



**It Pays to Bank Blue.**

**FOR IMMEDIATE RELEASE**

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

DUBLIN, GA. (April 30, 2021) – Morris State Bancshares, Inc. (OTCQX: MBLU) (the “Company”), the parent of Morris Bank, today announced net income of \$5.2 million for the quarter ended March 31, 2021, representing an increase of \$1.2 million, or 29.26%, compared to net income of \$4.0 million for the quarter ended March 31, 2020. The company also announced diluted earnings per share of \$2.49 for 2021, representing a 29.02% increase over diluted earnings per share of \$1.93 for 2020. Earnings were a result of strong fee income from the SBA Paycheck Protection Program, or PPP, continued cost of funds management, and strong mortgage production.

“In the first quarter, we experienced net interest income growth of \$2.9 million, or 26.65%.” said Spence Mullis, President and CEO. “Our increased net interest income and improved operational efficiency led to very solid earnings for the quarter. We continued to create significant value for our shareholders with strong core deposit growth. Noninterest-bearing deposit growth represented \$111.5 million, or a 57% increase.”

The Company’s total shareholders’ equity increased 14.80% to \$131 million as of March 31, 2021, as compared to \$114 million as of March 31, 2020. Tangible book value per share increased to \$56.77 as of March 31, 2021, a 16.69% increase from \$48.65 per share on March 31, 2020. On April 21, 2021, the board of directors approved its first quarter dividend of \$0.38 per share payable on or about June 15th to all shareholders of record as of June 1st.

Net interest income for the quarter ended March 31, 2021 and 2020 was \$13.6 million and \$10.7 million respectively, an increase of \$2.9 million, or 26.65%. The bank’s net interest margin was 4.37% for March 31, 2021, a decline of 21 basis points from 4.58% on March 31, 2020. The bank participated in the second round of PPP, booking over \$24 million in loans and recognizing \$1.4 million in fee income during the quarter ended March 31, 2021. The margin’s reduction was a result of earning asset yields declining faster than the cost of funds. Our earning asset yield declined from 5.35% for March 31, 2020 to 4.60% for March 31, 2021, a 75-basis point reduction. Our cost of funds declined from 0.84% on March 31, 2020 to 0.25% on March 31, 2021, a 59-basis point reduction. Continued pressure on the margin is anticipated as it will be difficult to lower our cost of funds significantly while remaining competitive on pricing of good loans.

Provision for loan losses was \$650 thousand as of March 31, 2021 versus \$435 thousand as of March 31, 2020. Our reserve as a percentage of total loans was 1.42% when PPP loans are netted out of total loans as of March 31, 2021, versus 1.29% as of March 31, 2020. Our adversely classified coverage ratio was 9.20% as of March 31, 2021 versus 14.46% as of March 30, 2020 as the bank's asset quality remains strong.

Noninterest expense increased 15.21%, or \$967 million, to \$7.3 million as of March 31, 2021 versus \$6.4 million as of March 31, 2020. Most of this increase was related to salaries and employee benefits.

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## **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 Statement of Income March 31, 2021



### MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

#### Consolidating Statement of Income March 31, 2021

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>% Change</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>		
<b>Interest and Dividend Income:</b>				
Interest and fees on loans	\$ 13,183,691	\$ 11,536,693	\$ 1,646,998	14.28%
Interest income on securities	1,273,895	877,946	395,949	45.10%
Income on federal funds sold	19,057	79,065	(60,008)	-75.90%
Income on time deposits held in other banks	27,936	5,345	22,591	422.66%
Other interest and dividend income	21,217	209,220	(188,003)	-89.86%
Total interest and dividend income	<u>14,525,796</u>	<u>12,708,269</u>	<u>1,817,527</u>	<u>14.30%</u>
<b>Interest Expense:</b>				
Deposits	569,068	1,839,673	\$ (1,270,605)	-69.07%
Interest on other borrowed funds	393,271	158,799	234,472	147.65%
Interest on federal funds purchased	--	--	--	--
Total interest expense	<u>962,339</u>	<u>1,998,472</u>	<u>(1,036,133)</u>	<u>-51.85%</u>
Net interest income before provision for loan losses	13,563,457	10,709,797	2,853,660	26.65%
Less-provision for loan losses	<u>650,000</u>	<u>435,000</u>	<u>215,000</u>	<u>49.43%</u>
Net interest income after provision for loan losses	<u>12,913,457</u>	<u>10,274,797</u>	<u>2,638,660</u>	<u>25.68%</u>
<b>Noninterest Income:</b>				
Service charges on deposit accounts	469,437	604,173	(134,736)	-22.30%
Other service charges, commissions and fees	375,312	502,401	(127,089)	-25.30%
Gain on sale of loans	--	--	--	--
Increase in CSV of life insurance	88,222	92,995	(4,773)	-5.13%
Other income	248,699	4,413	244,286	5535.60%
Total noninterest income	<u>1,181,670</u>	<u>1,203,982</u>	<u>(22,312)</u>	<u>-1.85%</u>
<b>Noninterest Expense:</b>				
Salaries and employee benefits	4,318,080	3,713,931	604,149	16.27%
Occupancy and equipment expenses, net	513,406	627,425	(114,019)	-18.17%
(Gain) loss on sales and calls of securities	--	--	--	--
Loss (gain) on sales of foreclosed assets and other real estate	4,202	5,072	(870)	-17.15%
Gain on sales of premises and equipment	--	--	--	--
Other expenses	2,486,633	2,009,074	477,559	23.77%
Total noninterest expense	<u>7,322,321</u>	<u>6,355,502</u>	<u>966,819</u>	<u>15.21%</u>
<b>Income Before Income Taxes</b>	6,772,806	5,123,277	1,649,529	32.20%
Provision for income taxes	<u>1,553,540</u>	<u>1,085,525</u>	<u>468,015</u>	<u>43.11%</u>
<b>Net Income</b>	<u>\$ 5,219,266</u>	<u>\$ 4,037,752</u>	<u>\$ 1,181,514</u>	<u>29.26%</u>
<b>Earnings per common share:</b>				
Basic	<u>\$ 2.49</u>	<u>\$ 1.93</u>	<u>\$ 0.56</u>	<u>29.02%</u>
Diluted	<u>\$ 2.49</u>	<u>\$ 1.93</u>	<u>\$ 0.56</u>	<u>29.02%</u>

# MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

## Consolidating Balance Sheet March 31, 2021



### MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

#### Consolidating Balance Sheet March 31, 2021

	<u>2021</u> <i>(Unaudited)</i>	<u>2020</u> <i>(Unaudited)</i>	<u>Change</u>	<u>% Change</u>
<b><u>ASSETS</u></b>				
Cash and due from banks	\$ 71,164,883	\$ 52,915,891	\$ 18,248,992	34.49%
Federal funds sold	115,957,486	27,300,392	88,657,094	324.75%
Total cash and cash equivalents	<u>187,122,369</u>	<u>80,216,283</u>	<u>106,906,086</u>	<u>133.27%</u>
Interest-bearing time deposits in other banks	350,000	1,350,000	(1,000,000)	-74.07%
Securities available for sale, at fair value	245,200,205	139,307,643	105,892,562	76.01%
Securities held to maturity, at cost	12,707,803	4,743,041	7,964,762	167.93%
Federal Home Loan Bank stock, restricted, at cost	899,700	842,900	56,800	6.74%
Loans, net of unearned income	851,806,225	753,148,006	98,658,219	13.10%
Less-allowance for loan losses	(11,400,979)	(9,788,969)	(1,612,010)	16.47%
Loans, net	<u>840,405,246</u>	<u>743,359,037</u>	<u>97,046,209</u>	<u>13.06%</u>
Bank premises and equipment, net	15,278,014	15,628,803	(350,789)	-2.24%
ROU assets for operating lease, net	570,961	467,579	103,382	22.11%
Goodwill	9,361,770	9,361,770	-	0.00%
Intangible assets, net	2,630,331	2,979,230	(348,899)	-11.71%
Other real estate and foreclosed assets	265,542	589,675	(324,133)	-54.97%
Accrued interest receivable	4,358,189	2,889,890	1,468,299	50.81%
Cash surrender value of life insurance	13,708,665	13,341,379	367,286	2.75%
Other assets	6,882,236	7,352,653	(470,417)	-6.40%
<b>Total Assets</b>	<u>\$ 1,339,741,031</u>	<u>\$ 1,022,429,883</u>	<u>\$ 317,311,148</u>	<u>31.04%</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>				
Deposits:				
Non-interest bearing	\$ 305,974,839	\$ 194,485,444	\$ 111,489,395	57.33%
Interest bearing	870,266,327	694,767,211	175,499,116	25.26%
	<u>1,176,241,166</u>	<u>889,252,655</u>	<u>286,988,511</u>	<u>32.27%</u>
Other borrowed funds	28,696,127	14,124,000	14,572,127	103.17%
Lease liability for operating lease	570,961	467,579	103,382	22.11%
Accrued interest payable	413,062	421,993	(8,931)	-2.12%
Accrued expenses and other liabilities	2,613,863	3,868,481	(1,254,618)	-32.43%
Total liabilities	<u>1,208,535,179</u>	<u>908,134,708</u>	<u>300,400,471</u>	<u>33.08%</u>
Shareholders' Equity:				
Common stock	2,150,798	2,144,766	6,032	0.28%
Paid in capital surplus	39,690,242	39,292,064	398,178	1.01%
Retained earnings	82,470,411	68,070,150	14,400,261	21.16%
Current year earnings	5,219,266	4,037,752	1,181,514	29.26%
Accumulated other comprehensive income (loss)	3,340,332	2,315,012	1,025,320	44.29%
Treasury Stock, at cost 50,927	(1,665,197)	(1,564,569)	(100,628)	6.43%
Total shareholders' equity	<u>131,205,852</u>	<u>114,295,175</u>	<u>16,910,677</u>	<u>14.80%</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 1,339,741,031</u>	<u>\$ 1,022,429,883</u>	<u>317,311,148</u>	<u>31.04%</u>

# MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

## Selected Financial Information



	<u>Quarter Ending</u>		<u>Year Ending</u>
	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)	December 31, 2020
<u>Dollars in thousand, except per share data)</u>			
<b><u>Per Share Data</u></b>			
Basic Earnings per Common Share	\$ 2.49	\$ 1.93	\$ 8.30
Diluted Earnings per Common Share	2.49	1.93	8.30
Dividends per Common Share	0.38	0.70	1.75
Book Value per Common Share	62.48	54.54	61.81
Tangible Book Value per Common Share	56.77	48.65	56.04
Average Diluted Shared Outstanding	2,094,978	2,096,415	2,095,633
End of Period Common Shares Outstanding	2,099,871	2,095,468	2,093,839
<b><u>Annualized Performance Ratios (Bank Only)</u></b>			
Return on Average Assets	1.81%	1.71%	1.78%
Return on Average Equity	15.25%	14.46%	14.38%
Equity/Assets	11.37%	11.88%	11.98%
Yield on Earning Assets	4.60%	5.35%	5.00%
Cost of Funds	0.25%	0.84%	0.52%
Net Interest Margin	4.37%	4.58%	4.56%
Efficiency Ratio	47.80%	53.26%	51.52%
<b><u>Credit Metrics</u></b>			
Allowance for Loan Losses to Total Loans	1.34%	1.30%	1.30%
Allowance for Loan Losses to Total Loans*	1.42%	1.30%	1.39%
Adversely Classified Assets to Total Capital plus Allowance for Loan Losses	9.20%	14.46%	8.76%

\* Excludes PPP Loans