



FOR IMMEDIATE RELEASE

Morris State Bancshares Announces Quarterly Earnings and Declares Fourth Quarter Dividend

DUBLIN, GA. (October 28, 2021) – Morris State Bancshares, Inc. (OTCQX: MBLU) (the “Company”), the parent of Morris Bank, today announced net income of \$6.2 million for the quarter ended September 30, 2021, representing an increase of \$723 thousand, or 13.24%, compared to net income of \$5.5 million for the quarter ended June 30, 2021. The company also announced diluted earnings per share of \$2.94 for the quarter, representing a 13.08% increase over diluted earnings per share of \$2.60 for the prior quarter. Net earnings were higher quarter over quarter because of lower credit and tax provisioning as well as higher non-interest income related to service charges and credit insurance premiums.

“In the third quarter, we generated net interest income of \$13.4 million, slightly better than the second quarter’s level of \$13.3 million” said Spence Mullis, President and CEO. “We generated both solid loan and deposit growth during the quarter. We are particularly proud of our loan growth, which net of SBA Payroll Protection Program (PPP) loans was \$37.0 million or 4.48%. While the average yield on our loans decreased slightly, loan volume and our strong non-interest-bearing deposit growth led to our net interest margin remaining solid at 4.10%. We grew non-interest-bearing deposits \$25.4 million or 8.30% during the quarter.”

The Company’s total shareholders’ equity increased 3.76% to \$143 million as of September 30, 2021, as compared to \$138 million as of June 30, 2021. Tangible book value per share increased to \$62.36 as of September 30, 2021, a 4.18% increase from \$59.86 per share as of June 30, 2021. On October 20, 2021, the board of directors approved its fourth quarter dividend of \$0.38 per share payable on or about December 15th to all shareholders of record as of November 15th.

Secondary mortgage revenue for the quarter was strong at \$908 thousand, up \$122 thousand or 15.5% from the second quarter. While mortgage rates have ticked up slightly, demand for both purchases and refinances in the Company’s markets remains strong.

The bank had a loan relationship that was stagnant in a Chapter 11 bankruptcy since June of 2019. The borrowing entity was finally discharged from bankruptcy this quarter which allowed the bank to foreclose on a new, but unoccupied assisted living facility as well other ancillary collateral for this relationship. As a result, the relationship which had been on a non-accrual status migrated into other real estate in the amount of \$5.2 million. There was no net effect on the bank’s adversely classified ratio, or the ratio of adversely classified loans and other real

estate owned to Tier 1 regulatory capital plus the allowance for loan losses, which decreased during the quarter to 8.04% versus 8.43% as of the end of the previous quarter. As previously mentioned, the bank's provision for loan losses of \$450 thousand for the three months ended September 30, 2021 was down from \$750 thousand for the three months ended June 30, 2021. The bank's allowance for loan losses as a percentage of total loans was 1.41% when PPP loans are netted out of total loans as of September 30, 2021, versus 1.47% as of June 30, 2021.

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, 2021	June 30, 2021	Change	% Change
	<i>(Unaudited)</i>	<i>(Unaudited)</i>		
<u>ASSETS</u>				
Cash and due from banks	\$ 98,488,262	\$ 66,121,775	\$ 32,366,487	48.95%
Federal funds sold	67,966,892	87,869,237	(19,902,345)	-22.65%
Total cash and cash equivalents	<u>166,455,154</u>	<u>153,991,012</u>	<u>12,464,142</u>	<u>8.09%</u>
Interest-bearing time deposits in other banks	350,000	350,000	-	0.00%
Securities available for sale, at fair value	253,026,739	263,891,405	(10,864,666)	-4.12%
Securities held to maturity, at cost	13,220,095	12,682,445	537,650	4.24%
Federal Home Loan Bank stock, restricted, at cost	624,200	624,200	-	0.00%
Loans, net of unearned income	882,889,280	858,178,798	24,710,482	2.88%
Less-allowance for loan losses	(12,125,731)	(12,099,672)	(26,059)	0.22%
Loans, net	<u>870,763,549</u>	<u>846,079,126</u>	<u>24,684,423</u>	<u>2.92%</u>
Bank premises and equipment, net	15,127,699	15,178,731	(51,032)	-0.34%
ROU assets for operating lease, net	420,363	505,635	(85,272)	-16.86%
Goodwill	9,361,770	9,361,770	-	0.00%
Intangible assets, net	2,456,370	2,543,350	(86,980)	-3.42%
Other real estate and foreclosed assets	5,470,761	271,389	5,199,372	1915.84%
Accrued interest receivable	4,670,208	4,362,402	307,806	7.06%
Cash surrender value of life insurance	13,889,164	13,798,452	90,712	0.66%
Other assets	10,057,607	10,029,683	27,924	0.28%
Total Assets	<u>\$ 1,365,893,679</u>	<u>\$ 1,333,669,600</u>	<u>\$ 32,224,079</u>	<u>2.42%</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Deposits:				
Non-interest bearing	\$ 331,663,248	\$ 306,244,572	\$ 25,418,676	8.30%
Interest bearing	854,987,023	853,411,310	1,575,713	0.18%
	<u>1,186,650,271</u>	<u>1,159,655,882</u>	<u>26,994,389</u>	<u>2.33%</u>
Other borrowed funds	28,733,428	28,714,778	18,650	0.06%
Lease liability for operating lease	420,363	505,635	(85,272)	-16.86%
Accrued interest payable	146,945	198,992	(52,047)	-26.16%
Accrued expenses and other liabilities	7,137,289	6,958,927	178,362	2.56%
Total liabilities	<u>1,223,088,296</u>	<u>1,196,034,214</u>	<u>27,054,082</u>	<u>2.26%</u>
Shareholders' Equity:				
Common stock	2,151,398	2,151,398	-	0.00%
Paid in capital surplus	39,735,842	39,735,842	-	0.00%
Retained earnings	80,874,167	81,672,346	(798,179)	-0.98%
Current year earnings	16,863,337	10,679,804	6,183,533	57.90%
Accumulated other comprehensive income (loss)	4,845,836	5,061,193	(215,357)	-4.26%
Treasury Stock, at cost 50,927	(1,665,197)	(1,665,197)	-	0.00%
Total shareholders' equity	<u>142,805,383</u>	<u>137,635,386</u>	<u>5,169,997</u>	<u>3.76%</u>
Total Liabilities and Shareholders' Equity	<u>\$ 1,365,893,679</u>	<u>\$ 1,333,669,600</u>	<u>\$ 32,224,079</u>	<u>2.42%</u>

