Merchants & Marine Bancorp, Inc. Announces 2023 Financial Results

Merchants & Marine Bancorp, Inc. (OTCQX: MNMB), the parent company of Merchants & Marine Bank, reported net income during 2023 of $6.29 million, or $4.73 per share, compared with earnings of $3.14 million, or $2.36 per share, in the prior year. Gross income in 2023 increased 34.82% to $42.77 million from $31.73 million in 2022. Balance sheet footings were materially unchanged for the 2023 fiscal year, increasing very slightly to $686.86 million from $686.66 million at the end of 2022. Net loans grew to $418.01 million in 2023 from $398.82 million at the end of the prior year, an increase of 4.81%. Total deposits decreased by 10.03% from the same period in the prior year, from $553.69 million to $498.13 million at the end 2023.

SELECTED FINANCIAL HIGHLIGHTS:

- Loans continued to grow in 2023, although at a slower pace than in recent years, with annual loan growth of 4.81%. Yield on net loans increased by 125 basis points, or 26.04%, to 6.05% at year-end 2023 from 4.80% at the end of 2022.
- Total interest income for 2023 increased to $31.09 million from $23.78 million in 2022, a lift of 30.73%. The increase is primarily due to increased interest income on loans, which increased to $25.29 million in 2023 from $19.16 million in 2022. This increase is due both to improved loan yields and incremental loan growth.
- The company's cost of funds increased slightly in 2023, though much more slowly than seen in the broader banking market. Interest expense as a function of total assets grew totaled 28 basis points for the 2023 fiscal year. While this is a marked increase from just 15 basis points during 2022, the company's cost of funds remains substantially below peer averages and serves as a strategic advantage.
- Credit quality remained strong at the end of 2023. The ratio of loans past due 30-89 days fell to just 0.25% of total loans at the end of the year compared to 0.74% at the end of 2022. The ratio of non-accrual loans decreased to 0.70% of total loans at the end of 2023 from 1.29% of total loans at the end of the prior year.
- Accumulated Other Comprehensive Income (AOCI) mark-to-market losses in the securities portfolio improved to ($8.57 million) at the end of 2023 from ($10.09 million) at the end of 2022. This represents just 6.92% of tangible equity.
- On balance sheet liquidity levels remain robust. Cash and cash equivalents remain healthy at $65.96 million. In addition, the bank's $146 million investment portfolio remains liquid, with a significant portion able to be liquidated with no or only minimal losses.
- In addition to the sizeable on-balance sheet liquidity position, the bank has more than $250 million in additional borrowing capacity at the Federal Home Loan Bank of Dallas and the Federal Reserve Bank of Atlanta.
- The bank took advantage of beneficial terms on the Bank Term Funding Program (BTFP) from the Federal Reserve, borrowing $50 million at a rate of 4.9% for 12 months in December of 2023. Funds borrowed through the BTFP can be repaid at any time by the bank without penalty. The bank earns the effective Federal Funds Rate on sold balances generated from this borrowing, usually around 5.3%, creating a spread of around 40 basis points. These funds provided the company additional flexibility in managing its strong deposit base and low cost of funds through the current rate cycle.

“The company’s financial performance through 2023 constituted a record year in terms of both top-line revenues and in net income,” remarked Casey Hill, the company’s Chief Financial Officer. “We saw marked growth in both gross loan yields and our net interest margin. This is thanks to the efforts of our team in repricing our loan portfolio to market rates, and in providing value to our depositors that kept our interest expense very low. In addition, asset quality is better than it has ever been. While we have seen deposit betas continue to increase slightly, the fact that we ended 2023 with a negative non-core funding dependency should lead us to believe that most of the deposits that have exited and continue to do so are non-core in nature, and our empirical data supports that conclusion. Instead of purchasing securities with the glut of cash caused by government stimulus in response to COVID-19, we chose to allow the cash to sit on the balance sheet because we expected to see material runoff of non-core deposits. This has served to allow us to keep funding costs exceptionally low while also avoiding the AOCI investment losses to which many of our competitors are now exposed.”

