



Merchants & Marine Bancorp, Inc. Announces Third Quarter Financial Results

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PASCAGOULA, Miss.--(BUSINESS WIRE)--Merchants & Marine Bancorp, Inc. (OTCQX: MNMB), the parent company of Merchants & Marine Bank, reported net income through the third quarter of 2023 of \$5.17 million, or \$3.88 per share, compared with earnings of \$1.80 million, or \$1.35 per share, for the same period in the prior year. In quarter-only terms, third quarter income totaled \$3.29 million, or \$2.48 per share, an increase of 134.43% from the same period in 2022. Gross income through the third quarter increased 35.94% to \$18.79 million from \$13.82 million for the same period in 2022. Third quarter income was materially affected by a large one-time non-interest expense related to the Company's receipt of a grant available through the United States Treasury Department's Community Development Financial Institution (CDFI) program. The one-time grant income totaled \$3.72 million. Excluding grant proceeds and non-recurring expenses associated with the grant, including large donations, taxes and program expenses, the company posted core net income net of \$3.78 million through the first three quarters of 2023, or \$2.84 per share. This represents a lift of 15% of the same period in the prior year. Third quarter 2023 core earnings net of non-recurring items summed \$1.91 million, or \$1.44 per share, an increase of 35.97% over the same quarter in 2022. Total deposits decreased by 10.01% from the same period in the prior year, from \$571 million to \$514 million at the end of the third quarter 2023.

Selected financial highlights:

- Third quarter 2023 income was materially positively impacted by receipt of a one-time Equitable Recovery Program (ERP) grant from the U.S. Treasury's Community Development Financial Institutions (CDFI) Fund. The ERP grant totaled \$3.72 million. Non-recurring expenses associated with the ERP grant, including program expenses, community grants, and support projects are significant. In addition, the grant also created a large one-time tax accrual. When factoring in non-recurring expenses associated with the ERP grant, the impact of the grant to net income was approximately \$1.67 million.
- Total interest income for the third quarter increased to \$8.12 million from \$6.37 million in the third quarter of 2022, a lift of 27.47%. The increase is primarily due to increased interest income on loans, which increased to \$6.72 million in the third quarter from \$4.84 million in the third quarter of 2022. This increase is due both to improved loan yields and sustained loan growth.
- Interest expense increased to \$395 thousand in the third quarter from \$224 thousand in the same period in 2022, an upward movement of 76.49%. Despite the increase, the Company's cost of funds remained at an industry-leading low of 32 basis points as of the end of September.
- Loan growth remained strong during the twelve months ended September 30, 2023, with loans increasing by 12.50% on a net basis from the same period in 2022 to \$411.36 million.
- Credit quality strengthened significantly in the third quarter of 2023. The ratio of loans past due 30-89 days fell to just 0.12% of total loans at the end of the third quarter compared to 1.07% at the end of linked quarter. The ratio of non-accrual loans decreased to 0.85% of total loans during the third quarter of 2023 from 1.42% of total loans in the second quarter of 2023.



- Accumulated Other Comprehensive Income (AOCI) mark-to-market losses in the securities portfolio worsened slightly to (\$13.20 million) at the end the second quarter from (\$9.51 million) at the end of the linked quarter. Despite the increase, tangible equity capital at the Company remains very robust at 18.31% of assets even when considering this relatively small AOCI impairment.
- Liquidity levels remain very healthy. Cash and cash equivalents remain healthy at \$33.69 million. In addition to these large cash balances, the bank's \$141 million investment portfolio remains liquid, with a significant portion able to be liquidated with minimal losses.
- In addition to the sizeable on-balance sheet liquidity position, the bank has more than \$300 million in borrowing capacity available through lines with both the Federal Home Loan Bank and the Federal Reserve. It is important to note that the company has zero borrowed funds in its liability mix as of the end of September.

"Merchants & Marine Bancorp and its family of brands continues to see improvement in financial metrics through the third quarter of 2023," said Casey Hill, the company's Chief Financial Officer. He continued, "Our conservative cash strategy in the early parts of the government's post-COVID stimulative response continues to yield dividends. Because we were, and remain, able to invest in higher-yielding assets in both the securities and loan portfolios, and due to our non-reliance on high-cost deposits, our net interest margin exceeded five percent in September. In addition, due to decreased competitive pressures from banks that mistimed their investment horizons, we are able to be selective in what assets we allow on to the balance sheet. Along with a lot of hard work from our team, this bears out in a peer-leading net interest margin and stellar credit quality markers."

