



It Pays to Bank Blue.

FOR IMMEDIATE RELEASE

**Morris State Bancshares Announces Quarterly Earnings,
Declares Dividend, and Completes Subordinated Notes Offering**

DUBLIN, GA. (October 23, 2020) – Morris State Bancshares, Inc. (OTCQX: MBLU) (the “Company”), the parent of Morris Bank, today announced net income of \$4.5 million, or an earnings per share of \$2.13, for the quarter ended September 30, 2020. The earnings represent an increase of approximately \$425 thousand, or 10.56%, compared to net income of \$4.0 million, or \$1.97 per share, for the quarter ended September 30, 2019. On a pretax basis, the Company earned \$5.8 million for the quarter versus \$4.9 million for the prior year quarter and \$4.6 million in the linked prior quarter representing increases of 19% and 25%, respectively.

“In the third quarter, we generated net interest income, net of PPP fees, of \$11.3 million, which was a 4.5% increase as compared to the second quarter. We realized these solid core net interest earnings by way of a continued focus on lowering deposit costs and generating a slight increase in loan volume. Net earnings were further enhanced due to lower credit costs experienced in the quarter as compared to the quarter ended June 30, 2020,” said Spence Mullis, President and CEO. “As discussed last quarter, a charge on a legacy credit and additional uncertainty due to COVID led us to increase provision expense more than we budgeted at the beginning of the year. With no significant negative credit migration in the third quarter, we reserved \$1.6 million less than in the prior quarter, which further enhanced our earnings. Our allowance as a percentage of gross loans net of PPP loans was 1.35% on September 30, 2020. We continue to monitor our local economies and our credit portfolio in real time. Like all Americans, we realize that we are still in the early stages of an unprecedented economic and health situation. However, up to this point, our customers and our balance sheet have both shown great resolve and stability, which gives us optimism as the rest of country follows states like ours and begins to reopen.”

Total assets of the Company increased \$161 million, or 16.6%, from the end of 2019. Loans increased \$115 million since year end, primarily SBA PPP loans. The bank’s business customers are saving more and keeping higher balances with the bank because of prudent planning and the stimulus still in the system. As these core deposits continue to increase, the bank’s securities portfolio and overnight cash balances have increased as well. Investment securities increased \$38 million, or 29%, from year-end 2019. Fed funds and interest-bearing deposits increased \$34 million during the same period. Management is focused on managing the excess liquidity in a

conservative yet active fashion to generate incremental income. Total shareholders' equity of the Company increased by \$13 million, representing an increase of 11.7% from December 31, 2019. Tangible book value per share was \$53.47 as of September 30, 2020, an increase of \$6.29, or 13.33%, since December 31, 2019. On October 21, 2020, the board of directors approved a fourth quarter dividend of \$0.35 per share payable on or about December 15th to all shareholders of record on November 30, 2020.

Net interest income for the quarters ended September 30, 2020 and 2019 was \$11.5 million and \$10.5 million, respectively, an increase of \$1.0 million, or 10%. Morris Bank's net interest margin for current quarter and prior year quarter was 4.40% and 4.78%, respectively. The current margin of 4.40% represents a decline from 4.70% as of the quarter ended June 30, 2020, with the decline driven by the absence of the one-time PPP fees recognized in the second quarter. Management expects further moderate margin compression as reducing deposit rates on a go-forward basis will have negligible impact on the margin while loan pricing remains competitive. Secondary mortgage fee income, while strong, fell 11% from \$707 thousand in the second quarter of 2020 to \$628 thousand in the third quarter of 2020. This decrease was attributed to slower closings with increased underwriting times from correspondents. Service charge income improved during the quarter as did interchange income. The bank also recognized a fee on the sale of an SBA loan of \$187 thousand. As a result, total non-interest income increased 38.52%, or \$399 thousand, as compared to the linked prior quarter. Efficiency of the bank remained solid at 51.38%.

As discussed in last quarter's release, on July 22, 2020 the Company completed the issuance of \$15 million of 5.25% fixed-to-floating rate subordinated notes due 2030.