The bank drew on the Federal Reserve’s Bank Term Funding Program (BTFP) in November of 2023, and then repaid and refinanced the $50 million balance in December 2023 to capitalize on lower rates. The advance rate, at that time, was based on the overnight one-year overnight index swap rate plus 10 basis points, fixed for one year. Since, the Federal Reserve has updated the rate on new borrowings to be floored at the effective Federal Funds rate.

“In December, the bank refinanced its $50 million BTFP balances to take advantage of lower rates, which further enhanced the value of this program to our company and stakeholders by creating a positive spread between borrowing costs and yields on BTFP proceeds,” said Hill. “In addition to the positive spread realized from this funding, we also were able to garner significant liquidity that keeps optionality in the hands of the bank by being able to prepay the BTFP at any time. Alternatively, if we were to have raised the same through time deposits, the company would be obligated to pay higher rates until the maturity of the deposits – and the maturities of these commitments in the market have been extending. We will re-evaluate our BTFP borrowings, and whether to repay or continue to accrete the spread on the funding through maturity in December 2024, following the closing of our merger with Mississippi River Bank later this year. Their stable, low cost, deposit base and highly liquid balance sheet further enables us to continue to look at all available options that allows for the most effective management of our balance sheet risk and to pursue those that provide the highest incremental benefit,” added Hill.

“We are very pleased with our team’s superior performance in 2023, and the strong financial results they produced,” remarked Clayton Legear, the Company’s Chief Executive Officer. “Our Battle-Ready Balance Sheet, which was built in the aftermath of COVID-19, has allowed us to not only drive strong financial results but to also maintain significant agility in managing through market conditions that have negatively impacted many of our peers. We have leveraged our position of strength to not only grow our Family of Brands – which will soon include Mississippi River Bank – but to also provide support and stability to businesses and individuals throughout the communities we serve. We look forward to continuing to leverage our Battle-Ready Balance Sheet and our unique Family of Brands to drive sustained strong performance.”

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, access to government-guaranteed credit through Voyager Lending, and bank operational and support services through its Community of Resources division. For more information on Merchants & Marine Bancorp, Inc., visit https://mandmbank.com/investor-relations.

MERCHANTS & MARINE BANCORP, INC.
CONSOLIDATED FINANCIALS (UNAUDITED) BALANCE SHEET

ASSETS	DECEMBER 31, 2023	DECEMBER 31,2022
TOTAL CASH & DUE FROM	**65,963,381.02**	**23,135,852.03**
TOTAL SECURITIES	**145,712,911.18**	**208,540,009.22**
TOTAL FEDERAL FUNDS SOLD	**156,524.85**	**3,625,000.00**
TOTAL LOANS	**425,691,618.58**	**402,386,981.23**
Begin Year Reserve for Loss	(3,566,893.00)	(3,609,893.00)
Recoveries on Charge Off	(306,032.03)	(515,029.28)
Charge Offs Current Year	596,625.42	762,796.58
Allowance-Current Year	(4,407,772.39)	(204,767.30)
RESERVE FOR LOSSES ON LOANS	**(7,684,072.00)**	**(3,566,893.00)**
NET LOANS	**418,007,546.58**	**398,820,088.23**
NET FIXED ASSETS	**26,813,425.17**	**23,684,084.55**
Other Real Estate	22,400.00	-
Other Assets	30,180,802.52	28,854,803.13
TOTAL OTHER ASSETS	**30,203,202.52**	**28,854,803.13**
TOTAL ASSETS	**$ 686,856,991.32**	**686,659,837.16**

