



FOR IMMEDIATE RELEASE

Morris State Bancshares Announces Quarterly Earnings and Declares Fourth Quarter Dividend

DUBLIN, GA. (October 23, 2024) – Morris State Bancshares, Inc. (OTCQX: MBLU) (the “Company”), the parent of Morris Bank, today announced net income of \$5.4 million for the quarter ending September 30, 2024, representing an increase of \$124 thousand, or 2.34%, compared to net income of \$5.3 million for the quarter ended June 30, 2024. Year over year the Company’s net income increased \$954 thousand, or 21.23%, compared to net income of \$4.5 million for the quarter ended September 30, 2023. The Company’s quarterly net earnings rose due to sustained loan growth, higher loan yields, an increase in noninterest-bearing deposit accounts, and some stabilization in the cost of funds. These factors combined to strengthen the bank’s net interest margin, bringing it to 4.10%.

“We had a solid third quarter. Our core earnings engine remains strong as reflected by the growth in our net interest income. In the third quarter, we generated net interest income of \$14.0 million, which was \$428 thousand above the June 30, 2024, level of \$13.6 million and \$1.1 million above the September 30, 2023 level of \$12.9 million.” said Spence Mullis, Chairman and CEO. “The Federal Reserve’s reduction in the Fed funds rate, combined with robust growth in noninterest-bearing balances, has contributed to stabilizing our cost of funds. Despite continued payoffs of larger loans, we continue to fund a good volume of new loans and previously unfunded commitments driving our loan balances slightly higher.”

The net interest margin was 4.10% for the third quarter of 2024 compared to 4.02% for the second quarter of 2024 and 3.94% for the third quarter of 2023. The average yield on earning assets grew nine basis points from 5.96%, as of June 30, 2024, to 6.05%, while the Company’s cost of funds increased two basis points from 2.16% to 2.18% during the same period.

Total deposits declined during the quarter by \$16.6 million, or 1.37%, which included a \$24 million reduction in brokered money market deposits. However, non-interest-bearing deposits increased \$21.5 million, or 7.19% during the quarter, helping to bolster the net interest margin. The bank took down \$15.0 million in borrowings from the Federal Home Loan Bank during the third quarter of 2024 to help fund new loan demand and offset the reduction in brokered deposits. Loans increased \$6.3 million, or an annualized 2.36% during the third quarter, slowing from the second quarter’s annualized growth of 7.24%. Management anticipates steady loan demand in the

fourth quarter as political uncertainty eases in November, providing customers with greater clarity to advance their growth strategies.

The bank's reserve as a percentage of total loans was 1.30% for September 30, 2024, as compared to 1.30% for June 30, 2024, and 1.32% as of September 30, 2023. The Company's adversely classified index increased slightly from 6.04% as of June 30, 2024, to 6.15% as of September 30, 2024. The bank's efficiency ratio increased slightly from 58.36% as of June 30, 2024, to 58.90% as of September 30, 2024.

The Company's total shareholders' equity increased 2.35% to \$190.6 million as of September 30, 2024, as compared to \$186.2 million as of June 30, 2024. Tangible book value per share increased to \$16.97 as of September 30, 2024, a 2.66% increase from \$16.53 per share on June 30, 2024. On October 16, 2024, the board of directors approved its fourth quarter dividend of \$0.092 per share payable on or about December 15th to all shareholders of record as of November 15th.

