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Mars Bancorp, Inc. Announces Earnings

MARS, PENNSYLVANIA – Mars Bancorp, Inc. (OTCQX: MNBP) (the “Company”) announced today that for the three months ended March 31, 2021, the Company earned \$526,000 as compared to \$315,000 for the same period in the prior year, an increase of \$211,000 or 66.8%.

Interest income totaled \$3,147,000 for the three months ended March 31, 2021, compared to \$3,290,000 for the same three-month period in 2020, a decrease of \$143,000. This was primarily due to decreases in interest income on interest-bearing deposits of \$68,000, interest income on loans of \$40,000, and interest income on securities of \$35,000. The decrease in interest income on interest-bearing deposits with banks, loans, and investment securities was primarily related to lower yields earned, resulting from the material market rate decreases over the past year.

Interest expense totaled \$158,000 for the three months ended March 31, 2021, compared to \$591,000 for the same three-month period in 2020, a decrease of \$433,000. This was primarily due to decreases in interest expense from lower deposit costs of \$389,000 and lower borrowings costs of \$44,000. The decrease in deposit costs was primarily related to lower yields paid on deposits resulting from market rate decreases and reduced borrowing costs related to lower borrowings outstanding.

As a result, net interest income increased by \$290,000 or 10.7% for the three months ended March 31, 2021, compared to the same period in 2020.

The net interest spread and net interest margin were 2.69% and 2.76% for the three months ended March 31, 2021, respectively, compared to 2.58% and 2.84% for the same period in the prior year.

Loans outstanding decreased by \$2.2 million, or 0.8%, to \$279.6 million at March 31, 2021, compared to \$281.8 million at December 31, 2020. Deposits increased by \$9.4 million, or 2.3%, to \$423.6 million at March 31, 2021, compared to \$414.2 million at December 31, 2020.

The provision for loan losses totaled \$36,000 for the three months ended March 31, 2021, compared to a \$13,000 provision for the same period in the prior year. The Company’s credit quality position at March 31, 2021, remained very strong, as evidenced by negligible delinquencies as a percentage of total loans, nonaccrual loans at 0.35% of total loans, and the allowance for loan losses at 1.06% of total loans. Without the Paycheck Protection Program loans, which are 100% secured by the Small Business Administration, the allowance for loan losses at March 31, 2021 was 1.10% of total loans.

Non-interest income increased by \$40,000 or 6.2% for the three months ended March 31, 2021, as compared to the same period in 2020. The primary reasons for this increase were higher residential mortgage sale and processing income of \$61,000 and higher ATM-related fees of \$12,000. These

increases were partially offset by lower Federal Home Loan Bank of Pittsburgh stock dividends of \$21,000 and lower service charges on deposits of \$13,000.

Non-interest expense increased by \$52,000 or 1.7% for the three months ended March 31, 2021, as compared to the same period in 2020, primarily related to increases in employee benefits of \$42,000, equipment expense of \$26,000, FDIC insurance costs of \$22,000, mortgage-related processing costs of \$22,000, computer services expense of \$17,000, and charitable expenses of \$11,000. These increases were partially offset by lower salaries of \$29,000, advertising expense of \$23,000, consulting expense of \$15,000, travel expense of \$15,000, and occupancy costs of \$9,000.

The Company recognized income tax expense of \$76,000 for the three months ended March 31, 2021, compared to \$32,000 for the same period in the prior year.

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

FINANCIAL HIGHLIGHTS

	<u>2021</u>	<u>2020</u>	<u>Change</u>
For the Three Months Ended March 31,			
(dollars in thousands, except per share data; unaudited)			
EARNINGS			
Net interest income	\$2,989	\$2,699	10.7%
Provision for loan losses	36	13	n/m
Non-interest income	684	644	6.2%
Non-interest expense	3,035	2,983	1.7%
Income tax expense	76	32	137.5%
Net income	526	315	66.8%
SHARE DATA			
Earnings per share	\$ 6.57	\$ 3.94	66.8%
PERFORMANCE RATIOS			
Return on average assets	0.45%	0.31%	14bps
Return on average equity	5.32%	3.35%	197bps
Net interest margin	2.76%	2.84%	-8bps
Efficiency ratio	82.64%	89.24%	-660bps
At March 31, and December 31,			
(dollars in millions, except per share data; unaudited)			
BALANCE SHEET			
Assets	\$471.4	\$464.3	1.5%
Loans	279.6	281.8	-0.8%
Deposits	423.6	414.2	2.3%
Stockholders' equity	38.4	40.2	-4.5%
CAPITAL			
Book value per share	\$480.50	\$503.10	-4.5%
Total risk-based capital ratio	16.24%	16.28%	-4bps
CREDIT QUALITY			
Delinquent loans	\$ -	\$ 0.1	n/m
Nonaccrual loans	1.0	1.1	-8.2%
Delinquent loans/loans	-%	0.03%	-3bps
Nonaccrual loans/loans	0.35%	0.38%	-3bps
Allowance for loan losses/loans	1.06%	1.03%	3bps

n/m – not meaningful