first quarter and 1.24% at the end of the second quarter a year ago.

Noninterest expense decreased \$731,944, or 8.24%, from March 31, 2023. The decrease in noninterest expense was due primarily to lower exempt and non-exempt employee salaries and bonuses as well as a market adjustment to employee stock appreciation rights (SAR) values. “Overhead cost control remains an important strategic initiative. We are continually reviewing and monitoring our operating expenses to ascertain further opportunities to improve efficiency while not compromising the excellent service we provide to customers.” said Mullis. “As a result, the bank’s overall full-time equivalent (FTE) count is down by 5 over the prior year and now stands at 185 FTE’s.”

The Company’s total shareholders’ equity increased 6.80% year-over-year to \$170 million as of June 30, 2023, and was up 2.03% or \$3.4 million from March 31, 2023. Tangible book value per share grew to \$74.93 on June 30, 2023, from \$69.52, or 7.78%, from June 30, 2022, and was up from \$73.14, or 2.45%, from the value as of March 31, 2023. On July 19, 2023, the board of directors approved a third quarter dividend of \$0.44 per share payable on or about September 15, 2023, to all shareholders of record as of August 15, 2023.

During the quarter, Morris Bank was recognized as the number 38th ranked publicly traded bank by American Banker in the banks under \$2 billion in total assets category. American Banker’s rankings were based on various financial performance metrics averaged over the past three years. Mullis relayed “receiving this kind of recognition is an honor, but more so, a testament to our team of bankers that hustle and get after it everyday to make a difference in our customers’ lives and the communities we serve.”

