

A background image showing several business professionals in a meeting. They are gathered around a table, looking at documents and tablets. One person is holding a coffee cup. The image is dimmed to allow text to be overlaid.

Merchants & Marine Bancorp, Inc. Annual Shareholder Meeting

Pascagoula, MS

May 5, 2022

Craig Lewis

Vanderbilt University

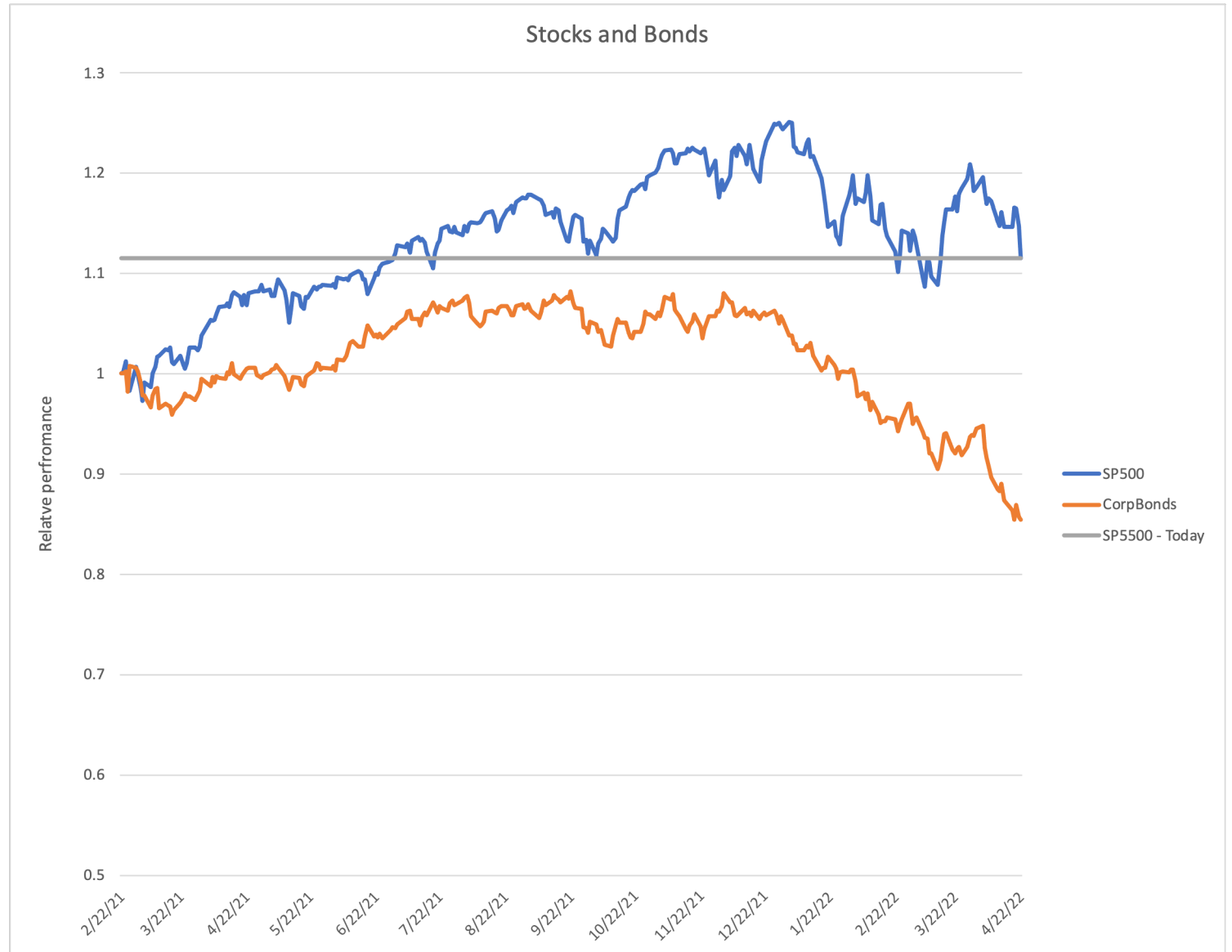
Outline of Talk

- Current Market Conditions
- Inflation
- Geopolitical Risk
- Cyber risk
- MNMB

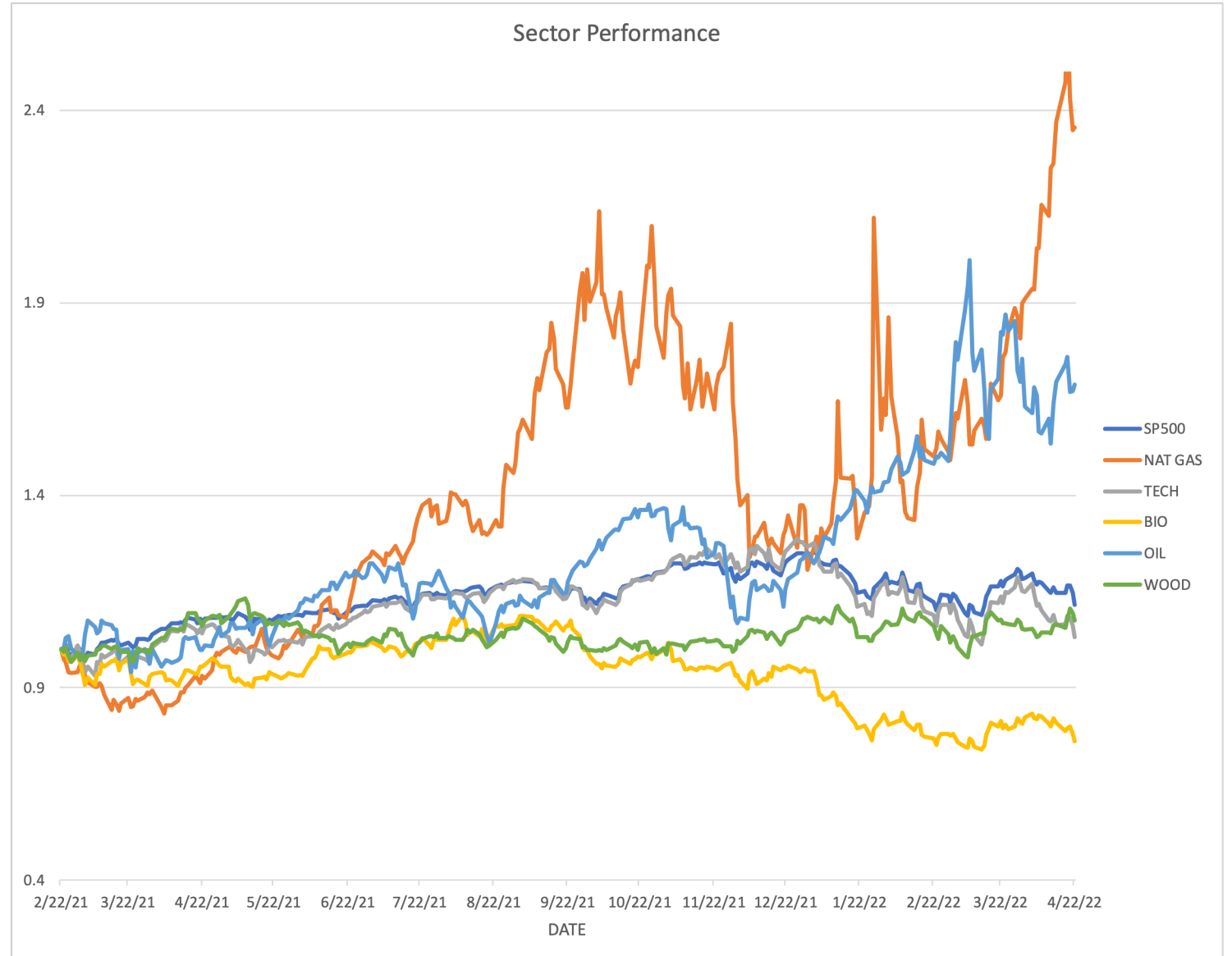
Current Market Conditions

- Financial Market Performance
- Expected Volatility
- Inflation
- Tesla and Twitter

