



## FOR IMMEDIATE RELEASE

### **Morris State Bancshares Announces Quarterly Earnings and Declares Fourth Quarter Dividend**

DUBLIN, GA. (October 25, 2023) – Morris State Bancshares, Inc. (OTCQX: MBLU) (the “Company”), the parent of Morris Bank, today announced net income of \$4.5 million for the quarter ending September 30, 2023, representing a decrease of \$315 thousand, or 6.55%, compared to net income of \$4.8 million for the quarter ended June 30, 2023. The Company also announced diluted earnings per share of \$2.12 for quarter, representing a 0.15% decrease from diluted earnings per share of \$2.27 for the prior quarter. Net earnings for the third quarter were driven by the bank’s lower provisioning for income taxes due to the accretion of deferred tax assets (DTA’s) related to a prior merger and the accelerated use of solar tax credits associated with solar projects coming online as supply chain issues improved through the year.

“In the third quarter, we generated net interest income of \$12.9 million, just below the second quarter level of \$13.2 million” said Spence Mullis, Chairman and CEO. “As projected, our margin compressed slightly in the third quarter, but we had solid loan growth of \$25.4 million, or 10.0% annualized. This loan growth bolstered our net interest income as it remained in line of that of the second quarter. Our non-interest expense increased slightly during the quarter due to increased salaries and employee costs as well as expenses associated with selling and financing of a large, long-held piece of other real estate (ORE). The said ORE will remain on the bank’s balance sheet in the near term as the purchaser is in the process of improving the property with their funds which will eventually allow us to carry the asset as a loan versus ORE.”

The Company’s total shareholders’ equity increased 2.05% to \$173.3 million as of September 30, 2023, as compared to \$170.0 million as of June 30, 2023. Tangible book value per share increased to \$76.61 as of September 30, 2023, a 2.24% increase from \$74.93 per share on June 30, 2023. On October 18, 2023, the board of directors approved its fourth quarter dividend of \$0.44 per share payable on or about December 15th to all shareholders of record as of November 15th.

Deposits grew slightly by \$2.3 million during the quarter. The Company’s funding mix continues to shift towards certificates of deposit (CDs) as interest rates have continued to rise. CDs as a percentage of total deposits has increased and represented approximately 9% of total deposits at the end of the third quarter. In the current interest-rate environment, management anticipates CD levels will continue to rise and represent a higher percentage of the overall funding mix on a go-forward basis. From a historical perspective, ten years ago, CD funding represented 38% of our

overall deposit mix at the quarter ending September 30, 2013. Management remains focused on managing overall deposit costs as tightly as possible and booking or renewing new loans at higher rates to minimize margin compression. Due to economic growth in the bank's various markets related to many new manufacturing projects, solid loan growth opportunity is expected to continue.

Credit quality of the loan book remained consistent during the quarter. Adversely classified assets to Tier 1 Capital plus the allowance ended the quarter at 7.00%, as compared to 6.41% at the end of the second quarter. The bank's allowance for credit losses as a percentage of loans was 1.32%, as compared with 1.36% at the end of the second quarter.

### **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.

CONTACT:  
Morris State Bancshares  
Chris Bond  
Chief Financial Officer  
478-272-5202