COVID Relief

The bank offered two primary forms of pandemic relief options, a 90-day deferral of payment and a six-month interest only payment option. As of September 30, 2020, the bank had completed 935 payment deferrals totaling \$218.9 million. Payments have resumed on 98.9% of these balances. As of September 30, 2020, the bank had completed six-month interest only modifications, totaling \$22.6 million. The majority of the loans (72%) remained in the interest-only period as of September 30, 2020. Management will continue to monitor changes in the statistics and additional pandemic relief requests. To date, secondary relief request has totaled \$10.7 million, representing under 5% of the total original loans that were offered relief.

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 September 30, 2020



	September 30, 2020		September 30, 2019		Change	% Change	June 30, 2020	Change	% Change
	<i>(Unaudited)</i>		<i>(Unaudited)</i>				<i>(Unaudited)</i>		
Interest and dividend income:									
Loans, including fees	\$ 11,741,017	\$ 11,608,383	\$ 132,634	1.14%	\$ 12,758,312	\$ (1,017,295)	-7.97%		
Securities	1,086,503	808,597	277,906	34.37%	942,506	143,997	15.28%		
Federal funds sold	6,511	158,805	(152,294)	-95.90%	8,615	(2,104)	-24.42%		
Interest-bearing deposits in banks	4,590	8,191	(3,601)	-43.96%	7,766	(3,176)	-40.90%		
FHLB stock	9,731	16,861	(7,130)	-42.29%	11,692	(1,961)	-16.77%		
Other interest and dividend income	35,939	150,162	(114,223)	-76.07%	26,666	9,273	34.77%		
Total interest income	12,884,291	12,750,999	133,292	1.05%	13,755,557	(871,266)	-6.33%		
Interest expense:									
Deposits	1,007,808	2,040,287	(1,032,479)	-50.60%	1,381,632	(373,824)	-27.06%		
Borrowed funds	329,114	205,653	123,461	60.03%	179,337	149,777	83.52%		
Federal funds purchased	--	--	--	--	--	--	--		
Total interest expense	1,336,922	2,245,940	(909,018)	-40.47%	1,560,969	(224,047)	-14.35%		
Net interest income	11,547,369	10,505,059	1,042,310	9.92%	12,194,588	(647,219)	-5.31%		
Provision for loan losses	450,000	525,000	(75,000)	-14.29%	2,000,000	(1,550,000)	-77.50%		
Net interest income after provision for loan losses	11,097,369	9,980,059	1,117,310	11.20%	10,194,588	902,781	8.86%		
Noninterest income:									
Service charges on deposit accounts	441,632	656,085	(214,453)	-32.69%	387,440	54,192	13.99%		
Other fees and commissions	612,688	446,453	166,235	37.23%	544,539	68,149	12.51%		
Gain on sale of securities available for sale	31,179	--	31,179	0.00%	--	31,179			
Gain on sale of loans	187,006	--	187,006	0.00%	93,136	93,870	100.79%		
Gain on sales of premises and equipment	4,000	--	4,000	0.00%	9,742	(5,742)	-58.94%		
Increase in CSV of life insurance	94,830	45,117	49,713	110.19%	--	94,830			
Other income	62,163	1,774	60,389	3404.11%	--	62,163			
Total noninterest income	1,433,498	1,149,429	284,069	24.71%	1,034,857	398,641	38.52%		
Noninterest expense:									
Salaries and employee benefits	4,151,167	3,574,237	576,930	16.14%	4,377,552	(226,385)	-5.17%		
Occupancy and equipment expenses, net	634,529	627,564	6,965	1.11%	603,710	30,819	5.10%		
Loss on sales of foreclosed assets	55,882	10,417	45,465	436.45%	2,240	53,642	2394.73%		
Loss on sale of loans	--	215,534	(215,534)	(100.00%)	--	--			
Other operating	1,862,454	1,791,369	71,085	3.97%	1,601,247	261,207	16.31%		
Total noninterest expense	6,704,032	6,219,121	484,911	7.80%	6,584,749	119,283	1.81%		
Income before Taxes	5,826,835	4,910,367	916,468	18.66%	4,644,696	1,182,139	25.45%		
Income Taxes	1,374,277	883,169	491,108	55.61%	1,275,320	98,957	7.76%		
Net Income	\$ 4,452,558	\$ 4,027,198	\$ 425,360	10.56%	\$ 3,369,376	\$ 1,083,182	32.15%		
Earnings per Share	\$ 2.13	\$ 1.97	\$ 0.16	8.12%	\$ 1.61	\$ 0.52	32.30%		
Tangible Book Value per Common Share	\$ 53.47	\$ 45.91	\$ 7.56	16.47%	\$ 51.07	\$ 2.40	4.70%		