The company saw the realization of planned balance sheet contraction over the past twelve months to the tune of 8.23%, with total assets declining to \$645.55 million at the end of the third quarter of 2023 from \$703.45 million at the end of the same period last year. The composition of the balance sheet also saw a high degree of positive change. The loan portfolio grew \$50.44 million, or 13.66% on a gross basis, during the prior 12 months. Deposits decreased 10.01% from the same period last year with the planned roll off of non-core funds, but the rate has slowed from the 16.31% measured in the previous quarter. The deposit portfolio mix remains advantageous, as measured by the bank's low cost of funds.

"In real terms, we're only seeing a 2-4 basis points increase in our cost of funds per month," stated Hill. "While we would be naïve to think that we won't see acceleration here, our objective has shifted to maintaining, and when possible, increasing our very strong net interest margin through asset repricing opportunities. We believe that our repricing pipeline over the foreseeable future will allow us to match, and perhaps even slightly outpace continued increases in costs of funds. We continue to see a great deal of opportunities to improve our balance sheet through active management and strategic partnerships."

"The deliberate execution of our long-term strategic plans over the prior two years has produced a pronounced position of strength for our Company," commented Clayton Legear, the Company's Chief Executive Officer. "From the crafting of our Battle-Ready Balance Sheet, to our steadily improving margins and net income, to the significant diversification in our income streams: the progress that has been made by our team is real and evident in our financial performance. We look forward to welcoming Mississippi River Bank in Belle Chasse, Louisiana, to our family of brands in early 2024, which we believe will only further enhance our position of strength."

Merchants & Marine Bancorp, Inc. (OTCQX: MNMB) is the parent company of Merchants & Marine Bank, a Mississippi chartered community bank serving the Gulf South region. Originally founded in 1899, Merchants & Marine Bank was reborn in 1932 during the middle of the worst economic disaster in the history of the



United States: The Great Depression. More than eight decades later, Merchants & Marine Bank has grown from \$25,000 to nearly \$700 million in assets, and from 2 offices to 16 offices serving the Mississippi & Alabama Gulf Coast region, as well as the Mississippi Pine Belt. The bank offers mortgage financing through its Canvas Mortgage division, medical cannabis banking through its CannaFirst Financial division, and access to government-guaranteed credit through Voyager Lending. For more information on Merchants & Marine Bancorp, Inc., visit <https://mandmbank.com/investor-relations>.

MERCHANTS & MARINE BANCORP, INC. CONSOLIDATED FINANCIALS (UNAUDITED) BALANCE SHEET		
	September 30, 2023	September 30, 2022
ASSETS		
TOTAL CASH & DUE FROM	33,686,902.41	66,011,548.73
TOTAL SECURITIES	141,469,728.54	218,389,632.47
TOTAL FEDERAL FUNDS SOLD	168,717.12	250,000.00
TOTAL LOANS	419,674,991.80	369,233,856.23
Begin Year Reserve for Loss	(3,566,893.00)	(3,609,893.00)
Recoveries on Charge Off	(244,933.58)	(446,238.39)
Charge Offs Current Year	487,351.06	582,480.30
Allowance-Current Year	(4,989,596.48)	(93,241.91)
RESERVE FOR LOSSES ON LOANS	(8,314,072.00)	(3,566,893.00)
NET LOANS	411,360,919.80	365,666,963.23
NET FIXED ASSETS	26,569,218.43	23,532,110.15
Other Real Estate	22,400.00	84,900.10
Other Assets	32,271,400.77	29,513,286.39
TOTAL OTHER ASSETS	32,293,800.77	29,598,186.49
TOTAL ASSETS	\$ 645,549,287.07	703,448,441.07
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Liabilities</i>		
Demand Deposits	\$ 353,407,475.92	389,764,554.31
Public Funds	15,604,157.32	18,745,841.87
TOTAL DEMAND DEPOSITS	\$ 369,011,633.24	408,510,396.18
Savings	98,672,597.34	99,874,392.11
C D's	36,049,803.21	48,298,724.99
I R A's	8,226,264.63	9,373,862.80
CDARS	2,227,361.83	5,298,509.11
TOTAL TIME & SAVINGS DEPOSITS	145,176,027.01	162,845,489.01
TOTAL DEPOSITS	514,187,660.25	571,355,885.19
SECURITIES SOLD UNDER REPO & BORROWINGS	4,211,031.87	5,548,409.56
DIVIDENDS PAYABLE	399,101.40	399,101.40
TOTAL OTHER LIABILITIES	8,534,018.02	7,118,886.25
<i>Stockholders' Equity</i>		
Preferred Stock	\$ 50,595,000.00	\$ 50,595,000.00
Common Stock	3,325,845.00	3,325,845.00
Earned Surplus	14,500,000.00	14,500,000.00
Undivided Profits	62,415,023.30	64,898,652.78
Current Profits	5,165,536.00	1,801,657.47
Total Unrealized Gain/Loss AFS	(13,204,315.77)	(12,572,961.78)
Defined Benefit Pension FASB 158	(4,579,613.00)	(2,723,832.00)
TOTAL CAPITAL	\$ 118,217,475.53	\$ 119,824,361.47
TOTAL LIABILITIES & CAPITAL	\$ 645,549,287.07	\$ 703,448,441.07