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 June 30, 2023



MORRIS
BANK

	June 30, 2023	March 31, 2023	Change	% Change	June 30, 2022	Change	% Change
	<i>(Unaudited)</i>	<i>(Unaudited)</i>			<i>(Unaudited)</i>		
ASSETS							
Cash and due from banks	\$ 49,157,915	\$ 51,448,341	\$ (2,290,426)	-4.45%	\$ 74,271,951	\$ (25,114,036)	-33.81%
Federal funds sold	16,908,217	16,102,872	805,345	5.00%	18,873,609	(1,965,392)	-10.41%
Total cash and cash equivalents	<u>66,066,132</u>	<u>67,551,213</u>	<u>(1,485,081)</u>	<u>-2.20%</u>	<u>93,145,560</u>	<u>(27,079,428)</u>	<u>-29.07%</u>
Interest-bearing time deposits in other banks	100,000	100,000	-	0.00%	350,000	(250,000)	-71.43%
Securities held to maturity, at cost (net of CECL Reserve)	253,917,288	257,399,845	(3,482,557)	-1.35%	275,498,923	(21,581,635)	-7.83%
Federal Home Loan Bank stock, restricted, at cost	1,494,300	1,588,300	(94,000)	-5.92%	744,500	749,800	100.71%
Loans, net of unearned income	1,024,348,931	1,040,411,604	(16,062,673)	-1.54%	1,009,838,142	14,510,789	1.44%
Less-allowance for credit losses	(13,912,231)	(14,047,855)	135,624	-0.97%	(12,519,189)	(1,393,042)	11.13%
Loans, net	<u>1,010,436,700</u>	<u>1,026,363,749</u>	<u>(15,927,049)</u>	<u>-1.55%</u>	<u>997,318,953</u>	<u>13,117,747</u>	<u>1.32%</u>
Bank premises and equipment, net	13,528,556	13,658,218	(129,662)	-0.95%	14,721,005	(1,192,449)	-8.10%
ROU assets for operating lease, net	1,327,882	1,431,413	(103,531)	-7.23%	1,061,310	266,572	25.12%
Goodwill	9,361,704	9,361,704	-	0.00%	9,361,704	-	0.00%
Intangible assets, net	1,851,765	1,937,652	(85,887)	-4.43%	2,196,485	(344,720)	-15.69%
Other real estate and foreclosed assets	3,749,267	3,803,252	(53,985)	-1.42%	3,751,184	(1,917)	-0.05%
Accrued interest receivable	5,224,150	4,959,915	264,235	5.33%	4,685,278	538,872	11.50%
Cash surrender value of life insurance	14,516,332	14,423,960	92,372	0.64%	14,153,898	362,434	2.56%
Other assets	23,327,101	22,390,328	936,773	4.18%	14,274,462	9,052,639	63.42%
Total Assets	<u>\$ 1,404,901,177</u>	<u>\$ 1,424,969,549</u>	<u>\$ (20,068,372)</u>	<u>-1.41%</u>	<u>\$ 1,431,263,262</u>	<u>\$ (26,362,085)</u>	<u>-1.84%</u>
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits:							
Non-interest bearing	\$ 318,451,205	\$ 323,091,870	\$ (4,640,665)	-1.44%	\$ 367,004,039	\$ (48,552,834)	-13.23%
Interest bearing	858,291,311	877,794,418	(19,503,107)	-2.22%	871,719,946	(13,428,635)	-1.54%
	<u>1,176,742,516</u>	<u>1,200,886,288</u>	<u>(24,143,772)</u>	<u>-2.01%</u>	<u>1,238,723,985</u>	<u>(61,981,469)</u>	<u>-5.00%</u>
Other borrowed funds	45,113,982	47,095,332	(1,981,350)	-4.21%	28,789,380	16,324,602	56.70%
Lease liability for operating lease	1,327,882	1,431,413	(103,531)	-7.23%	1,061,310	266,572	25.12%
Accrued interest payable	580,607	491,159	89,448	18.21%	106,192	474,415	446.75%
Accrued expenses and other liabilities	11,359,139	8,660,358	2,698,781	31.16%	3,616,439	7,742,700	214.10%
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,235,124,126</u>	<u>1,258,564,550</u>	<u>(23,440,424)</u>	<u>-1.86%</u>	<u>1,272,297,306</u>	<u>(37,173,180)</u>	<u>-2.92%</u>
Shareholders' Equity:							
Common stock	2,179,075	2,177,510	1,565	0.07%	2,171,665	7,410	0.34%
Paid in capital surplus	42,167,829	42,045,076	122,753	0.29%	41,391,867	775,962	1.87%
Retained earnings	116,950,728	117,806,614	(855,886)	-0.73%	101,723,321	15,227,407	14.97%
Current year earnings	8,911,726	4,103,935	4,807,791	117.15%	12,363,616	(3,451,890)	-27.92%
Accumulated other comprehensive income (loss)	2,302,605	2,468,079	(165,474)	-6.70%	3,009,031	(706,426)	-23.48%
Treasury Stock, at cost 63,014	(2,734,912)	(2,196,215)	(538,697)	24.53%	(1,693,544)	(1,041,368)	61.49%
Total shareholders' equity	<u>169,777,051</u>	<u>166,404,999</u>	<u>3,372,052</u>	<u>2.03%</u>	<u>158,965,956</u>	<u>10,811,095</u>	<u>6.80%</u>
Total Liabilities and Shareholders' Equity	<u>\$ 1,404,901,177</u>	<u>\$ 1,424,969,549</u>	<u>\$ (20,068,372)</u>	<u>-1.41%</u>	<u>\$ 1,431,263,262</u>	<u>\$ (26,362,085)</u>	<u>-1.84%</u>

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Income for the Three Months Ended



