



## FOR IMMEDIATE RELEASE

### **Morris State Bancshares Announces Solid Earnings in 2020 and Increases Quarterly Dividend**

DUBLIN, GA. (February 12, 2021) – Morris State Bancshares, Inc. (OTCQX: MBLU) (the “Company”), the parent of Morris Bank, today announced net income of \$17.4 million for the year ended December 31, 2020, representing an increase of \$3.8 million, or 27.80%, compared to net income of \$13.6 million for the year ended December 31, 2019. The company also announced diluted earnings per share of \$8.30 for 2020, representing a 20.82% increase over diluted earnings per share of \$6.87 for 2019. Earnings were a result of disciplined cost of funds management and strong fee income from the SBA Paycheck Protection Program, or PPP, and strong mortgage production.

“We are very pleased with the financial performance of the Company in 2020. It was a year of significant change and challenges with the pandemic. Our team worked to strengthen community partnerships with our customers during the unprecedented economic conditions,” said Spence Mullis, President and CEO. “We continued to create significant value for our shareholders as we grew core deposits over 37% to \$896 million. Noninterest-bearing deposit growth represented \$87.7 million, or 45%, of the overall core deposit growth.”

The Company’s total shareholders’ equity increased 16.15% to \$129 million as of December 31, 2020, as compared to \$111 million as of December 31, 2019. Tangible book value per share increased to \$56.04 as of December 31, 2020, an 18.78% increase or \$8.86 per share from December 31, 2019. On January 27, 2021, the board of directors approved an increase in its first quarter dividend to \$0.38 per share payable on or about March 15, 2021 to all shareholders of record as of February 28, 2021.

Net interest income for the years ended December 31, 2020 and 2019 was \$48.8 million and \$38.9 million respectively, an increase of \$9.8 million, or 25.23%. With many moving parts during 2020, the net interest margin at the bank ended at 4.53% for December 31, 2020, which was equal to the December 31, 2019 level. The bank was an active participant in PPP, booking over \$86 million in loans and recognizing \$2.2 million in fee income during 2020. The margin’s stamina was a result of diligent cost of funds management that offset moderate earning asset yield contraction. Our earning asset yield declined from 5.47% for 2019 to 5.00% for the year ended December 31, 2020, a 47-basis point reduction. Our cost of funds declined from 1.02% for 2019 to 0.52% for the year ended December 31, 2020, a 50-basis point reduction. We anticipate

continued pressure on the margin going forward as it will be difficult to significantly lower our cost of funds while competition for good loans will remain.

Provision for loan losses was \$3.6 million for the year ended December 31, 2020 versus \$1.7 million for the year ended December 31, 2019. Our reserve as a percentage of total loans was 1.39% when PPP loans are netted out of total loans as of December 31, 2020, versus 1.31% as of December 31, 2019. Our adversely classified coverage ratio was 8.75% as of December 31, 2020 versus 14.49% as of December 31, 2019. Our level of other real estate owned (ORE) decreased to \$131 thousand as of December 31, 2020 from \$384 thousand as of December 31, 2019. This level of problem assets and ORE are the lowest held by the bank in over ten years.

Noninterest expense increased 9.62%, or \$2.46 million, to \$28.1 million for the year ended December 31, 2020 versus \$25.6 million as of December 31, 2019. 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 December 31, 2020