---

# MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

## Consolidating Balance Sheet September 30, 2023



MORRIS  
BANK

	September 30, 2023	June 30, 2023	Change	% Change	September 30, 2022	Change	% Change
	<i>(Unaudited)</i>	<i>(Unaudited)</i>			<i>(Unaudited)</i>		
<b><u>ASSETS</u></b>							
Cash and due from banks	\$ 36,373,555	\$ 49,157,915	\$ (12,784,360)	-26.01%	\$ 61,031,336	\$ (24,657,781)	-40.40%
Federal funds sold	8,695,149	16,908,217	(8,213,068)	-48.57%	24,137,905	(15,442,756)	-63.98%
Total cash and cash equivalents	<u>45,068,704</u>	<u>66,066,132</u>	<u>(20,997,428)</u>	<u>-31.78%</u>	<u>85,169,241</u>	<u>(40,100,537)</u>	<u>-47.08%</u>
Interest-bearing time deposits in other banks	100,000	100,000	-	0.00%	100,000	-	0.00%
Securities available for sale, at fair value	3,879,531	-	3,879,531	0.00%	-	3,879,531	0.00%
Securities held to maturity, at cost (net of CECL Reserve)	244,837,916	253,917,288	(9,079,372)	-3.58%	266,551,405	(21,713,489)	-8.15%
Federal Home Loan Bank stock, restricted, at cost	1,727,100	1,494,300	232,800	15.58%	1,494,400	232,700	15.57%
Loans, net of unearned income	1,049,730,890	1,024,348,931	25,381,959	2.48%	1,030,422,253	19,308,637	1.87%
Less-allowance for credit losses	(13,860,420)	(13,912,231)	51,811	-0.37%	(13,027,473)	(832,947)	6.39%
Loans, net	<u>1,035,870,470</u>	<u>1,010,436,700</u>	<u>25,433,770</u>	<u>2.52%</u>	<u>1,017,394,780</u>	<u>18,475,690</u>	<u>1.82%</u>
Bank premises and equipment, net	13,325,846	13,528,556	(202,710)	-1.50%	14,018,310	(692,464)	-4.94%
ROU assets for operating lease, net	1,216,601	1,327,882	(111,281)	-8.38%	1,569,358	(352,757)	-22.48%
Goodwill	9,361,704	9,361,704	-	0.00%	9,361,704	-	0.00%
Intangible assets, net	1,765,877	1,851,765	(85,888)	-4.64%	2,110,003	(344,126)	-16.31%
Other real estate and foreclosed assets	3,567,309	3,749,267	(181,958)	-4.85%	3,774,402	(207,093)	-5.49%
Accrued interest receivable	5,585,081	5,224,150	360,931	6.91%	4,737,122	847,959	17.90%
Cash surrender value of life insurance	14,613,337	14,516,332	97,005	0.67%	14,244,800	368,537	2.59%
Other assets	25,711,989	23,327,101	2,384,888	10.22%	14,373,367	11,338,622	78.89%
<b>Total Assets</b>	<u>\$ 1,406,631,465</u>	<u>\$ 1,404,901,177</u>	<u>\$ 1,730,288</u>	<u>0.12%</u>	<u>\$ 1,434,898,892</u>	<u>(28,267,427)</u>	<u>-1.97%</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>							
Deposits:							
Non-interest bearing	\$ 316,825,603	\$ 318,451,205	\$ (1,625,602)	-0.51%	\$ 368,015,994	(51,190,391)	-13.91%
Interest bearing	862,167,812	858,291,311	3,876,501	0.45%	870,746,377	(8,578,565)	-0.99%
	<u>1,178,993,415</u>	<u>1,176,742,516</u>	<u>2,250,899</u>	<u>0.19%</u>	<u>1,238,762,371</u>	<u>(59,768,956)</u>	<u>-4.82%</u>
Other borrowed funds	42,132,633	45,113,982	(2,981,349)	-6.61%	28,808,031	13,324,602	46.25%
Lease liability for operating lease	1,216,601	1,327,882	(111,281)	-8.38%	1,569,358	(352,757)	-22.48%
Accrued interest payable	979,913	580,607	399,306	68.77%	306,662	673,251	219.54%
Accrued expenses and other liabilities	10,056,934	11,359,139	(1,302,205)	-11.46%	5,784,488	4,272,446	73.86%
	<u>1,233,379,496</u>	<u>1,235,124,126</u>	<u>(1,744,630)</u>	<u>-0.14%</u>	<u>1,275,230,910</u>	<u>(41,851,414)</u>	<u>-3.28%</u>
Shareholders' Equity:							
Common stock	2,179,210	2,179,075	135	0.01%	2,171,665	7,545	0.35%
Paid in capital surplus	42,177,860	42,167,829	10,031	0.02%	41,086,276	1,091,584	2.66%
Retained earnings	116,076,498	116,950,728	(874,230)	-0.75%	100,832,787	15,243,711	15.12%
Current year earnings	13,404,804	8,911,726	4,493,078	50.42%	14,464,536	(1,059,732)	-7.33%
Accumulated other comprehensive income (loss)	2,148,509	2,302,605	(154,096)	-6.69%	2,809,715	(661,206)	-23.53%
Treasury Stock, at cost 63,014	(2,734,912)	(2,734,912)	-	0.00%	(1,696,997)	(1,037,915)	61.16%
Total shareholders' equity	<u>173,251,969</u>	<u>169,777,051</u>	<u>3,474,918</u>	<u>2.05%</u>	<u>159,667,982</u>	<u>13,583,987</u>	<u>8.51%</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 1,406,631,465</u>	<u>\$ 1,404,901,177</u>	<u>\$ 1,730,288</u>	<u>0.12%</u>	<u>\$ 1,434,898,892</u>	<u>(28,267,427)</u>	<u>-1.97%</u>

# MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

## Consolidating Statement of Income for the Three Months Ended



	<u>September 30,</u> <u>2023</u>	<u>June 30,</u> <u>2023</u>	<u>Change</u>	<u>% Change</u>	<u>September 30,</u> <u>2022</u>	<u>Change</u>	<u>% Change</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>			<i>(Unaudited)</i>		
<b>Interest and Dividend Income:</b>							
Interest and fees on loans	\$ 15,803,711	\$ 15,361,766	\$ 441,945	2.88%	\$ 13,401,241	\$ 2,402,470	17.93%
Interest income on securities	2,051,695	2,099,593	(47,898)	-2.28%	1,882,931	168,764	8.96%
Income on federal funds sold	216,377	106,490	109,887	103.19%	58,422	157,955	270.37%
Income on time deposits held in other banks	302,545	267,047	35,498	13.29%	284,617	17,928	6.30%
Other interest and dividend income	43,630	66,236	(22,606)	-34.13%	53,095	(9,465)	-17.83%
Total interest and dividend income	<u>18,417,958</u>	<u>17,901,132</u>	<u>516,826</u>	<u>2.89%</u>	<u>15,680,306</u>	<u>2,737,652</u>	<u>17.46%</u>
<b>Interest Expense:</b>							
Deposits	5,109,712	4,290,251	819,461	19.10%	1,298,347	3,811,365	293.56%
Interest on other borrowed funds	455,105	574,301	(119,196)	-20.75%	433,142	21,963	5.07%
Interest on federal funds purchased	--	705	(705)	0.00%	2,854	(2,854)	0.00%
Total interest expense	<u>5,564,817</u>	<u>4,865,257</u>	<u>699,560</u>	<u>14.38%</u>	<u>1,734,343</u>	<u>3,830,474</u>	<u>220.86%</u>
Net interest income before provision for loan losses	12,853,141	13,035,875	(182,734)	-1.40%	13,945,963	(1,092,822)	-7.84%
Less-provision for credit losses	<u>(33,351)</u>	<u>(141,187)</u>	<u>107,836</u>	<u>-76.38%</u>	<u>3,750,000</u>	<u>(3,783,351)</u>	<u>-100.89%</u>
Net interest income after provision for credit losses	<u>12,886,492</u>	<u>13,177,062</u>	<u>(290,570)</u>	<u>-2.21%</u>	<u>10,195,963</u>	<u>2,690,529</u>	<u>26.39%</u>
<b>Noninterest Income:</b>							
Service charges on deposit accounts	532,598	533,273	(675)	-0.13%	639,971	(107,373)	-16.78%
Other service charges, commissions and fees	399,587	376,266	23,321	6.20%	411,386	(11,799)	-2.87%
Gain on sales of foreclosed assets	--	--	--	--	--	--	--
Increase in CSV of life insurance	97,005	92,372	4,633	5.02%	90,902	6,103	6.71%
Other income	7,681	106,051	(98,370)	-92.76%	70,907	(63,226)	-89.17%
Total noninterest income	<u>1,036,871</u>	<u>1,107,962</u>	<u>(71,091)</u>	<u>-6.42%</u>	<u>1,213,166</u>	<u>(176,295)</u>	<u>-14.53%</u>
<b>Noninterest Expense:</b>							
Salaries and employee benefits	4,374,087	3,889,461	484,626	12.46%	4,499,343	(125,256)	-2.78%
Occupancy and equipment expenses, net	599,714	570,746	28,968	5.08%	618,367	(18,653)	-3.02%
Loss on sales of premises and equipment	54,269	--	54,269	--	220,280	(166,011)	-75.36%
Loss on sales of foreclosed assets	320,110	5,816	314,294	0.00%	995	319,115	0.00%
Other expenses	3,837,844	3,681,617	156,227	4.24%	3,401,150	436,694	12.84%
Total noninterest expense	<u>9,186,024</u>	<u>8,147,640</u>	<u>1,038,384</u>	<u>12.74%</u>	<u>8,740,135</u>	<u>445,889</u>	<u>5.10%</u>
<b>Income Before Income Taxes</b>	4,737,339	6,137,384	(1,400,045)	-22.81%	2,668,994	2,068,345	77.50%
Provision for income taxes	<u>244,258</u>	<u>1,329,595</u>	<u>(1,085,337)</u>	<u>-81.63%</u>	<u>568,076</u>	<u>(323,818)</u>	<u>-57.00%</u>
<b>Net Income</b>	<u>\$ 4,493,081</u>	<u>\$ 4,807,789</u>	<u>(314,708)</u>	<u>-6.55%</u>	<u>\$ 2,100,918</u>	<u>2,392,163</u>	<u>113.86%</u>
<b>Earnings per common share:</b>							
Basic	\$ 2.12	\$ 2.27	(0.15)	-6.61%	\$ 0.98	1.14	116.33%
Diluted	\$ 2.12	\$ 2.27	(0.15)	-6.61%	\$ 0.98	1.14	116.33%

# MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

## Selected Financial Information



	<b>September 30, 2023</b>	<b>June 30, 2023</b>	<b>Sept 30, 2022</b>
Dollars in thousand, except per share data	(Unaudited)	(Unaudited)	(Unaudited)
<b>Per Share Data</b>			
Basic Earnings per Common Share	\$ 2.12	\$ 2.27	\$ 0.98
Diluted Earnings per Common Share	2.12	2.27	0.98
Dividends per Common Share	0.44	0.44	0.44
Book Value per Common Share	81.87	80.23	75.42
Tangible Book Value per Common Share	76.61	74.93	70.01
Average Diluted Shared Outstanding	2,116,186	2,118,681	2,116,463
End of Period Common Shares Outstanding	2,116,196	2,116,061	2,116,921
<b>Annualized Performance Ratios (Bank Only)</b>			
Return on Average Assets	1.45%	1.60%	0.80%
Return on Average Equity	11.37%	12.79%	6.34%
Equity/Assets	12.79%	12.45%	12.49%
Yield on Earning Assets	5.48%	5.38%	4.50%
Cost of Funds	1.69%	1.47%	0.43%
Net Interest Margin	3.94%	4.04%	4.12%
Efficiency Ratio	62.46%	54.37%	52.81%
<b>Credit Metrics</b>			
Allowance for Loan Losses to Total Loans	1.32%	1.36%	1.27%
Adversely Classified Assets to Tier 1 Capital plus Allowance for Loan Losses	7.00%	6.41%	5.59%