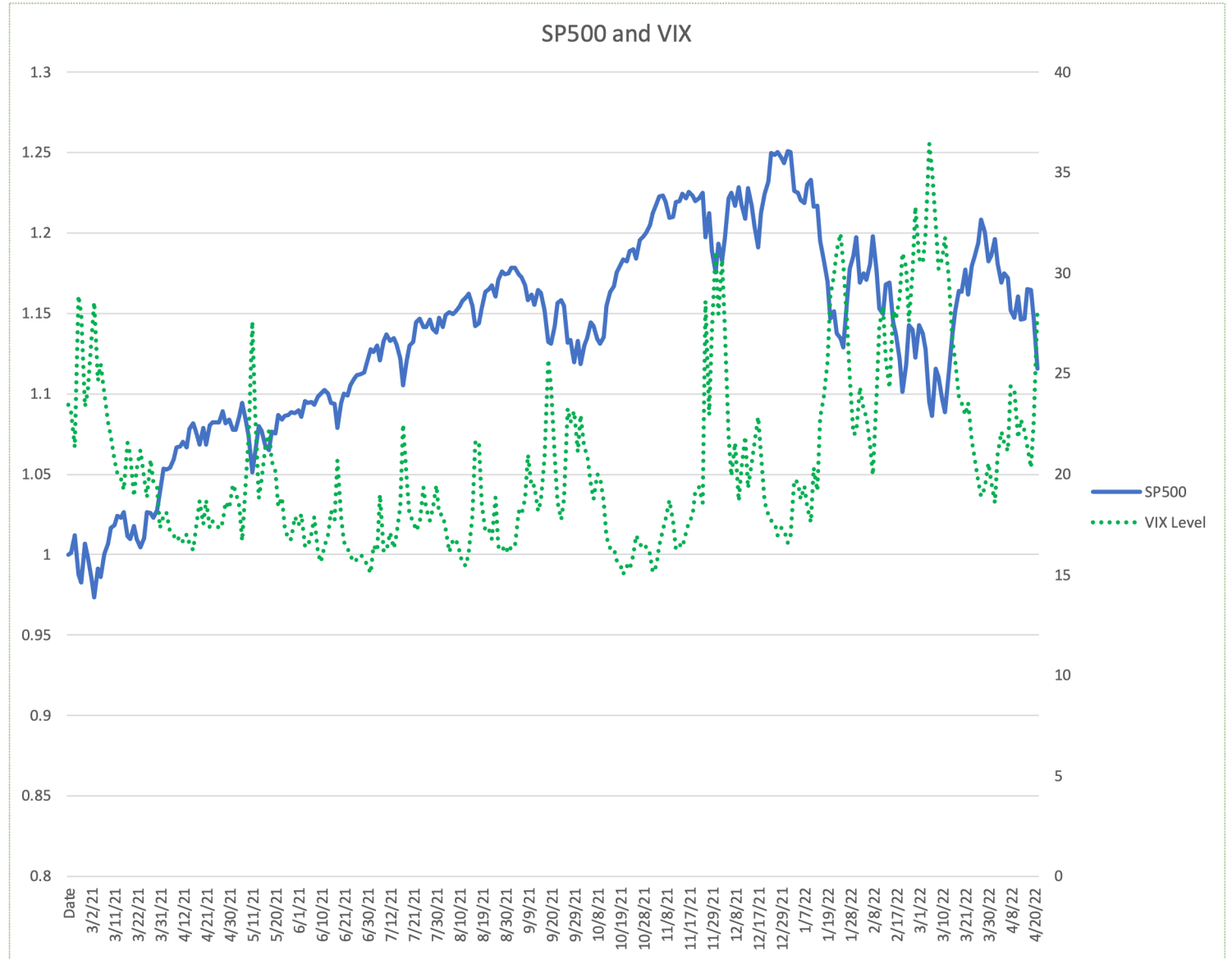
Stocks and Bonds



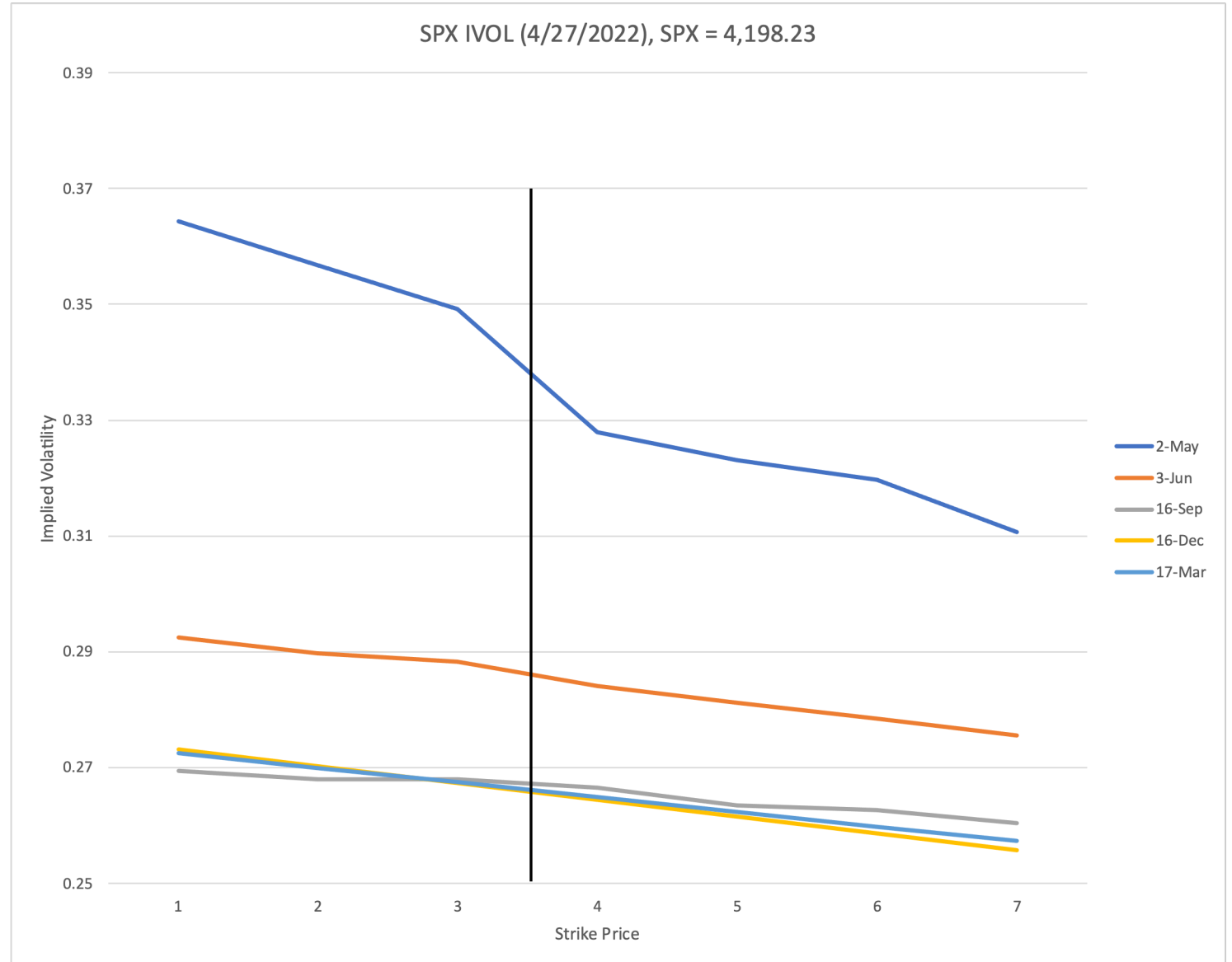
Sector Performance



Stocks and Volatility