	June 30, 2023	March 31, 2023	Change	% Change	June 30, 2022	Change	% Change
	<i>(Unaudited)</i>	<i>(Unaudited)</i>			<i>(Unaudited)</i>		
Interest and Dividend Income:							
Interest and fees on loans	\$ 15,361,766	\$ 14,466,103	\$ 895,663	6.19%	\$ 12,916,106	\$ 2,445,660	18.93%
Interest income on securities	2,099,593	2,005,741	93,852	4.68%	1,809,274	290,319	16.05%
Income on federal funds sold	106,490	132,805	(26,315)	-19.81%	18,380	88,110	479.38%
Income on time deposits held in other banks	267,047	247,252	19,795	8.01%	145,381	121,666	83.69%
Other interest and dividend income	66,236	61,186	5,050	8.25%	49,189	17,047	34.66%
Total interest and dividend income	<u>17,901,132</u>	<u>16,913,087</u>	<u>988,045</u>	<u>5.84%</u>	<u>14,938,330</u>	<u>2,962,802</u>	<u>19.83%</u>
Interest Expense:							
Deposits	4,290,251	3,469,654	820,597	23.65%	485,077	3,805,174	784.45%
Interest on other borrowed funds	574,301	564,278	10,023	1.78%	398,866	175,435	43.98%
Interest on federal funds purchased	705	--	705	0.00%	--	705	0.00%
Total interest expense	<u>4,865,257</u>	<u>4,033,932</u>	<u>831,325</u>	<u>20.61%</u>	<u>883,943</u>	<u>3,981,314</u>	<u>450.40%</u>
Net interest income before provision for loan losses	13,035,875	12,879,155	156,720	1.22%	14,054,387	(1,018,512)	-7.25%
Less-provision for credit losses	(141,187)	383,376	(524,563)	-136.83%	375,000	(516,187)	-137.65%
Net interest income after provision for credit losses	<u>13,177,062</u>	<u>12,495,779</u>	<u>681,283</u>	<u>5.45%</u>	<u>13,679,387</u>	<u>(502,325)</u>	<u>-3.67%</u>
Noninterest Income:							
Service charges on deposit accounts	533,273	562,893	(29,620)	-5.26%	628,174	(94,901)	-15.11%
Other service charges, commissions and fees	376,266	403,583	(27,317)	-6.77%	472,427	(96,161)	-20.35%
Gain on sales of foreclosed assets	--	1,420	(1,420)	-100.00%	290,564	(290,564)	-100.00%
Increase in CSV of life insurance	92,372	90,416	1,956	2.16%	88,800	3,572	4.02%
Other income	106,051	420,788	(314,737)	-74.80%	7,992	98,059	1226.96%
Total noninterest income	<u>1,107,962</u>	<u>1,479,100</u>	<u>(371,138)</u>	<u>-25.09%</u>	<u>1,487,957</u>	<u>(379,995)</u>	<u>-25.54%</u>
Noninterest Expense:							
Salaries and employee benefits	3,889,461	4,896,748	(1,007,287)	-20.57%	4,516,545	(627,084)	-13.88%
Occupancy and equipment expenses, net	570,746	549,051	21,695	3.95%	543,815	26,931	4.95%
Loss on sales of foreclosed assets	5,816	--	5,816	0.00%	--	5,816	0.00%
Other expenses	3,681,617	3,433,785	247,832	7.22%	2,883,858	797,759	27.66%
Total noninterest expense	<u>8,147,640</u>	<u>8,879,584</u>	<u>(731,944)</u>	<u>-8.24%</u>	<u>7,944,218</u>	<u>203,422</u>	<u>2.56%</u>
Income Before Income Taxes	6,137,384	5,095,295	1,042,089	20.45%	7,223,126	(1,085,742)	-15.03%
Provision for income taxes	1,329,595	991,360	338,235	34.12%	420,925	908,670	215.87%
Net Income	<u>\$ 4,807,789</u>	<u>\$ 4,103,935</u>	<u>\$ 703,854</u>	<u>17.15%</u>	<u>\$ 6,802,201</u>	<u>\$ (1,994,412)</u>	<u>-29.32%</u>
Earnings per common share:							
Basic	\$ 2.27	\$ 1.94	\$ 0.33	17.01%	\$ 3.21	\$ (0.94)	-29.28%
Diluted	\$ 2.27	\$ 1.94	\$ 0.33	17.01%	\$ 3.21	\$ (0.94)	-29.28%

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Selected Financial Information



	June 30, 2023	March 31, 2023	June 30, 2022
Dollars in thousand, except per share data	(Unaudited)	(Unaudited)	(Unaudited)
Per Share Data			
Basic Earnings per Common Share	\$ 2.27	\$ 1.94	\$ 3.21
Diluted Earnings per Common Share	2.27	1.94	3.21
Dividends per Common Share	0.44	0.44	0.43
Book Value per Common Share	80.23	78.47	74.97
Tangible Book Value per Common Share	74.93	73.14	69.52
Average Diluted Shared Outstanding	2,118,681	2,112,019	2,112,305
End of Period Common Shares Outstanding	2,116,061	2,120,598	2,120,374
Annualized Performance Ratios (Bank Only)			
Return on Average Assets	1.60%	1.33%	2.08%
Return on Average Equity	12.79%	10.64%	16.93%
Equity/Assets	12.45%	11.90%	12.44%
Yield on Earning Assets	5.38%	5.06%	4.29%
Cost of Funds	1.47%	1.18%	0.16%
Net Interest Margin	4.04%	3.98%	4.14%
Efficiency Ratio	54.37%	59.32%	48.06%
Credit Metrics			
Allowance for Loan Losses to Total Loans	1.36%	1.35%	1.24%
Adversely Classified Assets to Tier 1 Capital plus Allowance for Loan Losses	6.41%	6.49%	6.82%