



FOR IMMEDIATE RELEASE

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

DUBLIN, GA. (July 29, 2021) – Morris State Bancshares, Inc. (OTCQX: MBLU) (the “Company”), the parent of Morris Bank, today announced net income of \$5.5 million for the quarter ended June 30, 2021, representing an increase of \$241 thousand, or 4.62%, compared to net income of \$5.2 million for the quarter ended March 31, 2021. The company also announced diluted earnings per share of \$2.60 for quarter, representing a 4.42% increase over diluted earnings per share of \$2.49 for prior quarter. Net earnings were slightly higher quarter over quarter because of lower provisioning for income taxes due to the company’s investment in certain tax credits.

“In the second quarter, we generated net interest income of \$13.3 million, just below the first quarter’s level of \$13.6 million” said Spence Mullis, President and CEO. “As projected, our margin continued to compress slightly in the second quarter due to our excess liquidity levels, continued forgiveness/payoffs of SBA Payroll Protection Program (PPP) loans, and the competitive pricing of new and renewed loans. Our non-interest expense increased slightly during the quarter as we launched a new website, completed a core system conversion, and lifted a team of seasoned commercial and mortgage bankers from another institution. We look forward to these investments augmenting shareholder value in the quarters to come.”

The Company’s total shareholders’ equity increased 4.90% to \$138 million as of June 30, 2021, as compared to \$131 million as of March 31, 2021. Tangible book value per share increased to \$59.86 as of June 30, 2021, a 5.40% increase from \$56.77 per share on March 31, 2021. On July 21, 2021, the board of directors approved its third quarter dividend of \$0.38 per share payable on or about September 15th to all shareholders of record as of August 10th.

Loans, net of PPP loans, grew \$25.0 million during the quarter or 2.9%, while revenue on the gross portfolio decreased 3.0% or \$388 thousand from the first quarter. The gross decrease was driven primarily by lower PPP fee revenue. PPP fee revenue of \$811 thousand was recognized during the quarter, which was a decline of 42% from the \$1.4 million recognized during the first quarter. Gross secondary mortgage revenue for the quarter remained strong at \$785 thousand, up \$47 thousand or 6.4% from the first quarter. With the recent drop in market rates and the addition of mortgage originators via the aforementioned lift out, management expects solid mortgage revenue in the coming quarter.

Provision for loan losses was \$750 thousand as of June 30, 2021 versus \$650 thousand as of March 31, 2021. Our reserve as a percentage of total loans was 1.47% when PPP loans are netted out of total loans as of June 30, 2021, versus 1.42% as of March 31, 2021. Our adversely classified coverage ratio was 8.43% as of June 30, 2021 versus 9.20% as of March 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