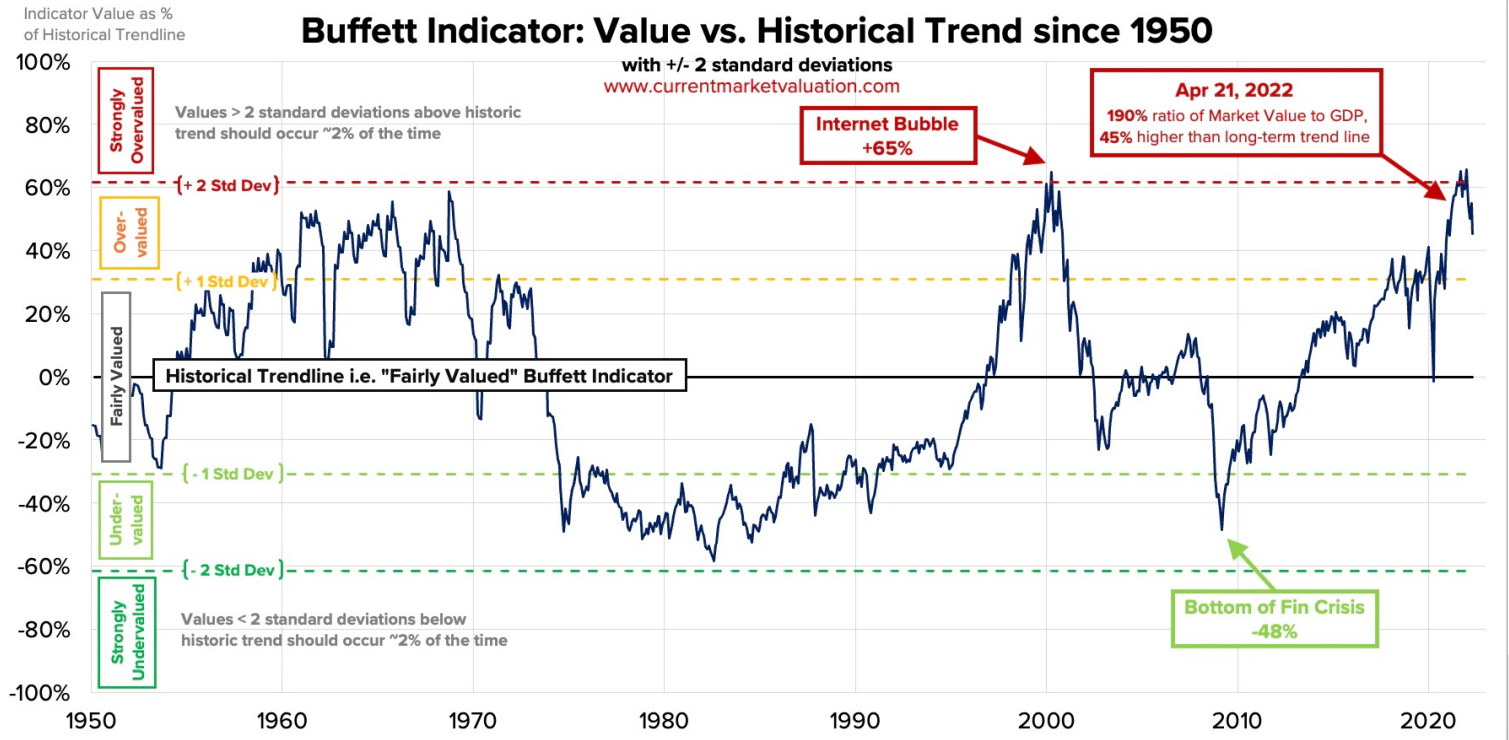


Implied Stock Market Volatility



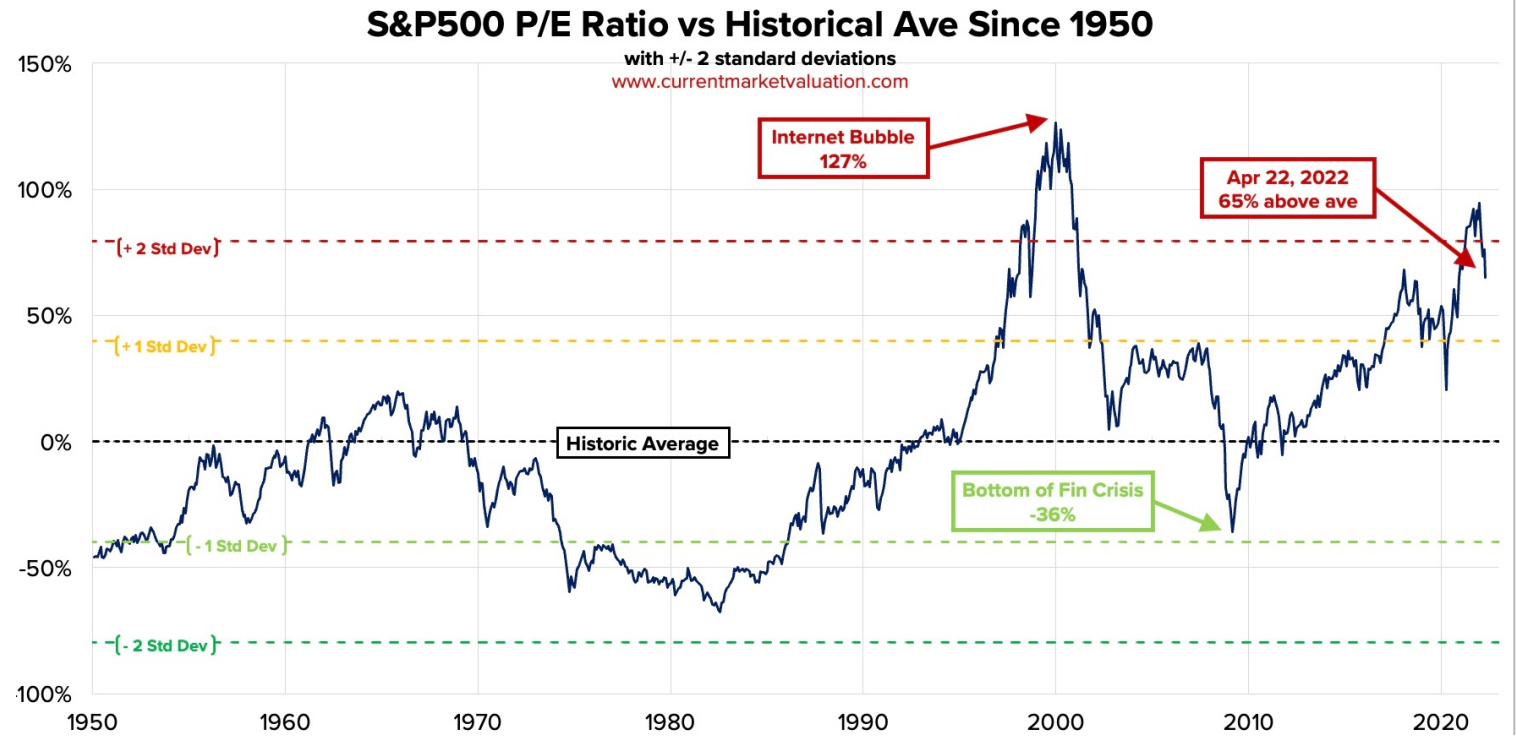
Relative Stock Market Pricing

Figure 4