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities		
Demand Deposits	$ 347,482,353.12	377,271,926.41
Public Funds	16,084,627.24	18,004,742.81
TOTAL DEMAND DEPOSITS	**363,566,980.36**	**395,276,669.22**
Savings	93,624,942.27	99,077,343.32
C D's	30,898,001.64	45,527,868.51
I R A's	7,809,136.18	8,990,442.96
CDARS	2,232,281.72	4,816,144.96
TOTAL TIME & SAVINGS DEPOSITS	**134,564,361.81**	**158,411,799.75**
TOTAL DEPOSITS	**498,131,342.17**	**553,688,468.97**
SECURITIES SOLD UNDER REPO & BORRROWINGS	**53,631,490.57**	**4,167,435.06**
DIVIDENDS PAYABLE	**731,685.90**	**731,685.90**
TOTAL OTHER LIABILITIES	**10,612,969.69**	**7,181,731.20**

MERCHANTS & MARINE BANCORP, INC.
CONSOLIDATED FINANCIALS (UNAUDITED) BALANCE SHEET *(cont.)*

LIABILITIES AND STOCKHOLDERS' EQUITY

Stockholders' Equity		
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	61,683,336.80	64,166,966.88
Current Profits	6,032,603.88	2,971,728.83
Total Unrealized Gain/Loss AFS	(8,562,773.69)	(10,089,411.68)
Defined Benefit Pension FASB 158	(3,824,509.00)	(4,579,613.00)
TOTAL CAPITAL	**123,749,502.99**	**120,890,516.03**
TOTAL LIABILITIES & CAPITAL	**$ 686,856,991.32**	**$ 686,659,837.16**

INCOME STATEMENT	FYE 2023	FYE 2022
Interest & Fees on Loans	$ 25,286,310.16	$ 19,156,421.55
Interest on Securities Portfolio	5,083,409.04	3,877,506.22
Interest on Fed Funds & EBA	719,802.42	748,453.36
TOTAL INTEREST INCOME	**31,089,521.62**	**23,782,381.13**
Total Service Charges	2,951,242.96	2,850,783.51
Total Miscellaneous Income	8,694,426.04	4,936,201.85
TOTAL NON INT INCOME	**11,645,669.00**	**7,786,985.36**
Gains/(Losses) on Secs	-	-
Gains/(Losses) on Sales REO	36,786.16	155,819.72
Gains/(Losses) on Sale of Loans	-	-
TOTAL INCOME	**42,771,976.78**	**31,725,186.21**
TOTAL INT ON DEPOSITS	**1,935,251.98**	**1,380,724.87**
Int Fed Funds Purchased/Sec Sold Repo	5,089.92	6,759.96
TOTAL INT EXPENSE	**1,940,341.90**	**1,387,484.83**
PROVISION-LOAN LOSS	**90,859.54**	**204,767.30**

MERCHANTS & MARINE BANCORP, INC.
CONSOLIDATED FINANCIALS (UNAUDITED) BALANCE SHEET *(cont.)*

INCOME STATEMENT	FYE 2023	FYE 2022
Salary & Employee Benefits	17,878,250.53	13,865,816.65
Total Premises Expense	6,641,297.55	5,722,734.44
FDIC, Sales and Franchise	464,879.80	337,159.57
Professional Fees	1,825,480.22	1,186,597.83
Miscellaneous Office Expense	816,846.31	854,169.22
Dues, Donations and Advertising	1,177,870.36	1,043,095.01
Checking, ATM/Debit Card Expenses	1,725,066.63	1,861,004.65
ORE Expenses	2,913.81	8,218.72
Total Miscellaneous Expense	2,444,425.69	2,076,741.20
TOTAL OTHER OPERATING	**32,977,030.90**	**26,955,537.29**
Pre-Tax Net Income	**7,763,744.44**	**3,177,396.79**
FEDERAL & STATE INCOME TAXES	1,476,357.38	38,550.00
TOTAL EXPENSES	36,484,589.72	28,586,339.42
NET INCOME	**$ 6,287,387.06**	**$ 3,138,846.79**