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 September 30, 2024



	September 30, 2024	June 30, 2024	Change	% Change	September 30, 2023	Change	% Change
	<i>(Unaudited)</i>	<i>(Unaudited)</i>			<i>(Unaudited)</i>		
<u>ASSETS</u>							
Cash and due from banks	\$ 48,180,615	\$ 43,688,884	\$ 4,491,731	10.28%	\$ 36,373,555	\$ 11,807,060	32.46%
Federal funds sold	11,932,122	14,624,710	(2,692,588)	-18.41%	8,695,149	3,236,973	37.23%
Total cash and cash equivalents	<u>60,112,737</u>	<u>58,313,594</u>	<u>1,799,143</u>	<u>3.09%</u>	<u>45,068,704</u>	<u>15,044,033</u>	<u>33.38%</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	6,299,609	7,669,642	(1,370,033)	-17.86%	3,879,531	2,420,078	0.00%
Securities held to maturity, at cost (net of CECL Reserve)	224,532,603	227,532,821	(3,000,218)	-1.32%	244,837,916	(20,305,313)	-8.29%
Federal Home Loan Bank stock, restricted, at cost	1,740,300	1,027,800	712,500	69.32%	1,727,100	13,200	0.76%
Loans, net of unearned income	1,088,132,851	1,081,790,223	6,342,628	0.59%	1,049,730,890	38,401,961	3.66%
Less-allowance for credit losses	(14,179,392)	(14,109,191)	(70,201)	0.50%	(13,860,420)	(318,972)	2.30%
Loans, net	<u>1,073,953,459</u>	<u>1,067,681,032</u>	<u>6,272,427</u>	<u>0.59%</u>	<u>1,035,870,470</u>	<u>38,082,989</u>	<u>3.68%</u>
Bank premises and equipment, net	12,912,111	13,051,972	(139,861)	-1.07%	13,325,846	(413,735)	-3.10%
ROU assets for operating lease, net	854,808	945,268	(90,460)	-9.57%	1,216,601	(361,793)	-29.74%
Goodwill	9,361,704	9,361,704	--	0.00%	9,361,704	--	0.00%
Intangible assets, net	1,422,326	1,508,214	(85,888)	-5.69%	1,765,877	(343,551)	-19.45%
Other real estate and foreclosed assets	39,755	43,408	(3,653)	-8.42%	3,567,309	(3,527,554)	-98.89%
Accrued interest receivable	6,640,617	6,421,999	218,618	3.40%	5,585,081	1,055,536	18.90%
Cash surrender value of life insurance	15,022,374	14,915,967	106,407	0.71%	14,613,337	409,037	2.80%
Other assets	22,311,520	21,721,225	590,295	2.72%	25,711,989	(3,400,469)	-13.23%
Total Assets	<u>\$ 1,435,303,923</u>	<u>\$ 1,430,294,646</u>	<u>\$ 5,009,277</u>	<u>0.35%</u>	<u>\$ 1,406,631,465</u>	<u>28,672,458</u>	<u>2.04%</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>							
Deposits:							
Non-interest bearing	\$ 320,503,732	\$ 298,997,994	\$ 21,505,738	7.19%	\$ 316,825,603	3,678,129	1.16%
Interest bearing	876,274,737	914,360,430	(38,085,693)	-4.17%	862,167,812	14,106,925	1.64%
	<u>1,196,778,469</u>	<u>1,213,358,424</u>	<u>(16,579,955)</u>	<u>-1.37%</u>	<u>1,178,993,415</u>	<u>17,785,054</u>	<u>1.51%</u>
Other borrowed funds	34,009,138	18,998,904	15,010,234	79.01%	42,132,633	(8,123,495)	-19.28%
Lease liability for operating lease	854,808	945,268	(90,460)	-9.57%	1,216,601	(361,793)	-29.74%
Accrued interest payable	2,114,956	1,730,280	384,676	22.23%	979,913	1,135,043	115.83%
Accrued expenses and other liabilities	10,938,057	9,038,821	1,899,236	21.01%	10,056,934	881,123	8.76%
Total liabilities	<u>1,244,695,428</u>	<u>1,244,071,697</u>	<u>623,731</u>	<u>0.05%</u>	<u>1,233,379,496</u>	<u>11,315,932</u>	<u>0.92%</u>
Shareholders' Equity:							
Common stock	10,688,223	10,688,223	--	0.00%	2,179,210	8,509,013	390.46%
Paid in capital surplus	34,867,691	34,729,351	138,340	0.40%	41,548,417	(6,680,726)	-16.08%
Retained earnings	131,085,914	132,061,494	(975,580)	-0.74%	116,705,941	14,379,973	12.32%
Current year earnings	15,660,043	10,213,197	5,446,846	53.33%	13,404,804	2,255,239	16.82%
Accumulated other comprehensive income (loss)	1,582,952	1,648,392	(65,440)	-3.97%	2,148,509	(565,557)	-26.32%
Treasury Stock, at cost 91,878	(3,276,328)	(3,117,708)	(158,620)	5.09%	(2,734,912)	(541,416)	19.80%
Total shareholders' equity	<u>190,608,495</u>	<u>186,222,949</u>	<u>4,385,546</u>	<u>2.35%</u>	<u>173,251,969</u>	<u>17,356,526</u>	<u>10.02%</u>
Total Liabilities and Shareholders' Equity	<u>\$ 1,435,303,923</u>	<u>\$ 1,430,294,646</u>	<u>\$ 5,009,277</u>	<u>0.35%</u>	<u>\$ 1,406,631,465</u>	<u>28,672,458</u>	<u>2.04%</u>

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Income for the Three Months Ended