	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
	<i>(Unaudited)</i>			
<b>Interest and Dividend Income:</b>				
Interest and fees on loans	\$ 50,465,805	\$ 43,205,235	\$ 7,260,570	16.80%
Interest income on securities	4,015,455	2,885,821	1,129,634	39.14%
Income on federal funds sold	103,208	513,422	(410,214)	-79.90%
Income on time deposits held in other banks	286,418	925,860	(639,442)	-69.06%
Other interest and dividend income	59,919	137,457	(77,538)	-56.41%
Total interest and dividend income	<u>54,930,805</u>	<u>47,667,795</u>	<u>7,263,010</u>	<u>15.24%</u>
<b>Interest Expense:</b>				
Deposits	5,037,818	7,963,852	\$ (2,926,034)	-36.74%
Interest on other borrowed funds	1,091,607	733,330	358,277	48.86%
Interest on federal funds purchased	72	151	(79)	-52.32%
Total interest expense	<u>6,129,497</u>	<u>8,697,333</u>	<u>(2,567,836)</u>	<u>-29.52%</u>
Net interest income before provision for loan losses	48,801,308	38,970,462	9,830,846	25.23%
Less-provision for loan losses	<u>3,635,000</u>	<u>1,650,000</u>	<u>1,985,000</u>	<u>120.30%</u>
Net interest income after provision for loan losses	<u>45,166,308</u>	<u>37,320,462</u>	<u>7,845,846</u>	<u>21.02%</u>
<b>Noninterest Income:</b>				
Service charges on deposit accounts	1,951,399	2,303,415	(352,016)	-15.28%
Other service charges, commissions and fees	1,282,853	828,467	454,386	54.85%
Gain on sale of loans	187,006	263,029	(76,023)	-28.90%
Increase in CSV of life insurance	372,060	213,246	158,814	74.47%
Other income	366,850	401,956	(35,106)	-8.73%
Total noninterest income	<u>4,160,168</u>	<u>4,010,113</u>	<u>150,055</u>	<u>3.74%</u>
<b>Noninterest Expense:</b>				
Salaries and employee benefits	16,656,208	14,358,637	2,297,571	16.00%
Occupancy and equipment expenses, net	2,650,008	2,372,548	277,460	11.69%
(Gain) loss on sales and calls of securities	(46,323)	24,471	(70,794)	-289.30%
Loss (gain) on sales of foreclosed assets and other real estate	74,094	(270,572)	344,666	-127.38%
Gain on sales of premises and equipment	(4,000)	(1,000)	(3,000)	300.00%
Other expenses	8,732,695	9,116,832	(384,137)	-4.21%
Total noninterest expense	<u>28,062,682</u>	<u>25,600,916</u>	<u>2,461,766</u>	<u>9.62%</u>
<b>Income Before Income Taxes</b>	21,263,794	15,729,659	5,534,135	35.18%
Provision for income taxes	<u>3,855,806</u>	<u>2,108,705</u>	<u>1,747,101</u>	<u>82.85%</u>
<b>Net Income</b>	<u>\$ 17,407,988</u>	<u>\$ 13,620,954</u>	<u>\$ 3,787,034</u>	<u>27.80%</u>
<b>Earnings per common share:</b>				
Basic	<u>\$ 8.30</u>	<u>\$ 6.87</u>	<u>\$ 1.43</u>	<u>20.82%</u>
Diluted	<u>\$ 8.30</u>	<u>\$ 6.87</u>	<u>\$ 1.43</u>	<u>20.82%</u>

# MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

## Consolidating Balance Sheet December 31, 2020



	<u>2020</u> <i>(Unaudited)</i>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
<b><u>ASSETS</u></b>				
Cash and due from banks	\$ 56,290,263	\$ 77,696,887	\$ (21,406,624)	-27.55%
Federal funds sold	93,200,409	16,293,628	76,906,781	472.01%
Total cash and cash equivalents	<u>149,490,672</u>	<u>93,990,515</u>	<u>55,500,157</u>	<u>59.05%</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	205,427,671	124,315,098	81,112,573	65.25%
Securities held to maturity, at cost	12,730,837	4,752,384	7,978,453	167.88%
Federal Home Loan Bank stock, restricted, at cost	899,700	842,900	56,800	6.74%
Loans, net of unearned income	837,333,161	738,886,405	98,446,756	13.32%
Less-allowance for loan losses	(10,781,434)	(9,716,060)	(1,065,374)	10.97%
Loans, net	<u>826,551,727</u>	<u>729,170,345</u>	<u>97,381,382</u>	<u>13.36%</u>
Bank premises and equipment, net	15,348,697	15,618,198	(269,501)	-1.73%
ROU assets for operating lease, net	641,008	519,601	121,407	23.37%
Goodwill	9,361,770	9,361,770	-	0.00%
Intangible assets, net	2,717,311	3,067,075	(349,764)	-11.40%
Other real estate and foreclosed assets	141,255	396,486	(255,231)	-64.37%
Accrued interest receivable	4,763,849	3,962,808	801,041	20.21%
Cash surrender value of life insurance	13,620,443	13,248,384	372,059	2.81%
Other assets	7,370,992	6,352,407	1,018,585	16.03%
<b>Total Assets</b>	<u>\$ 1,249,415,932</u>	<u>\$ 1,006,947,971</u>	<u>\$ 242,467,961</u>	<u>24.08%</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>				
Deposits:				
Non-interest bearing	\$ 282,746,775	\$ 195,016,772	\$ 87,730,003	44.99%
Interest bearing	804,440,237	682,509,497	121,930,740	17.87%
	<u>1,087,187,012</u>	<u>877,526,269</u>	<u>209,660,743</u>	<u>23.89%</u>
Other borrowed funds	28,677,477	14,483,605	14,193,872	98.00%
Lease liability for operating lease	641,008	519,601	121,407	23.37%
Accrued interest payable	269,880	537,598	(267,718)	-49.80%
Accrued expenses and other liabilities	3,221,471	2,455,266	766,205	31.21%
Total liabilities	<u>1,119,996,848</u>	<u>895,522,339</u>	<u>224,474,509</u>	<u>25.07%</u>
Shareholders' Equity:				
Common stock	2,144,766	2,144,766	-	0.00%
Paid in capital surplus	39,292,064	39,292,064	-	0.00%
Retained earnings	65,858,082	55,916,996	9,941,086	17.78%
Current year earnings	17,407,988	13,620,954	3,787,034	27.80%
Accumulated other comprehensive income (loss)	6,381,381	1,830,484	4,550,897	248.62%
Treasury Stock, at cost 50,927 in 2020 and 46,517 shares in 2019	(1,665,197)	(1,379,632)	(285,565)	20.70%
Total shareholders' equity	<u>129,419,084</u>	<u>111,425,632</u>	<u>17,993,452</u>	<u>16.15%</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 1,249,415,932</u>	<u>\$ 1,006,947,971</u>	<u>242,467,961</u>	<u>24.08%</u>

# MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

## Selected Financial Information



	Year Ending		Quarter Ended				
	December 31, 2020 (Unaudited)	December 31, 2019	December 31, 2020 (Unaudited)	September 30, 2020 (Unaudited)	June 30, 2020 (Unaudited)	March 31, 2020 (Unaudited)	December 31, 2019 (Unaudited)
(Dollars in thousand, except per share data)							
<b><u>Per Share Data</u></b>							
Basic Earnings per Common Share	\$ 8.30	\$ 6.87	\$ 2.64	\$ 1.95	\$ 0.95	\$ 2.50	\$ 1.48
Diluted Earnings per Common Share	8.30	6.87	2.64	1.95	0.95	2.50	1.48
Dividends per Common Share	1.75	0.93	-	-	-	1.02	-
Book Value per Common Share	61.81	53.11	61.81	51.87	49.78	46.71	53.11
Tangible Book Value per Common Share	56.04	47.18	56.04	45.91	43.62	45.18	47.18
Average Diluted Shares Outstanding	2,095,633	1,997,735	2,095,185	2,058,039	1,988,231	1,840,764	2,100,395
End of Period Common Shares Outstanding	2,093,839	2,098,250	2,093,839	2,100,842	2,057,568	1,840,980	2,098,250
<b><u>Annualized Performance Ratios (Bank Only)</u></b>							
Return on Average Assets	1.78%	1.63%	2.05%	1.74%	1.51%	1.75%	1.49%
Return on Average Equity	14.38%	14.56%	16.31%	14.07%	11.82%	14.46%	12.37%
Equity/Assets	11.98%	11.81%	11.98%	12.48%	2.00%	11.88%	11.65%
Cost of Funds	0.52%	1.03%	0.31%	0.40%	0.57%	0.84%	0.91%
Net Interest Margin	4.53%	4.53%	4.44%	4.40%	4.70%	4.59%	4.41%
Efficiency Ratio	51.52%	57.80%	51.45%	51.38%	50.56%	53.26%	54.88%