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Consolidating Balance Sheet September 30, 2020



	September 30 2020 <i>(Unaudited)</i>	December 31 2019 <i>(Unaudited)</i>	Change	% Change
<u>ASSETS</u>				
Cash and due from banks	\$ 54,606,091	\$ 77,696,887	\$ (23,090,796)	-29.72%
Federal funds sold	51,404,450	16,293,628	35,110,822	215.49%
Interest bearing time deposits in other banks	600,000	1,350,000	(750,000)	-55.56%
Securities available for sale, at fair value	153,948,056	124,315,098	29,632,958	23.84%
Securities held to maturity, at cost	12,804,101	4,752,384	8,051,717	169.42%
Federal Home Loan Bank stock	899,700	842,900	56,800	6.74%
Loans, less allowance for loan losses	-	-	-	-
of \$10,327,369 and \$9,716,060 respectively	843,839,602	729,170,345	114,669,257	15.73%
Premises and equipment, net	15,941,962	15,618,198	323,764	2.07%
Goodwill	9,361,770	9,361,770	-	0.00%
Intangible assets, net	2,803,541	3,067,075	(263,534)	-8.59%
Other real estate and foreclosed assets	462,086	396,486	65,600	16.55%
Accrued interest receivable	2,297,174	3,962,807	(1,665,633)	-42.03%
Cash surrender value of life insurance	13,529,344	13,248,384	280,960	2.12%
Other assets	5,233,460	7,979,800	(2,746,340)	-34.42%
Total assets	\$ 1,167,731,337	\$ 1,008,055,762	\$ 159,675,575	15.84%
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Deposits:				
Non-interest-bearing demand	\$ 276,158,577	\$ 195,016,771	\$ 81,141,806	41.61%
Interest-bearing	731,147,178	682,509,497	48,637,681	7.13%
	<u>1,007,305,755</u>	<u>877,526,268</u>	<u>129,779,487</u>	<u>14.79%</u>
Other borrowed funds	29,124,000	15,003,206	14,120,794	94.12%
Accrued interest payable	322,439	537,928	(215,489)	-40.06%
Accrued expenses and other liabilities	6,772,441	3,556,513	3,215,928	90.42%
Total liabilities	1,043,524,635	896,623,915	146,900,720	16.38%
Shareholders' Equity:				
Common stock	2,144,766	2,144,917	(151)	-0.01%
Paid in capital surplus	39,292,064	39,298,458	(6,394)	-0.02%
Less: treasury stock	(1,564,569)	(1,379,632)	(184,937)	13.40%
Retained earnings	66,603,322	55,916,996	10,686,326	19.11%
Current year earnings	11,859,686	13,620,624	(1,760,938)	(12.93%)
Accumulated other comprehensive income gain	5,871,433	1,830,484	4,040,949	220.76%
Total shareholders' equity	124,206,702	111,431,847	12,774,855	11.46%
Total Liabilities and Shareholders' Equity	\$ 1,167,731,337	\$ 1,008,055,762	159,675,575	15.84%

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES

Selected Financial Information



	<u>Quarter Ending</u>			<u>Year Ending</u>
	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)	December 31, 2019
Dollars in thousand, except per share data)				
Per Share Data				
Basic Earnings per Common Share	\$ 2.13	\$ 1.97	\$ 1.61	\$ 6.82
Diluted Earnings per Common Share	2.13	1.97	1.61	6.82
Dividends per Common Share			0.35	0.93
Book Value per Common Share	59.27	51.87	56.92	53.11
Tangible Book Value per Common Share	53.47	45.91	51.07	47.18
Average Diluted Shared Outstanding	2,095,443	2,058,039	2,095,451	1,997,735
End of Period Common Shares Outstanding	2,095,468	2,100,993	2,095,468	2,098,250
Annualized Performance Ratios (Bank Only)				
Return on Average Assets	1.72%	1.78%	1.31%	1.63%
Return on Average Equity	14.07%	14.51%	11.82%	14.56%
Equity/Assets	12.48%	12.23%	11.31%	11.65%
Cost of Funds	0.40%	0.99%	0.57%	1.02%
Net Interest Margin	4.40%	4.78%	4.70%	4.65%
Efficiency Ratio	51.38%	53.00%	50.56%	57.80%