	September 30, 2024 <i>(Unaudited)</i>	June 30, 2024 <i>(Unaudited)</i>	Change	% Change	September 30, 2023 <i>(Unaudited)</i>	Change	% Change
Interest and Dividend Income:							
Interest and fees on loans	\$ 18,630,690	\$ 17,879,134	\$ 751,556	4.20%	\$ 15,803,711	\$ 2,826,979	17.89%
Interest income on securities	1,825,236	1,837,396	(12,160)	-0.66%	2,051,695	(226,459)	-11.04%
Income on federal funds sold	163,624	156,184	7,440	4.76%	216,377	(52,753)	-24.38%
Income on time deposits held in other banks	338,433	590,205	(251,772)	-42.66%	302,545	35,888	11.86%
Other interest and dividend income	21,031	64,639	(43,608)	-67.46%	43,630	(22,599)	-51.80%
Total interest and dividend income	<u>20,979,014</u>	<u>20,527,558</u>	<u>451,456</u>	<u>2.20%</u>	<u>18,417,958</u>	<u>2,561,056</u>	<u>13.91%</u>
Interest Expense:							
Deposits	6,671,982	6,568,679	103,303	1.57%	5,109,712	1,562,270	30.57%
Interest on other borrowed funds	309,265	389,629	(80,364)	-20.63%	455,105	(145,840)	-32.05%
Interest on federal funds purchased	--	--	--	--	--	--	0.00%
Total interest expense	<u>6,981,247</u>	<u>6,958,308</u>	<u>22,939</u>	<u>0.33%</u>	<u>5,564,817</u>	<u>1,416,430</u>	<u>25.45%</u>
Net interest income before provision for loan losses	13,997,767	13,569,250	428,517	3.16%	12,853,141	1,144,626	8.91%
Less-provision for credit losses	252,021	272,419	(20,398)	-7.49%	(33,351)	285,372	-855.66%
Net interest income after provision for credit losses	<u>13,745,746</u>	<u>13,296,831</u>	<u>448,915</u>	<u>3.38%</u>	<u>12,886,492</u>	<u>859,254</u>	<u>6.67%</u>
Noninterest Income:							
Service charges on deposit accounts	576,751	535,847	40,904	7.63%	532,598	44,153	8.29%
Other service charges, commissions and fees	399,839	397,787	2,052	0.52%	399,587	252	0.06%
Gain on sales of foreclosed assets	--	--	--	0.00%	--	--	0.00%
Gain on sales of premises and equipment	--	141	(141)	-100.00%	--	--	0.00%
Increase in CSV of life insurance	106,407	102,828	3,579	3.48%	97,005	9,402	9.69%
Other income	23,002	355,155	(332,153)	-93.52%	7,681	15,321	199.47%
Total noninterest income	<u>1,105,999</u>	<u>1,391,758</u>	<u>(285,759)</u>	<u>-20.53%</u>	<u>1,036,871</u>	<u>69,128</u>	<u>6.67%</u>
Noninterest Expense:							
Salaries and employee benefits	4,794,940	4,650,704	144,236	3.10%	4,374,087	420,853	9.62%
Occupancy and equipment expenses, net	592,165	536,330	55,835	10.41%	599,714	(7,549)	-1.26%
Loss on sales and calls of securities	--	265	(265)	0.00%	--	--	0.00%
Loss on Sales of premises and equipment	--	--	--	0.00%	54,269	(54,269.0)	0.00%
Loss on sales of foreclosed assets	2,065	--	2,065	0.00%	320,110	(318,045)	0.00%
Other expenses	3,752,517	3,860,188	(107,671)	-2.79%	3,837,844	(85,327)	-2.22%
Total noninterest expense	<u>9,141,687</u>	<u>9,047,487</u>	<u>94,200</u>	<u>1.04%</u>	<u>9,186,024</u>	<u>(44,337)</u>	<u>-0.48%</u>
Income Before Income Taxes	5,710,058	5,641,102	68,956	1.22%	4,737,339	972,719	20.53%
Provision for income taxes	263,212	318,723	(55,511)	17.42%	244,258	18,954	7.76%
Net Income	<u>\$ 5,446,846</u>	<u>\$ 5,322,379</u>	<u>124,467</u>	<u>2.34%</u>	<u>\$ 4,493,081</u>	<u>953,765</u>	<u>21.23%</u>
Earnings per common share:							
Basic	\$ 0.51	\$ 0.50	0.01	2.43%	\$ 0.42	0.09	21.00%
Diluted	\$ 0.51	\$ 0.50	0.01	2.00%	\$ 0.42	0.09	21.43%

Per share amounts for September 30, 2023 and previous quarters have been adjusted to reflect the April 22, 2024 5-for-1 stock dividend.

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Selected Financial Information



Dollars in thousand	September 30, 2024 (Unaudited)	June 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Per Share Data			
Basic Earnings per Common Share	\$ 0.51	\$ 0.50	\$ 0.42
Diluted Earnings per Common Share	0.51	0.50	0.42
Dividends per Common Share	0.092	0.092	0.088
Book Value per Common Share	17.99	17.56	16.37
Tangible Book Value per Common Share	16.97	16.53	15.32
Average Diluted Shared Outstanding	10,602,348	10,611,811	10,582,485
End of Period Common Shares Outstanding	10,596,345	10,605,080	10,582,494
Annualized Performance Ratios (Bank Only)			
Return on Average Assets	1.65%	1.73%	1.45%
Return on Average Equity	12.37%	13.12%	11.37%
Equity/Assets	13.23%	13.18%	12.79%
Yield on Earning Assets	6.05%	5.96%	5.48%
Cost of Funds	2.18%	2.16%	1.69%
Net Interest Margin	4.10%	4.02%	3.94%
Efficiency Ratio	58.90%	58.36%	62.24%
Credit Metrics			
Allowance for Loan Losses to Total Loans	1.30%	1.30%	1.32%
Adversely Classified Assets to Tier 1 Capital plus Allowance for Loan Losses	6.15%	6.04%	7.00%

Per share amounts for September 30, 2023 and previous quarters have been adjusted to reflect the April 22, 2024 5-for-1 stock dividend.