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Income for the Three Months Ended



	September 30, 2021 <i>(Unaudited)</i>	June 30, 2021 <i>(Unaudited)</i>	Change	% Change
Interest and Dividend Income:				
Interest and fees on loans	\$ 12,642,615	\$ 12,795,036	\$ (152,421)	-1.19%
Interest income on securities	1,580,691	1,449,522	131,169	9.05%
Income on federal funds sold	21,720	18,769	2,951	15.72%
Income on time deposits held in other banks	29,479	28,685	794	2.77%
Other interest and dividend income	51,191	53,518	(2,327)	-4.35%
Total interest and dividend income	<u>14,325,696</u>	<u>14,345,530</u>	<u>(19,834)</u>	<u>-0.14%</u>
Interest Expense:				
Deposits	515,038	626,030	\$ (110,992)	-17.73%
Interest on other borrowed funds	389,377	387,005	2,372	0.61%
Interest on federal funds purchased	--	--	--	--
Total interest expense	<u>904,415</u>	<u>1,013,035</u>	<u>(108,620)</u>	<u>-10.72%</u>
Net interest income before provision for loan losses	13,421,281	13,332,495	88,786	0.67%
Less-provision for loan losses	450,000	750,000	(300,000)	-40.00%
Net interest income after provision for loan losses	<u>12,971,281</u>	<u>12,582,495</u>	<u>388,786</u>	<u>3.09%</u>
Noninterest Income:				
Service charges on deposit accounts	517,470	418,331	99,139	23.70%
Other service charges, commissions and fees	488,866	365,636	123,230	33.70%
Gain on sale of loans	--	--	--	--
Increase in CSV of life insurance	90,712	89,787	925	1.03%
Other income	247,726	41,655	206,071	494.71%
Total noninterest income	<u>1,344,774</u>	<u>915,409</u>	<u>429,365</u>	<u>46.90%</u>
Noninterest Expense:				
Salaries and employee benefits	4,648,196	4,449,439	198,757	4.47%
Occupancy and equipment expenses, net	575,664	573,066	2,598	0.45%
(Gain) loss on sales and calls of securities	--	--	--	--
Loss (gain) on sales of foreclosed assets and other real estate	4,580	(138)	4,718	-3418.84%
Gain on sales of premises and equipment	--	--	--	--
Other expenses	2,740,932	2,467,806	273,126	11.07%
Total noninterest expense	<u>7,969,372</u>	<u>7,490,173</u>	<u>479,199</u>	<u>6.40%</u>
Income Before Income Taxes	6,346,683	6,007,731	338,952	5.64%
Provision for income taxes	163,153	547,193	(384,040)	-70.18%
Net Income	<u>\$ 6,183,530</u>	<u>\$ 5,460,538</u>	<u>\$ 722,992</u>	<u>13.24%</u>
Earnings per common share:				
Basic	<u>\$ 2.94</u>	<u>\$ 2.60</u>	<u>\$ 0.34</u>	<u>13.08%</u>
Diluted	<u>\$ 2.94</u>	<u>\$ 2.60</u>	<u>\$ 0.34</u>	<u>13.08%</u>

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Selected Financial Information



	Quarter Ending		September 30, 2020 (Unaudited)
	September 30, 2021 (Unaudited)	June 30, 2021 (Unaudited)	
Dollars in thousand, except per share data)			
Per Share Data			
Basic Earnings per Common Share	\$ 2.94	\$ 2.60	\$ 2.13
Diluted Earnings per Common Share	2.94	2.60	2.13
Dividends per Common Share	0.38	0.38	0.35
Book Value per Common Share	67.99	65.53	59.27
Tangible Book Value per Common Share	62.36	59.86	53.47
Average Diluted Shared Outstanding	2,098,933	2,097,534	2,095,783
End of Period Common Shares Outstanding	2,100,471	2,100,471	2,095,468
Annualized Performance Ratios (Bank Only)			
Return on Average Assets	1.97%	1.80%	1.72%
Return on Average Equity	16.56%	15.23%	14.07%
Equity/Assets	11.77%	12.02%	12.48%
Yield on Earning Assets	4.26%	4.30%	4.76%
Cost of Funds	0.17%	0.22%	0.40%
Net Interest Margin	4.10%	4.10%	4.39%
Efficiency Ratio	52.12%	51.03%	51.38%
Credit Metrics			
Allowance for Loan Losses to Total Loans	1.37%	1.41%	1.22%
Allowance for Loan Losses to Total Loans*	1.41%	1.47%	1.22%
Adversely Classified Assets to Tier 1 Capital plus Allowance for Loan Losses	8.04%	8.43%	10.29%

* Excludes PPP Loans