	June 30, 2021 <i>(Unaudited)</i>	March 31, 2021 <i>(Unaudited)</i>	Change	% Change	June 30, 2020 <i>(Unaudited)</i>
ASSETS					
Cash and due from banks	\$ 66,121,775	\$ 71,164,883	\$ (5,043,108)	-7.09%	\$ 56,702,226
Federal funds sold	87,869,237	115,957,486	(28,088,249)	-24.22%	28,826,177
Total cash and cash equivalents	<u>153,991,012</u>	<u>187,122,369</u>	<u>(33,131,357)</u>	<u>-17.71%</u>	<u>85,528,403</u>
Interest-bearing time deposits in other banks	350,000	350,000	-	0.00%	1,350,000
Securities available for sale, at fair value	263,891,405	245,200,205	18,691,200	7.62%	139,789,954
Securities held to maturity, at cost	12,682,445	12,707,803	(25,358)	(0.20%)	9,983,201
Federal Home Loan Bank stock, restricted, at cost	624,200	899,700	(275,500)	(30.62%)	899,700
Loans, net of unearned income	858,178,798	851,806,225	6,372,573	0.75%	845,165,974
Less-allowance for loan losses	(12,099,672)	(11,400,979)	(698,693)	6.13%	(10,149,609)
Loans, net	<u>846,079,126</u>	<u>840,405,246</u>	<u>5,673,880</u>	<u>0.68%</u>	<u>835,016,365</u>
Bank premises and equipment, net	15,178,731	15,278,014	(99,283)	-0.65%	15,593,015
ROU assets for operating lease, net	505,635	570,961	(65,326)	-11.44%	410,758
Goodwill	9,361,770	9,361,770	-	0.00%	9,361,770
Intangible assets, net	2,543,350	2,630,331	(86,981)	-3.31%	2,891,386
Other real estate and foreclosed assets	271,389	265,542	5,847	2.20%	645,231
Accrued interest receivable	4,362,402	4,358,189	4,213	0.10%	5,799,765
Cash surrender value of life insurance	13,798,452	13,708,665	89,787	0.65%	13,434,514
Other assets	10,029,683	6,882,236	3,147,447	45.73%	6,150,319
Total Assets	<u>\$ 1,333,669,600</u>	<u>\$ 1,339,741,031</u>	<u>\$ (6,071,431)</u>	<u>-0.45%</u>	<u>\$ 1,126,854,381</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits:					
Non-interest bearing	\$ 306,244,572	\$ 305,974,839	\$ 269,733	0.09%	\$ 261,805,349
Interest bearing	853,411,310	870,266,327	(16,855,017)	-1.94%	723,800,470
	<u>1,159,655,882</u>	<u>1,176,241,166</u>	<u>(16,585,284)</u>	<u>-1.41%</u>	<u>985,605,819</u>
Other borrowed funds	28,714,778	28,696,127	18,651	0.06%	14,124,000
Lease liability for operating lease	505,635	570,961	(65,326)	-11.44%	410,758
Accrued interest payable	198,992	413,062	(214,070)	-51.83%	393,973
Accrued expenses and other liabilities	6,958,927	2,613,863	4,345,064	166.23%	7,042,426
Total liabilities	<u>1,196,034,214</u>	<u>1,208,535,179</u>	<u>(12,500,965)</u>	<u>-1.03%</u>	<u>1,007,576,976</u>
Shareholders' Equity:					
Common stock	2,151,398	2,150,798	600	0.03%	2,144,766
Paid in capital surplus	39,735,842	39,690,242	45,600	0.11%	39,292,064
Retained earnings	81,672,346	82,470,411	(798,065)	-0.97%	67,336,736
Current year earnings	10,679,804	5,219,266	5,460,538	104.62%	7,407,128
Accumulated other comprehensive income (loss)	5,061,193	3,340,332	1,720,861	51.52%	4,661,280
Treasury Stock, at cost 50,927	(1,665,197)	(1,665,197)	-	0.00%	(1,564,569)
Total shareholders' equity	<u>137,635,386</u>	<u>131,205,852</u>	<u>6,429,534</u>	<u>4.90%</u>	<u>119,277,405</u>
Total Liabilities and Shareholders' Equity	<u>\$ 1,333,669,600</u>	<u>\$ 1,339,741,031</u>	<u>(6,071,431)</u>	<u>-0.45%</u>	<u>\$ 1,126,854,381</u>

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Income for the Three Months Ended



MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Consolidating Statement of Income for the Three Months Ended