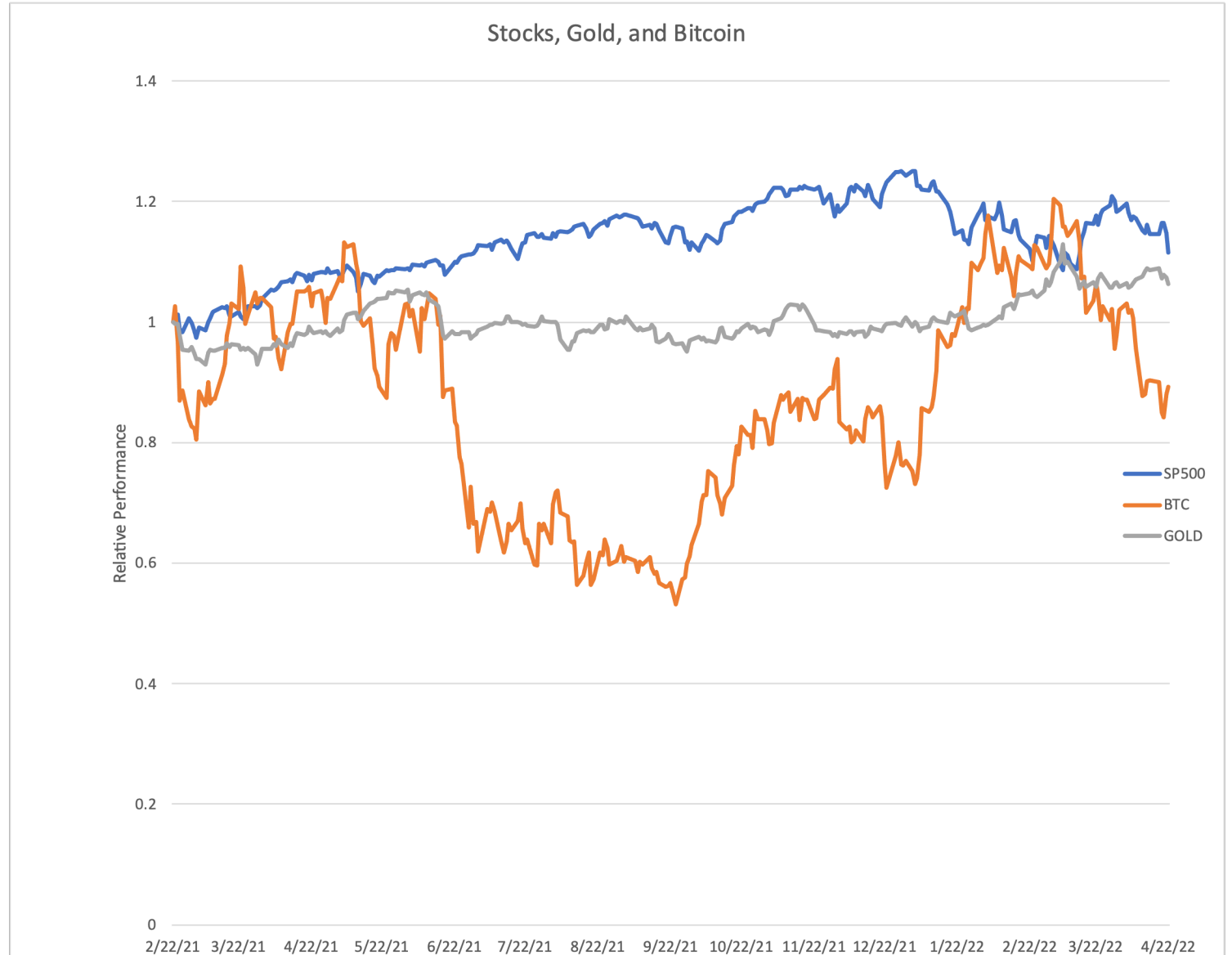


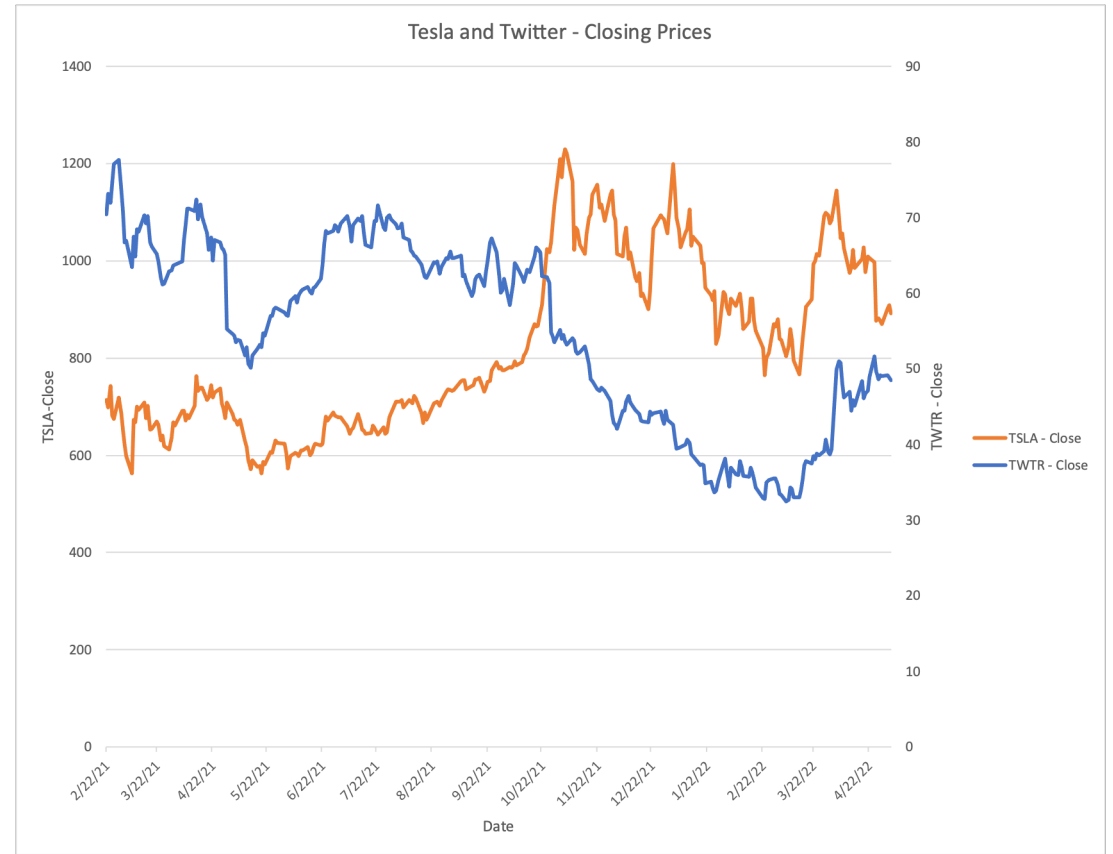
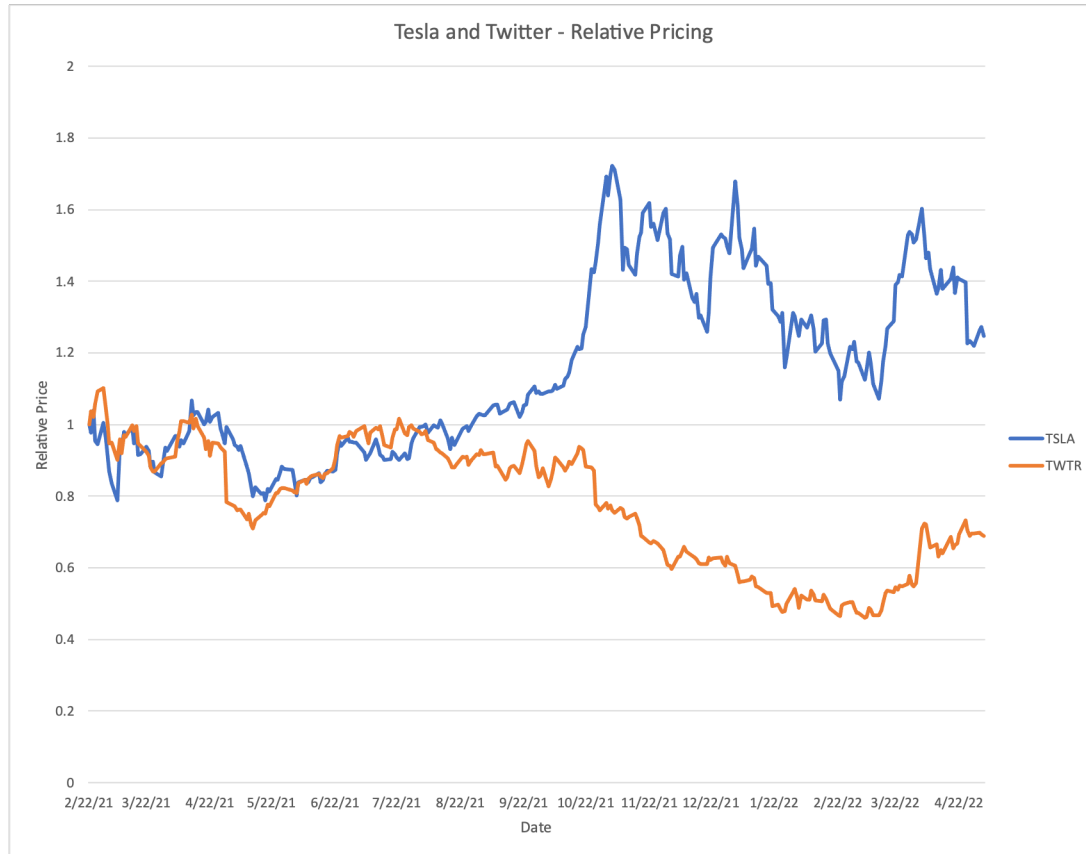
Relative Stock Market Pricing

