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Mars Bancorp, Inc. Announces Earnings

MARS, PENNSYLVANIA – Mars Bancorp, Inc. (OTCQX: MNBP) (the “Company”) announced today that for the nine months ended September 30, 2020, the Company earned \$1,465,000 as compared to \$1,348,000 for the same period in the prior year, an increase of \$117,000 or 8.7%.

Net interest income increased by \$21,000 or 0.3% for the nine months ended September 30, 2020, as compared to the same period in 2019. There was a decrease in total interest income of \$251,000 which was primarily due to an increase in interest income on loans of \$79,000, offset by decreases in interest income on interest-bearing deposits of \$218,000 and a decrease in interest income on securities of \$112,000. The increase in interest income on loans was primarily related to higher average loan receivables of \$30.6 million, offset by lower yields on loans outstanding. The decrease in interest income on interest-bearing deposits with banks was primarily due to lower yields earned due to the material decreases in the Federal Funds rate over the past year. The decrease in interest income on investment securities was primarily due to lower average balances of \$12.6 million.

Interest expense totaled \$1,315,000 for the nine months ended September 30, 2020, as compared to \$1,588,000 for the same nine month period in 2019, a decrease of \$273,000. The two components of this decrease in interest expense were lower deposit costs of \$244,000 and lower borrowings costs of \$29,000. The decrease in deposit costs was primarily related to lower yields paid on deposits resulting from market rate decreases, and the reduction in borrowing costs related to reduced bank borrowings outstanding.

The net interest spread, and net interest margin were 2.57% and 2.77% for the nine months ended September 30, 2020, respectively, as compared to 2.74% and 2.99% for the same period in the prior year.

Loans outstanding increased by \$17.5 million, or 6.5% to \$287.6 million at September 30, 2020, as compared to \$270.1 million at December 31, 2019. This increase was primarily related to the Bank’s participation in the Federal Payroll Protection Loans (“PPP”) loan program. Deposits increased by \$49.0 million, or 13.9% to \$401.5 million at September 30, 2020, as compared to \$352.5 million at December 31, 2019.

The provision for loan losses totaled \$138,000 for the nine months ended September 30, 2020, as compared to a \$15,000 provision for the same period in the prior year. The Company’s credit quality position at September 30, 2020, remained very strong as evidenced by no delinquencies, nonaccrual loans at 0.02% of total loans, and the allowance for loan losses at 0.94% of total loans. Without the Payroll Protection Program Loans, which are 100% secured by the Small Business Administration, the allowance for loan losses at June 30, 2020 was 1.00% of total loans.

Non-interest income increased by \$753,000 or 43.9% for the nine months ended September 30, 2020, as compared to the same period in 2019. The primary reasons for this increase were higher residential mortgage sale income of \$564,000, realized gains on investment security sales of \$152,000 and insurance services income of \$62,000. These increases were partially offset by lower Federal Home Loan Bank stock dividends of \$40,000.

Non-interest expense increased by \$548,000 or 6.6% for the nine months ended September 30, 2020, as compared to the same period in 2019, primarily related to increases in salaries of \$137,000, commissions paid of \$214,000 and benefit costs of \$102,000, consulting expense of \$104,000, equipment expense of \$64,000, computer services expense of \$46,000 and higher FDIC costs of \$45,000. These increases were partially offset by lower advertising expense of \$61,000, occupancy costs of \$62,000, travel expense of \$37,000 and education expense of \$31,000.

The Company recognized income tax expense of \$190,000 for the nine months ended September 30, 2020, as compared to \$204,000 for the same period in the prior year.

Following are additional highlights related to the financial performance of the Company.

FINANCIAL HIGHLIGHTS

	<u>2020</u>	<u>2019</u>	<u>Change</u>
For the Nine Months Ended September 30,			
(dollars in thousands, except per share data; unaudited)			
EARNINGS			
Net interest income	\$8,232	\$8,211	0.3%
Provision for loan losses	138	15	n/m
Non-interest income	2,466	1,713	43.9%
Non-interest expense	8,905	8,357	6.6%
Income tax expense	190	204	-6.9%
Net income	1,465	1,348	8.7%
SHARE DATA			
Earnings per share	\$18.31	\$16.85	8.7%
PERFORMANCE RATIOS			
Return on average assets	0.46%	0.46%	-
Return on average equity	4.99%	4.99%	-
Net interest margin	2.77%	2.99%	-22bps
Efficiency ratio	83.24%	84.21%	-97bps
At September 30, and December 31,			
(dollars in millions, except per share data; unaudited)			
BALANCE SHEET			
Assets	\$457.4	\$407.7	12.2%
Loans	287.6	270.1	6.5%
Deposits	401.5	352.5	13.9%
Stockholders' equity	40.2	37.6	6.9%
CAPITAL			
Book value per share	\$502.08	\$469.50	6.9%
Total risk-based capital ratio	16.10%	16.02%	8bps
CREDIT QUALITY			
Delinquent loans	\$ -	\$ 0.05	n/m
Nonaccrual loans	0.05	0.06	14.2%
Delinquent loans/loans	-%	0.02%	-2bps
Nonaccrual loans/loans	0.02%	0.02%	-
Allowance for loan losses/loans	0.94%	0.95%	-1bp

n/m – not meaningful