	June 30, 2021	March 31, 2021	Change	% Change	June 30, 2020
	<i>(Unaudited)</i>	<i>(Unaudited)</i>			<i>(Unaudited)</i>
Interest and Dividend Income:					
Interest and fees on loans	\$ 12,795,036	\$ 13,183,691	\$ (388,655)	-2.95%	\$ 12,758,312
Interest income on securities	1,449,522	1,273,895	175,627	13.79%	942,506
Income on federal funds sold	18,769	19,057	(288)	-1.51%	8,615
Income on time deposits held in other banks	28,685	27,936	749	2.68%	7,766
Other interest and dividend income	53,518	21,217	32,301	152.24%	38,358
Total interest and dividend income	<u>14,345,530</u>	<u>14,525,796</u>	<u>(180,266)</u>	<u>-1.24%</u>	<u>13,755,557</u>
Interest Expense:					
Deposits	626,030	569,068	\$ 56,962	10.01%	1,381,632
Interest on other borrowed funds	387,005	393,271	(6,266)	-1.59%	179,337
Interest on federal funds purchased	--	--	--	--	--
Total interest expense	<u>1,013,035</u>	<u>962,339</u>	<u>50,696</u>	<u>5.27%</u>	<u>1,560,969</u>
Net interest income before provision for loan losses	13,332,495	13,563,457	(230,962)	-1.70%	12,194,588
Less-provision for loan losses	750,000	650,000	100,000	15.38%	2,000,000
Net interest income after provision for loan losses	<u>12,582,495</u>	<u>12,913,457</u>	<u>(330,962)</u>	<u>-2.56%</u>	<u>10,194,588</u>
Noninterest Income:					
Service charges on deposit accounts	418,331	469,437	(51,106)	-10.89%	387,440
Other service charges, commissions and fees	365,636	375,312	(9,676)	-2.58%	544,539
Gain on sale of loans	--	--	--	--	--
Increase in CSV of life insurance	89,787	88,222	1,565	1.77%	93,136
Other income	41,655	248,699	(207,044)	-83.25%	9,742
Total noninterest income	<u>915,409</u>	<u>1,181,670</u>	<u>(266,261)</u>	<u>-22.53%</u>	<u>1,034,857</u>
Noninterest Expense:					
Salaries and employee benefits	4,449,439	4,318,080	131,359	3.04%	4,377,552
Occupancy and equipment expenses, net	573,066	513,406	59,660	11.62%	603,710
(Gain) loss on sales and calls of securities	--	--	--	--	--
Loss (gain) on sales of foreclosed assets and other real estate	(138)	4,202	(4,340)	-103.28%	2,240
Gain on sales of premises and equipment	--	--	--	--	--
Other expenses	2,467,806	2,486,633	(18,827)	-0.76%	1,601,247
Total noninterest expense	<u>7,490,173</u>	<u>7,322,321</u>	<u>167,852</u>	<u>2.29%</u>	<u>6,584,749</u>
Income Before Income Taxes	6,007,731	6,772,806	(765,075)	-11.30%	4,644,696
Provision for income taxes	547,193	1,553,540	(1,006,347)	-64.78%	1,275,320
Net Income	<u>\$ 5,460,538</u>	<u>\$ 5,219,266</u>	<u>\$ 241,272</u>	<u>4.62%</u>	<u>\$ 3,369,376</u>
Earnings per common share:					
Basic	\$ 2.60	\$ 2.49	\$ 0.11	4.42%	\$ 1.60
Diluted	\$ 2.60	\$ 2.49	\$ 0.11	4.42%	\$ 1.60

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Selected Financial Information



	Quarter Ending		June 30, 2020 (Unaudited)
	June 30, 2021 (Unaudited)	March 31, 2021 (Unaudited)	
<i>Dollars in thousand, except per share data</i>			
Per Share Data			
Basic Earnings per Common Share	\$ 2.60	\$ 2.49	\$ 1.60
Diluted Earnings per Common Share	2.60	2.49	1.60
Dividends per Common Share	0.38	0.38	0.35
Book Value per Common Share	65.53	62.48	56.92
Tangible Book Value per Common Share	59.86	56.77	51.07
Average Diluted Shared Outstanding	2,097,534	2,094,978	2,095,468
End of Period Common Shares Outstanding	2,100,471	2,099,871	2,095,468
Annualized Performance Ratios (Bank Only)			
Return on Average Assets	1.80%	1.81%	1.31%
Return on Average Equity	15.23%	15.25%	10.65%
Equity/Assets	12.02%	11.37%	11.31%
Yield on Earning Assets	4.30%	4.60%	5.21%
Cost of Funds	0.22%	0.25%	0.57%
Net Interest Margin	4.10%	4.37%	4.69%
Efficiency Ratio	51.03%	47.80%	50.56%
Credit Metrics			
Allowance for Loan Losses to Total Loans	1.41%	1.34%	1.21%
Allowance for Loan Losses to Total Loans*	1.47%	1.42%	1.34%
Adversely Classified Assets to Total Capital plus Allowance for Loan Losses	8.43%	9.20%	12.25%

* Excludes PPP Loans