Overview



Stock Market, Gold, and Bitcoin

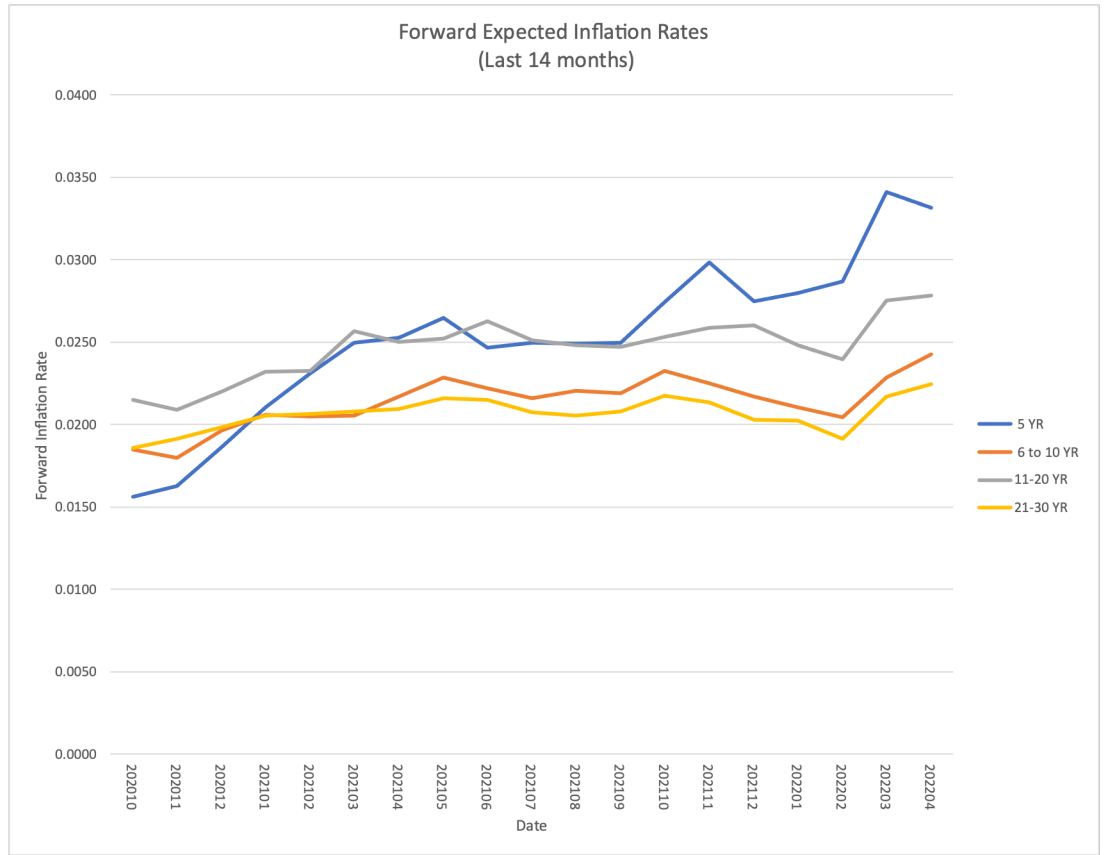
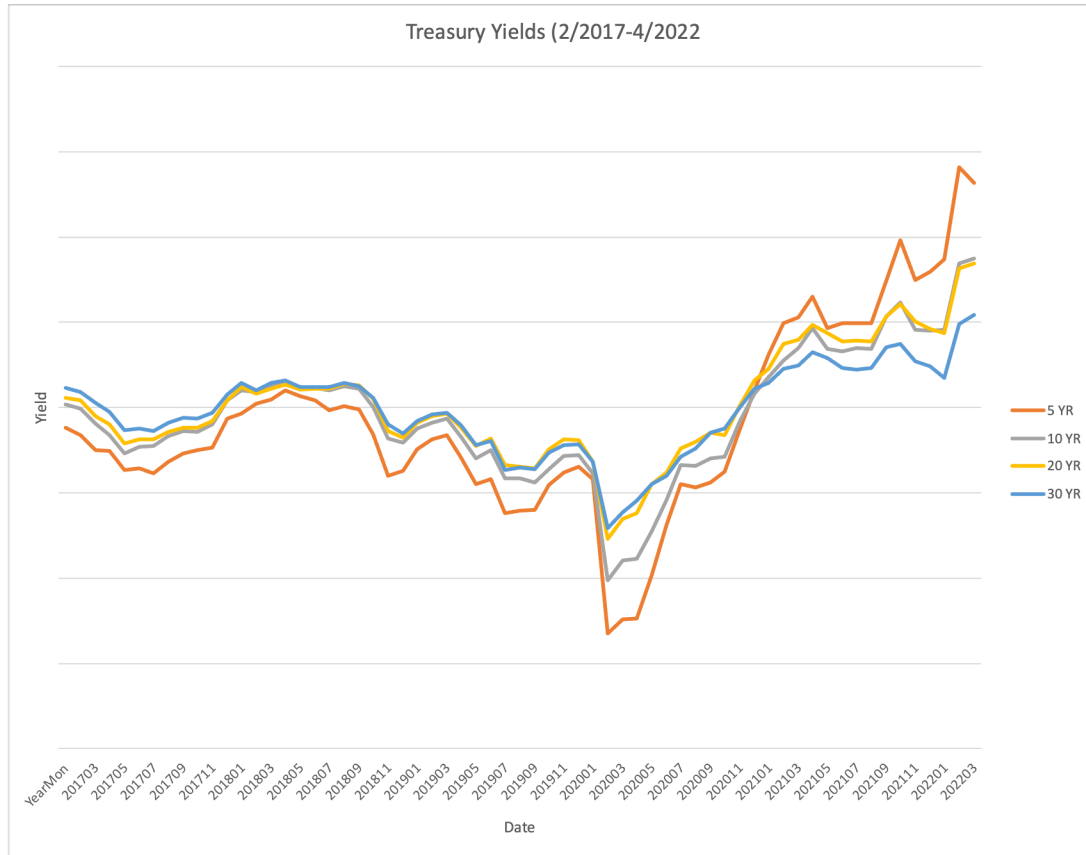




Tesla and Twitter

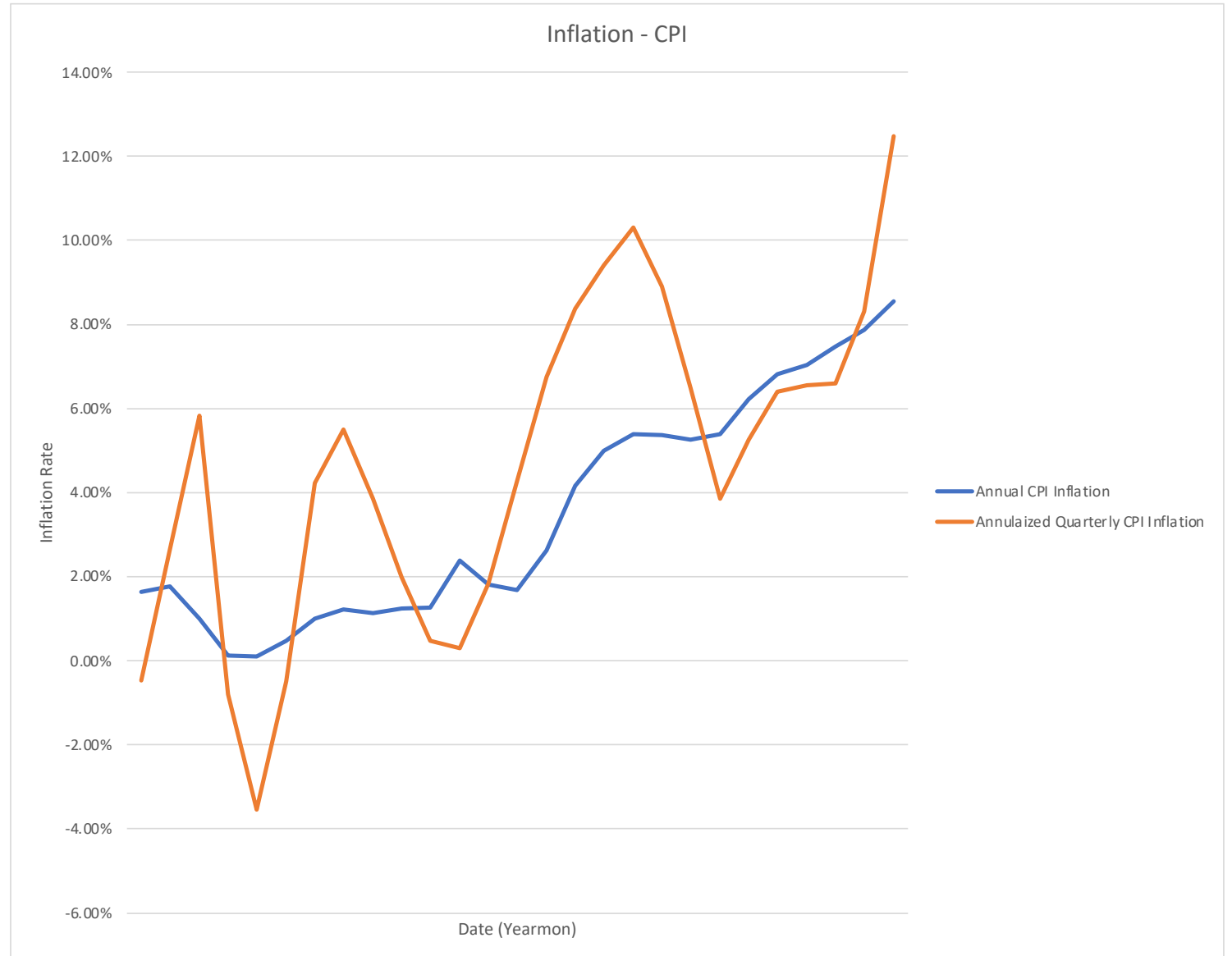
Risk Factors- Inflation

- Government spending
 - Federal tax increases?
 - Federal pandemic support created demand for goods and services which exceeded supply.
 - Student loan forgiveness
- Higher wages
 - Low unemployment levels
 - The Great Resignation (job switchers seeking better jobs, early retirement)
- Housing costs
- Inadequate investment in energy infrastructure



