



FOR IMMEDIATE RELEASE

**Morris State Bancshares Announces Quarterly Earnings
and Declares Second Quarter Dividend**

DUBLIN, GA. (April 27, 2020) – /GLOBE NEWSWIRE/ Morris State Bancshares (OTCQX: MBLU) (the “Company”), the parent of Morris Bank, today announced net income of \$4.0 million, or an earnings per share of \$1.93, for the quarter ended March 31, 2020. The earnings represent a decrease of \$559 thousand, or 12.17%, compared to net income of \$4.6 million, or \$2.50 per share, for the quarter ended March 31, 2019. On a pretax basis, the company earned \$5.1 million versus \$3.3 million a year earlier, which represents a 54% increase. The increase in pretax net income was a result of balanced improvement in net interest income, higher non-interest income, and improved operational efficiency.

On April 23, 2020, the board of directors approved a second quarter dividend of \$0.35 per share payable on or about June 15th to all shareholders of record on June 1st, 2020. The company will evaluate future dividend strategies based on bank performance and overall economic conditions throughout the rest of 2020.

“In the first quarter, we experienced net interest income growth of \$2.8 million, or 35%, as the margin increased 17 basis points,” said Spence Mullis, President and CEO. “Our higher net interest income and improved operational efficiency led to very solid earnings on the quarter. While the quarter ended solid financially, management pivoted to focus significant resources in working through the current health and economic crisis. Focusing on our customers, employees, and communities physical and financial health will continue to be our strategic focus for the foreseeable future.”

As the crisis developed, the company executed pandemic policies and procedures that included remote working arrangements for some employees, shuttering lobbies, and continually cleaning surfaces throughout the bank’s physical locations. Customer usage of the bank’s digital banking services continue to grow as both the bank’s and customers’ standard operating procedures have changed. In helping borrowers, the bank agreed to payment deferrals on over 760 loans totaling approximately \$207 million for 90 days to allow customers to preserve cash as they began to adjust to the COVID-19 financial stall. The bank also modified another 50 loans for 180 days of interest-only payments totaling approximately \$23 million. These deferrals and modifications were granted

to customers whose loans were performing and not adversely classified prior to the current crisis and represented approximately 30% of the bank's total loan portfolio.

The bank participated in the Small Business Administration's (SBA) Payment Protection Program (PPP), which is part of the Coronavirus Aid, Relief and Economic Security Act enacted by Congress. The bank received approval on over 350 loans totaling over \$72 million in the first round of funding. The bank's weighted average fee income on PPP loans generated is estimated at 3.42%.

Total assets of the company were up \$259 million, or 34%, from the end of the first quarter of 2019. The asset increase was a combination of the 2019 acquisition of FMB Equibanc, Inc. and organic growth in other markets. Total loans were up \$155 million, or 26%, from March 31, 2019. The company's loans-to-deposit ratio declined to 84.7% from 90.3% during the same period. Total shareholders' equity of the company increased 33% to \$114 million during the twelve-month period ended March 31, 2020. Tangible book value per share increased to \$48.65 as of March 31, 2020, an increase of 3.11%, or \$1.47, since December 31, 2019.

Net interest income for quarter March 31, 2020 and 2019 was \$10.7 million and \$8.0 million, respectively, which represents an increase of \$2.7 million, or 35%. The net interest margin for the said quarters was 4.59% and 4.42%, respectively. Non-interest income was up \$410 thousand, or 51.7%, for the quarter versus the same quarter a year ago. Higher non-interest income was driven by a 34% increase in deposit account fees as well as a 130% increase in secondary mortgage fees that resulted from historically low mortgage rates. Better operational performance as well as management's decision to curtail certain compensation incentives as a result of an uncertain future due to the COVID-19 pandemic led to improved overall efficiency. The company's efficiency ratio improved during the first quarter to 53.26% from 59.79% for the same period a year ago.

