



# MORRIS STATE BANCSHARES, INC.

SHAREHOLDER REPORT  
SEPTEMBER 30, 2019

Dear Shareholder,

We've had a great year thus far and are preparing to finish the year strong as we enter the final quarter of 2019. In previous letters, we discussed the impact of our change this year from sub-chapter S to C for tax purposes, purchase accounting entries, and merger-related expenses on earnings. Our earnings for the third quarter were more normalized. At the

holding company level, we've earned \$10,514M through 9/30/2019. Our book value per share was \$45.91, which is up 13.25% from a year ago.

FINANCIAL HIGHLIGHTS			
BANK LEVEL	C Corp.	S Corp.	Change
	9/30/2019	9/30/2018	
Net Income	11,108,989	11,029,512	0.72%
Net Income (Annualized)	14,852,678	14,746,417	0.72%
Average Total Assets	858,543,388	707,279,915	21.39%
Average Total Loans	668,302,916	579,863,795	15.25%
Average Total Deposits	752,111,735	617,636,492	21.77%
Average Total Capital	96,607,851	75,315,839	28.27%
Return on Average Assets	1.73%	2.09%	-17.22%
Return on Average Equity	15.40%	20.10%	-23.38%
HOLDING COMPANY LEVEL			
Net Income	10,514,248	10,954,226	-4.02%
Net Income Per Average Share (Annualized)	\$7.01	\$8.03	-12.70%
Book Value Per Share	\$45.91	\$40.54	13.25%
Return on Average Equity	16.46%	20.75%	-20.67%
*based on unaudited numbers			

As of 9/30/2019, our total assets were \$958,525M, which represents an increase of \$208,896M, or 27.9% from year end. Of the growth, 16.5% related to loan growth with the remainder being cash and securities as deposit growth bolstered the bank's liquidity position. The bank has incurred some large loan payoffs as customers have sold related collateral in what has been a solid residential and commercial real estate market. During the third quarter, the Federal Reserve made two interest rate cuts, one in August and one in September. Thus far, our net interest margin has remained relatively unchanged as our earning asset yield growth has offset the increase in the cost of funds. However, we anticipate slight margin compression going forward. To combat this compression, we have begun and will continue to reduce our cost of funds.

Our stock has officially opened on the OTCQX exchange. Our ticker symbol is MBLU. Further information is contained in our letter to shareholders dated the same as this report from our holding company Chairman Roger Miller. If you haven't done so, please execute the necessary paperwork to convert your shares to book entry in order to complete your certificate transfer. Janney was our sponsor for our debut on the OTCQX market and is the current point of contact for stock transactions.

Thank you for your continued trust and commitment to Morris Bank.

Best Regards,

Spence Mullis, President & CEO