Inflation Expectations

Inflation Expectations – CPI Estimates



Risk Factors- Geopolitical Risk

- Russia and the Ukraine
- China

Sovereign Debt

4/27/2022

Country	S&P Rating	Annualized Probability of Default
Greece	BB+	2.31%
Italy	BBB	1.79%
Poland	A-	1.44%
Spain	A	0.75%
Portugal	BBB	0.73%
France	AA	0.41%
Ireland	AA-	0.28%
Belgium	AA	0.28%
United Kingdom	AA	0.17%
Norway	AAA	0.21%
Netherlands	AAA	0.18%
Sweden	AAA	0.22%
Finland	AA+	0.25%
Austria	AA+	0.13%
Denmark	AAA	0.19%
Germany	AAA	0.22%

Country	S&P Rating	Annualized Probability of Default
China	A+	0.90%
Canada	AAA	0.54%
Japan	A+	0.31%
United State	AA+	0.25%
Russia	NR	100.00%
Israel	AA-	0.95%

Russia Outlook

- Population: 145.5 million (U.S. 331.9 million)
- Land mass: 6.602 million sq. miles (U.S. 3.797 million sq miles)
- GDP is \$4.328 trillion (U.S. \$25.35 trillion)
 - 11th largest economy by GDP
- Natural resources (40% of Russia's federal budget revenues)
 - 10% of world oil reserves (sixth largest)
 - Second largest natural gas reserves
 - Exporter of nickel, cobalt, and aluminum

Russia Outlook

- Ukraine
 - 2014 Annexation of Crimea
 - Current war
 - Economic disruption
 - European energy
 - Global inflation
- Cyber threat
 - Russia, Iran, North Korea, and China have criminal and state-supported hacking groups
 - Ukraine Conflict heightens these risks

China Outlook

- Population: 1.413 trillion (U.S. 331.9 million)
- Land mass: 3.705 million sq. miles (U.S. 3.797 million sq miles)
- GDP is \$19.91 trillion (U.S. \$25.35 trillion)
 - 11th largest economy by GDP
 - China has been the world's No. 1 manufacturer since 2010.
 - China has also been No. 2 in high-tech manufacturing since 2012.
 - China is the second largest retail market in the world, next to the United States.
 - China is the world's leader in electric vehicles and batteries for electric vehicles. Market share exceeds 50%

China Outlook

- Issues with housing and supply chain have caused economists to scale back growth forecasts
 - World Bank 5.4% to 5.1%
 - IMF 5.9% to 5.6%
- Focus on stability at the expense of growth
 - Cut back on government-sponsored investment
 - Less reliance on housing market growth
- Another round of COVID would disrupt the supply-chain further.
- Key threats
 - Cyber risk
 - Expropriation of intellectual property

Cyber Risk

- Reported breaches disclosed by public companies have increased over the last decade, from 28 in 2011 to 144 in 2019 and 117 in 2020
- The Council of Economic Advisers estimated that in 2016 the total cost of cybersecurity incidents was between \$57 billion and \$109 billion, or between 0.31 and 0.58 percent of U.S. GDP in that year.

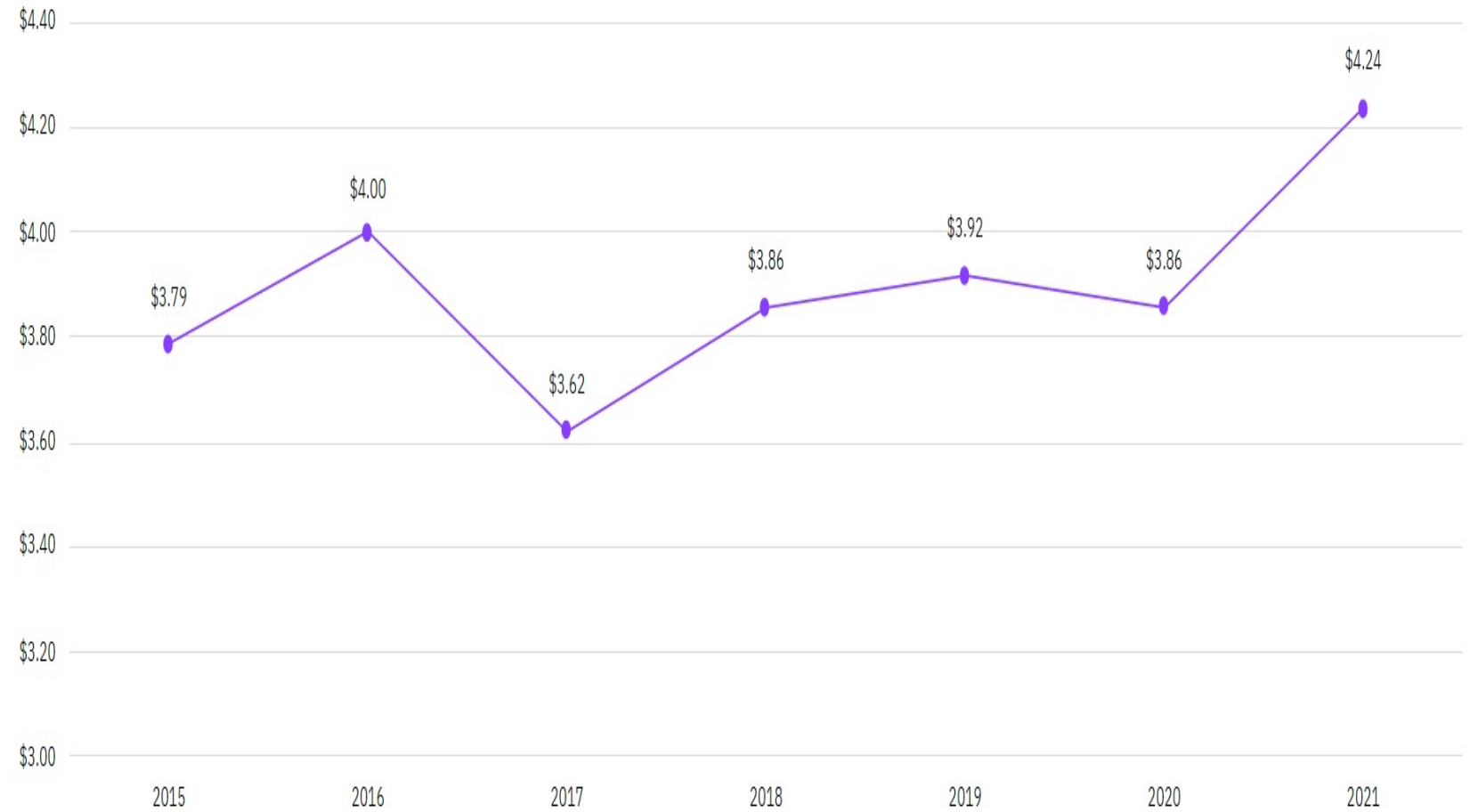
Cyber Risk

- According to Audit Analytics data, in 2020, it took on average 44 days for companies to discover breaches, and then it took an additional 53 days for companies to disclose a breach after its discovery.
- In 2021, a survey of audit committee members identified cybersecurity as the second highest risk that their audit committee would focus on in 2022, second only to financial reporting and internal controls.