The company provided provision for loan losses of \$435 thousand in the first quarter, which was \$60 thousand more than in the first quarter of 2019. As the bank has extended loans and business customers have received SBA PPP and other emergency funds, management believes it will take a couple of months to determine how much credit deterioration results from the COVID-19 pandemic. The lending team is actively engaging customers in all industries and assessing potential issues that may develop going forward. Management is taking proactive measures in stress testing certain segments of the company's loan portfolio such as hospitality, restaurants, residential construction, and commercial retail real estate. As of the first quarter of 2020, the company's reserves as a percentage of total loans were 1.32%. As market conditions develop, management expects higher reserves will be needed to absorb potential losses and plans to provide higher provisions in the second quarter and the remaining quarters of the year.

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, including conditions related to the COVID-19 pandemic; 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, 2020



	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>		
<u>ASSETS</u>				
Cash and due from banks	\$ 52,915,891	\$ 50,160,250	\$ 2,755,641	5.49%
Federal funds sold	27,300,392	19,202,087	8,098,305	42.17%
Interest bearing time deposits in other banks	1,350,000	1,850,000	(500,000)	(27.03%)
Securities available for sale, at fair value	139,307,643	70,495,389	68,812,254	97.61%
Securities held to maturity, at cost	4,743,041	5,578,390	(835,349)	(14.97%)
Federal Home Loan Bank stock	842,900	1,057,200	(214,300)	(20.27%)
Loans, less allowance for loan losses of \$9,788,969 and \$9,695,079 respectfully	743,359,037	588,863,297	154,495,740	26.24%
Premises and equipment, net	16,096,382	9,592,348	6,504,034	67.80%
Goodwill	9,361,770	2,237,890	7,123,880	318.33%
Intangible assets, net	2,979,230	276,789	2,702,441	976.35%
Other real estate and foreclosed assets	589,675	201,029	388,646	193.33%
Accrued interest receivable	2,889,890	2,358,511	531,379	22.53%
Cash surrender value of life insurance	13,341,379	7,078,363	6,263,016	88.48%
Other assets	7,352,653	4,106,172	3,246,481	79.06%
Total assets	\$ 1,022,429,883	\$ 763,057,715	\$ 259,372,168	33.99%
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Deposits:				
Non-interest-bearing demand	\$ 194,485,444	\$ 134,597,556	\$ 59,887,888	44.49%
Interest-bearing	694,767,211	528,476,269	166,290,942	31.47%
	889,252,655	663,073,825	226,178,830	34.11%
Other borrowed funds	14,124,000	9,785,714	4,338,286	44.33%
Accrued interest payable	421,993	416,264	5,729	1.38%
Accrued expenses and other liabilities	4,336,060	3,781,765	554,295	14.66%
Total liabilities	908,134,708	677,057,568	231,077,140	34.13%
Shareholders' Equity:				
Common stock	2,144,766	1,884,904	259,862	13.79%
Paid in capital surplus	39,292,064	24,327,596	14,964,468	61.51%
Less: treasury stock	(1,564,569)	(1,211,099)	(353,470)	29.19%
Retained earnings	68,070,150	55,916,997	12,153,153	21.73%
Current year earnings	4,037,752	4,597,026	(559,274)	(12.17%)
Accumulated other comprehensive income (loss)	2,315,012	484,723	1,830,289	377.59%
Total shareholders' equity	114,295,175	86,000,147	28,295,028	32.90%
Total Liabilities and Shareholders' Equity	\$ 1,022,429,883	\$ 763,057,715	259,372,168	33.99%