MERCHANTS & MARINE BANCORP, INC.
CONSOLIDATED FINANCIALS (UNAUDITED)
INCOME STATEMENT

ACCOUNT NAME	NINE MONTHS		NINE MONTHS	
	ENDED SEP 30, 2023	Q3 2023	ENDED SEP 30, 2022	Q3 2022
Interest & Fees on Loans	\$ 18,788,173.73	6,723,277.64	\$ 13,820,722.86	\$ 4,837,856.10
Interest on Securities Portfolio	3,571,738.56	1,177,347.67	2,570,717.63	1,131,038.24
Interest on Fed Funds & EBA	633,211.89	219,073.98	587,476.30	399,807.64
TOTAL INTEREST INCOME	22,993,124.18	8,119,699.29	16,978,916.79	6,368,701.98
Total Service Charges	2,188,100.25	774,755.65	2,126,749.61	762,762.48
Total Miscellaneous Income	7,140,621.31	5,071,374.99	3,991,945.92	1,105,498.64
TOTAL NON INT INCOME	9,328,721.56	5,846,130.64	6,118,695.53	1,868,261.12
Gains/(Losses) on Secs	-	-	-	-
Gains/(Losses) on Sales REO	36,786.16	9,786.16	(9,280.18)	-
Gains/(Losses) on Sale of Loans	-	-	-	-
TOTAL INCOME	32,358,631.90	13,975,616.09	23,088,332.14	8,236,963.10
TOTAL INT ON DEPOSITS	1,047,526.46	393,616.58	1,109,762.39	221,626.55
Int Fed Funds Purchased/Sec Sold Repo	3,701.89	1,234.37	5,136.72	2,100.88
TOTAL INT EXPENSE	1,051,228.35	394,850.95	1,114,899.11	223,727.43
PROVISION-LOAN LOSS	42,683.63	43,913.77	93,241.91	(123,926.23)
Salary & Employee Benefits	13,217,465.24	5,039,563.24	10,415,400.93	3,230,650.03
Total Premises Expense	4,787,752.01	1,673,732.43	4,415,700.64	1,656,575.02
FDIC, Sales and Franchise	359,679.46	158,464.76	257,776.06	98,560.44
Professional Fees	1,497,074.22	367,237.12	1,084,651.65	408,184.07
Miscellaneous Office Expense	606,819.66	222,725.41	566,297.32	166,425.53
Dues, Donations and Advertising	906,999.65	457,024.37	715,679.62	283,299.33
Checking, ATM/Debit Card Expenses	1,323,649.47	410,971.32	1,388,241.60	412,711.16
ORE Expenses	8,148.12	3,948.12	64,918.72	21,165.00
Total Miscellaneous Expense	1,948,843.71	782,192.57	1,323,317.11	396,160.08
TOTAL OTHER OPERATING	24,656,431.54	9,115,859.34	20,231,983.65	6,673,730.66
FEDERAL & STATE INCOME TAXES	1,442,752.38	1,126,000.00	(153,450.00)	57,896.00
TOTAL EXPENSES	27,193,095.90	10,680,624.06	21,286,674.67	6,831,427.86
NET INCOME	\$ 5,165,536.00	\$ 3,294,992.03	\$ 1,801,657.47	\$ 1,405,535.24
EPS	\$ 3.88	\$ 2.48	\$ 1.35	\$ 1.06