Cyber Risk

Average total cost of a data breach

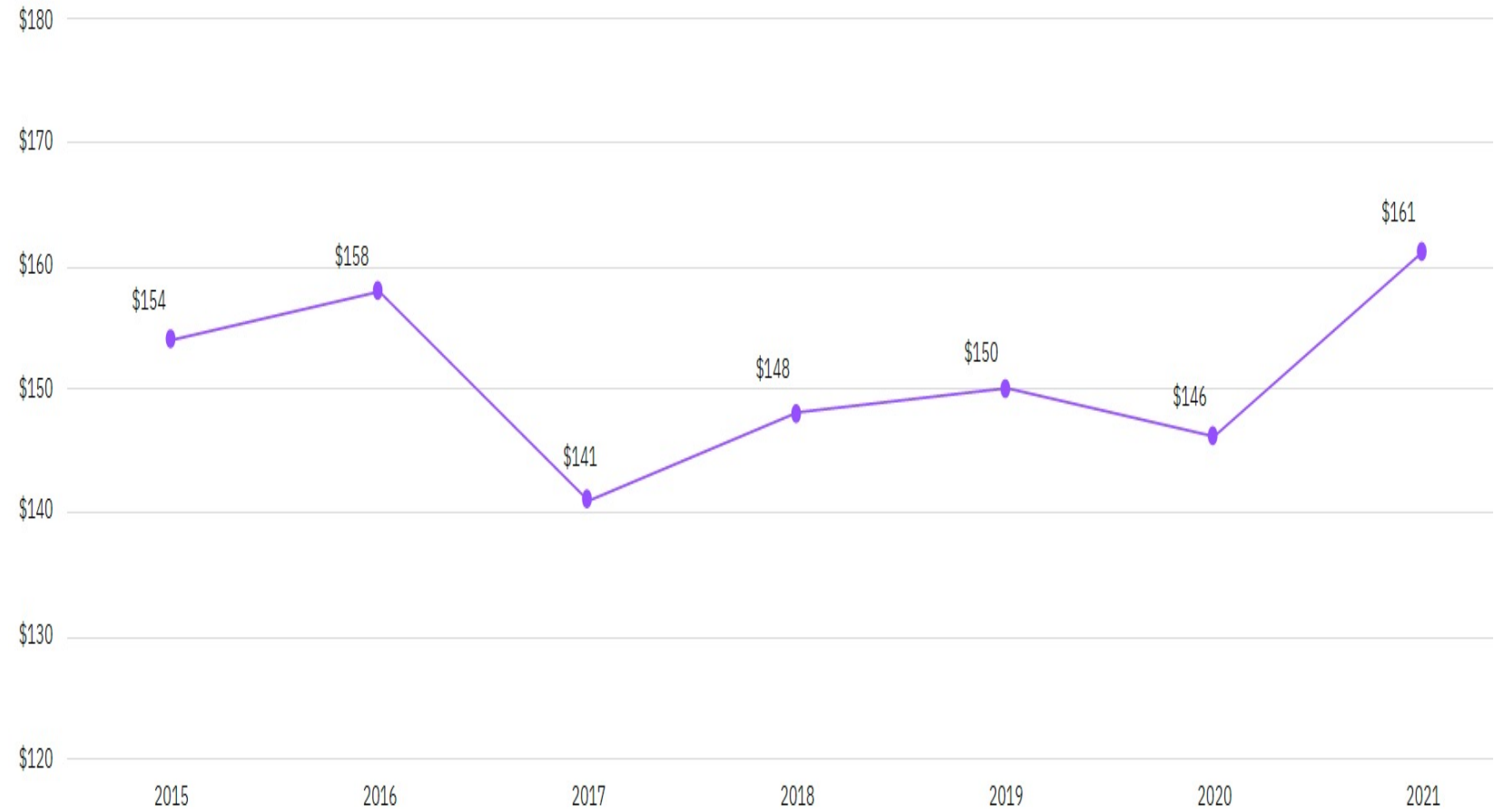
Measured in US\$ millions



Cyber Risk

Average per record cost of a data breach

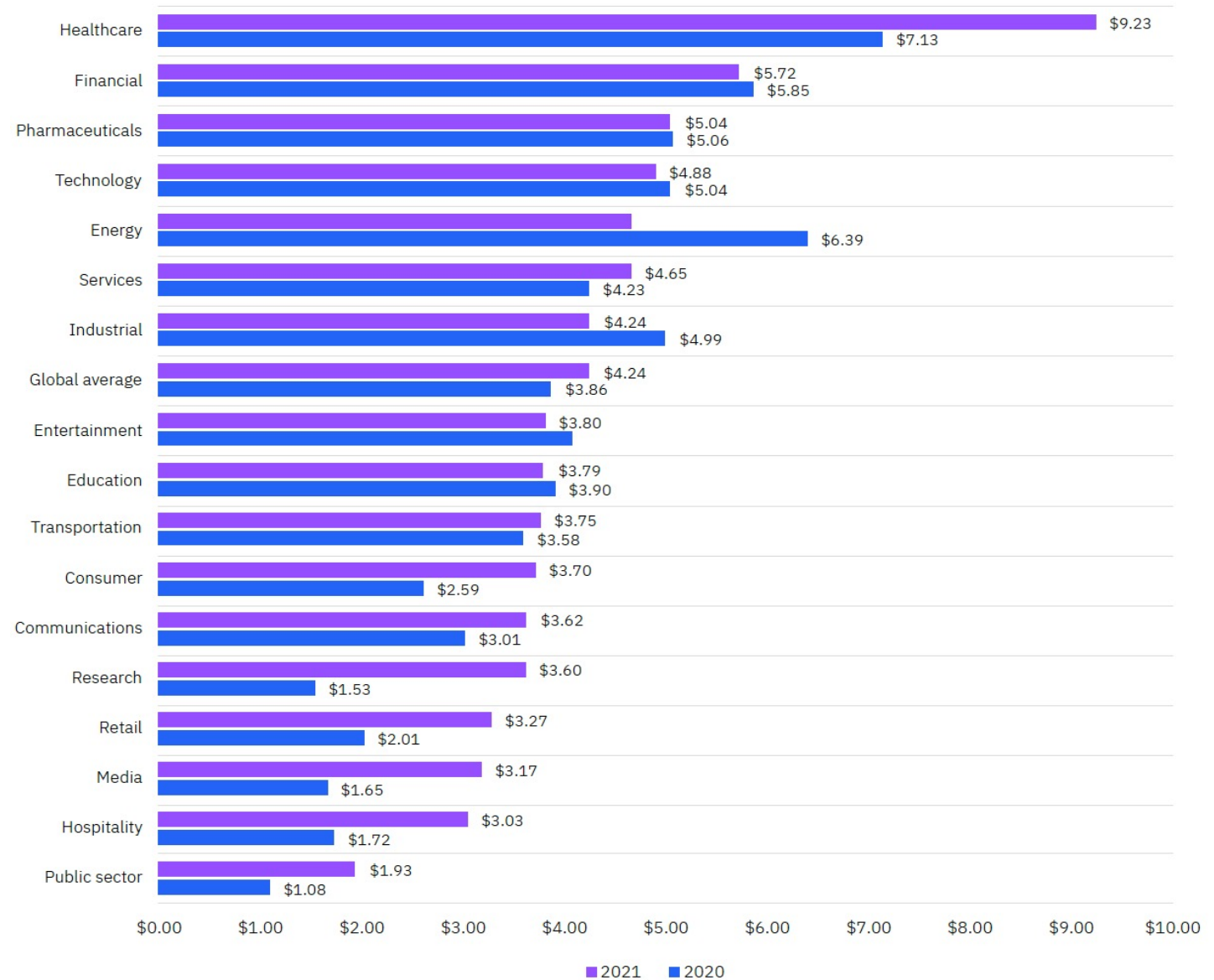
Measured in US\$



Cyber Risk

Average total cost of a data breach by industry

Measured in US\$ millions



Cyber Risk – Best Practices

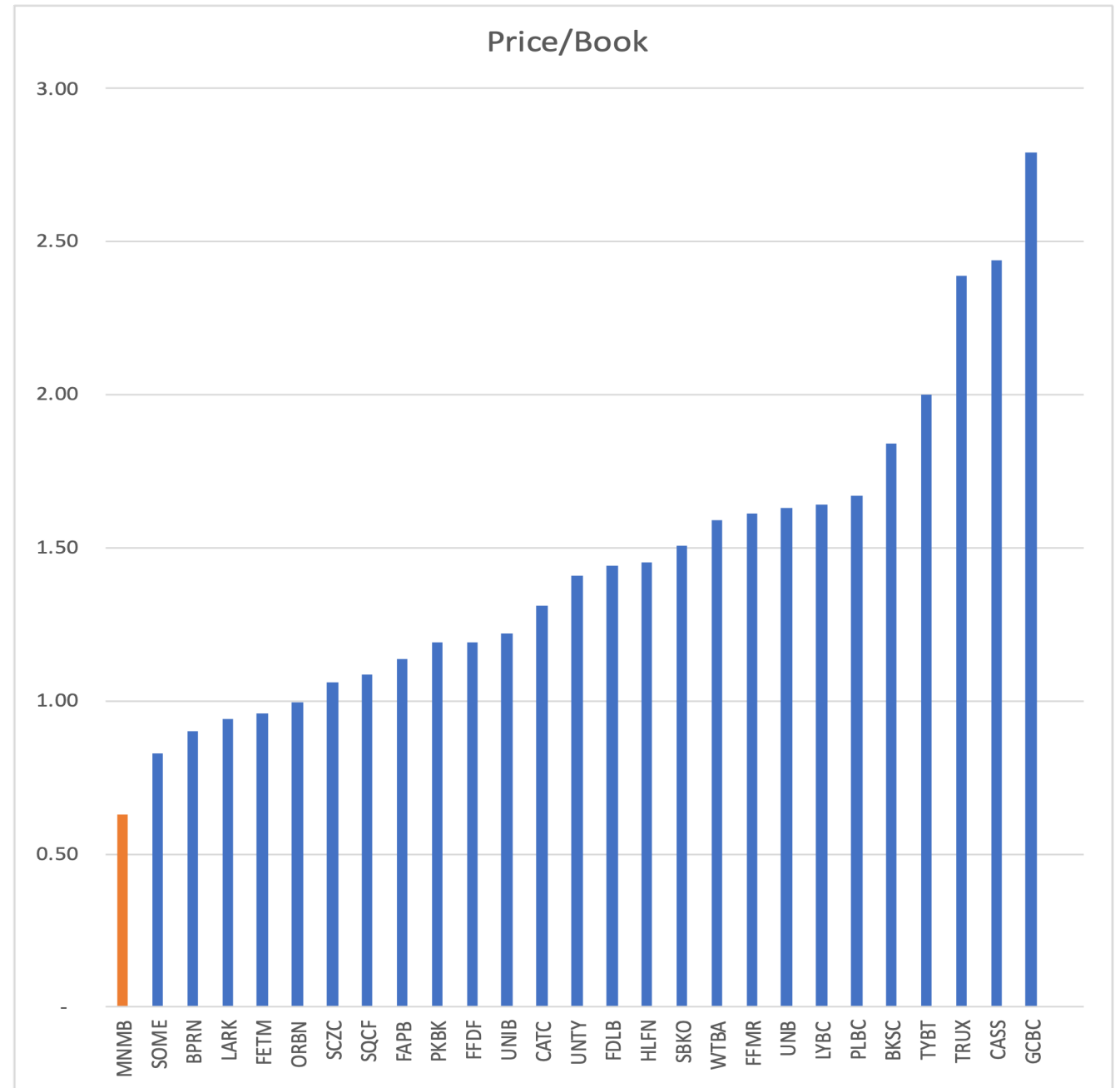
- Everyone in the organization needs to worry about cyber security
- Limit access to IT systems to individuals that actually need access
- Invest in a periodic cyber security audit
- Obtain insurance
 - Insurers will review your systems, identify vulnerabilities, and help you to become more resilient

MNMB - Comparable Valuation Metrics

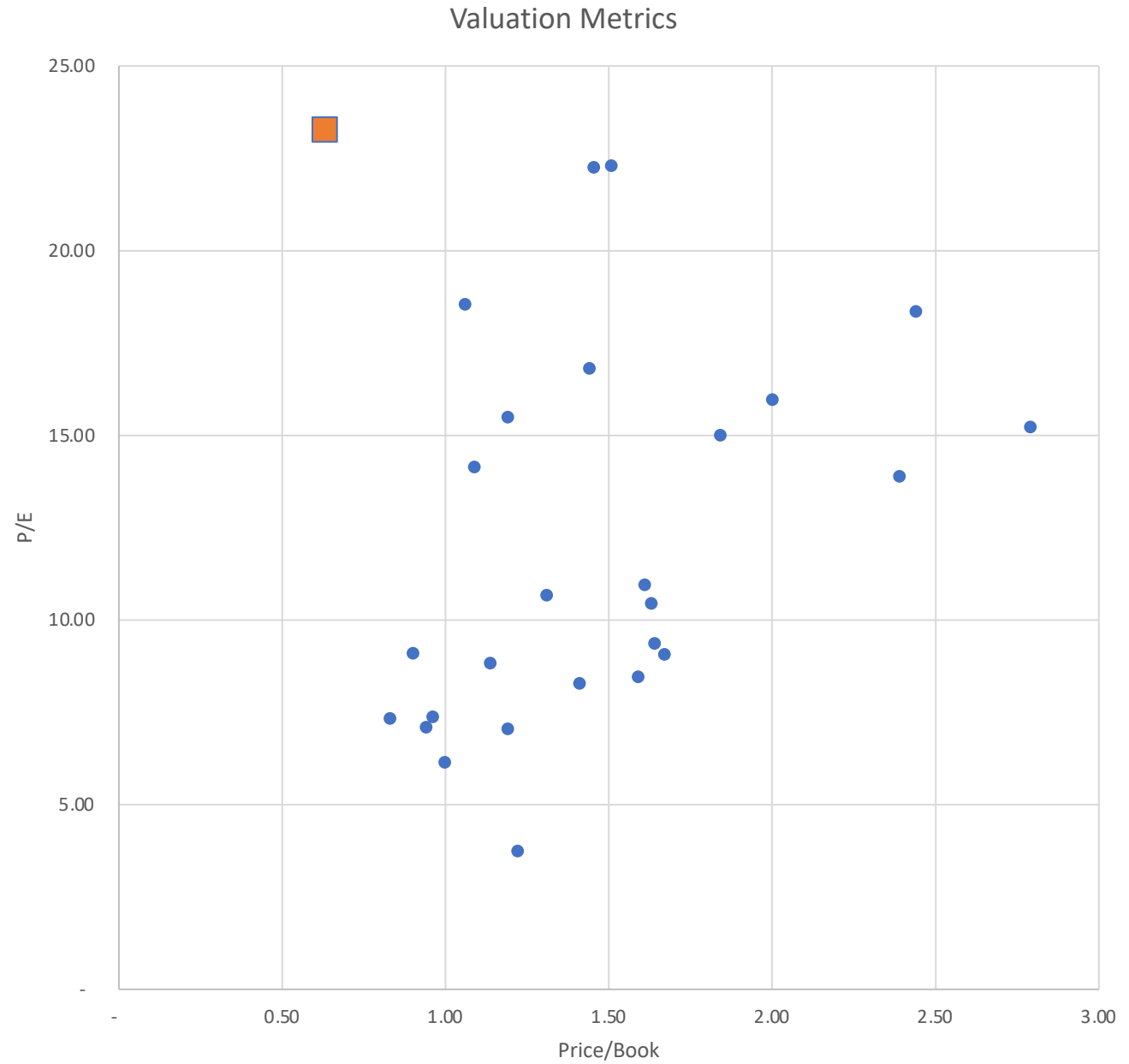
Bank of South Carolina Corporation
Cambridge Bancorp
Cass Information Systems, Inc.
Farmers Bancorp
Fentura Financial, Inc.
FFD Financial Corporation
Fidelity Federal Bancorp
First Farmers Financial Corporation
Greene County Bancorp, Inc.
Home Loan Financial Corporation
Landmark Bancorp, Inc.
Lyons Bancorp Inc.
Merchants & Marine Bancorp, Inc.
Oregon Bancorp, Inc.

Parke Bancorp, Inc.
Plumas Bancorp
Santa Cruz County Bank
Somerset Trust Holding Company
Summit Bank Group, Inc.
Susquehanna Community Financial, Inc.
The Bank of Princeton
Trinity Bank, N.A.
Truxton Corporation
Union Bankshares, Inc.
Unity Bancorp, Inc.
University Bancorp, Inc.
West Bancorporation, Inc.

MNMB - Comparable Valuation Metrics



MNMB - Comparable Valuation Metrics



MNMB – Capital Structure

- Conservatively capitalized
- Preferred debt financing
 - Has a very low cost of capital
 - Dividend rate changes with lending activity