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Income
March 31, 2020



	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>		
Interest and dividend income:				
Loans, including fees	\$ 11,536,693	\$ 9,029,837	\$ 2,506,856	27.76%
Securities	877,946	529,099	348,847	65.93%
Federal funds sold	79,065	102,628	(23,563)	(22.96%)
Interest-bearing deposits in banks	5,345	8,975	(3,630)	(40.45%)
FHLB stock	12,599	16,199	(3,600)	(22.22%)
Other interest and dividend income	196,621	229,613	(32,992)	(14.37%)
Total interest income	<u>12,708,269</u>	<u>9,916,351</u>	<u>2,791,918</u>	<u>28.15%</u>
Interest expense:				
Deposits	1,839,673	1,901,844	\$ (62,171)	(3.27%)
Borrowed funds	158,799	58,733	100,066	170.37%
Federal funds purchased	--	29	(29)	(100.00%)
Total interest expense	<u>1,998,472</u>	<u>1,960,606</u>	<u>37,866</u>	<u>1.93%</u>
Net interest income	10,709,797	7,955,745	2,754,052	34.62%
Provision for loan losses	<u>435,000</u>	<u>375,000</u>	<u>60,000</u>	<u>16.00%</u>
Net interest income after provision for loan losses	<u>10,274,797</u>	<u>7,580,745</u>	<u>2,694,052</u>	<u>35.54%</u>
Noninterest income:				
Service charges on deposit accounts	604,173	449,700	154,473	34.35%
Other fees and commissions	502,401	298,437	203,964	68.34%
Increase in CSV of life insurance	92,995	43,225	49,770	115.14%
Other income	4,413	2,465	1,948	79.03%
Total noninterest income	<u>1,203,982</u>	<u>793,827</u>	<u>410,155</u>	<u>51.67%</u>
Noninterest expense:				
Salaries and employee benefits	3,713,931	3,396,652	317,279	9.34%
Occupancy and equipment expenses, net	627,425	442,189	185,236	41.89%
Loss on sales of foreclosed assets	5,072	61,136	(56,064)	(91.70%)
Loss on sale of securities available for sale	--	19,848	(19,848)	(100.00%)
Other operating	2,009,074	1,134,650	874,424	77.07%
Total noninterest expense	<u>6,355,502</u>	<u>5,054,475</u>	<u>1,301,027</u>	<u>25.74%</u>
Income before Taxes	5,123,277	3,320,097	1,803,180	54.31%
Income Taxes	<u>1,085,525</u>	<u>(1,276,929)</u>	<u>2,362,454</u>	<u>(185.01%)</u>
Net Income	<u>\$ 4,037,752</u>	<u>\$ 4,597,026</u>	<u>\$ (559,274)</u>	<u>(12.17%)</u>
Earnings per Share	<u>\$ 1.93</u>	<u>\$ 2.50</u>	<u>\$ (0.57)</u>	<u>(22.80%)</u>
TBV per Common Share	<u>\$ 1.93</u>	<u>\$ 2.50</u>	<u>\$ (0.57)</u>	<u>(22.80%)</u>

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Selected Financial Information



	Quarter Ended		Year Ending
	March 31, 2020 (Unaudited)	March 31, 2019	December 31, 2019
(Dollars in thousand, except per share data)			
<u>Per Share Data</u>			
Basic Earnings per Common Share	\$ 1.93	\$ 2.50	\$ 6.82
Diluted Earnings per Common Share	1.93	2.50	6.82
Dividends per Common Share	0.70	1.02	0.93
Book Value per Common Share	54.54	46.71	53.11
Tangible Book Value per Common Share	48.65	45.18	47.18
Average Diluted Shares Outstanding	2,096,415	1,840,764	1,997,735
End of Period Common Shares Outstanding	2,095,468	1,840,980	2,098,250
* Subchapter S Tax Status			
<u>Annualized Performance Ratios (Bank Only)</u>			
Return on Average Assets	1.71%	2.44%	1.63%
Return on Average Equity	14.46%	23.74%	14.56%
Equity/Assets	11.88%	10.92%	11.65%
Cost of Funds	0.84%	1.17%	1.02%
Net Interest Margin	4.59%	4.42%	4.65%
Efficiency Ratio	53.26%	59.79%	57.80%