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Mars Bancorp, Inc. Announces Earnings

MARS, PENNSYLVANIA – Mars Bancorp, Inc. (OTCQX: MNBP) (the “Company”) announced today that for the twelve months ended December 31, 2021, the Company earned \$2,114,000 as compared to \$1,985,000 for the same period in the prior year, an increase of \$129,000 or 6.5%.

Interest income totaled \$12,384,000 for the twelve months ended December 31, 2021, compared to \$12,685,000 for the same twelve-month period in 2020, a decrease of \$301,000. This was primarily due to decreases in interest income on loans of \$352,000 and interest income on interest-bearing deposits of \$64,000. This was partially offset by an increase in interest income on investment securities of \$115,000. The decrease in interest income on loans was primarily related to lower average loan balances outstanding along with lower yields earned. The decrease in interest-bearing deposits with banks was primarily related to lower yields earned. The increase in investment security interest income was primarily related to higher average investment security balances partially offset by lower yields earned.

Interest expense totaled \$479,000 for the twelve months ended December 31, 2021, compared to \$1,571,000 for the same twelve-month period in 2020, a decrease of \$1,092,000. This was primarily due to decreases in interest expense from lower deposit costs of \$932,000 and lower borrowings costs of \$160,000. The decrease in deposit costs was primarily related to lower rates paid on deposits resulting from market rate decreases and reduced borrowing costs related to lower average borrowings outstanding partially offset by higher average deposit balances.

As a result, net interest income increased by \$791,000 or 7.1% for the twelve months ended December 31, 2021, compared to the same period in 2020.

The net interest spread and net interest margin were 2.60% and 2.65% for the twelve months ended December 31, 2021, respectively, compared to 2.57% and 2.75% for the same period in the prior year.

Loans outstanding decreased by \$0.8 million, or 0.3%, to \$281.0 million at December 31, 2021, compared to \$281.8 million at December 31, 2020. Deposits increased by \$49.2 million, or 11.9%, to \$463.4 million at December 31, 2021, compared to \$414.2 million at December 31, 2020.

The provision for loan losses totaled \$36,000 for the year ended December 31, 2021, compared to a \$338,000 provision for the same period in the prior year. The Company’s credit quality position at December 31, 2021, remained very strong, as evidenced by delinquencies at 0.04% of total loans, nonaccrual loans at 0.01% of total loans, and the allowance for loan losses at 1.05% of total loans. Excluding the Paycheck Protection Program loans, which are 100% secured by the Small Business Administration, the allowance for loan losses at December 31, 2021 was 1.06% of total loans.

Non-interest income decreased by \$679,000 or 19.6% for the twelve months ended December 31, 2021, as compared to the same period in 2020. The primary reasons for this decrease were lower residential mortgage sale and processing income of \$538,000, lower net gain on sales of available for sale securities of \$60,000, lower title insurance fees of \$54,000, lower Federal Home Loan Bank of Pittsburgh stock dividends of \$53,000, and lower service charges on deposits including NSF Fees of \$19,000. These decreases were partially offset by higher ATM/Debit Card-related fees of \$60,000.

Non-interest expense increased by \$229,000 or 1.91% for the twelve months ended December 31, 2021, as compared to the same period in 2020, primarily related to increases in employee benefit costs of \$118,000, equipment expense of \$92,000, salaries of \$88,000, charitable expense of \$67,000, FDIC insurance costs of \$61,000, fixed rate borrowings prepayment penalty expenses of \$33,000, Pennsylvania Shares Taxes of \$26,000, occupancy costs of \$24,000, shareholder costs of \$24,000, and liability insurance costs of \$23,000. These increases were partially offset by lower consulting expenses of \$161,000, advertising costs of \$96,000, and computer processing costs of \$84,000.

The Company recognized income tax expense of \$307,000 for the twelve months ended December 31, 2021 as compared to \$251,000 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 Twelve Months Ended December 31, (dollars in thousands, except per share data; unaudited)			
EARNINGS			
Net interest income	\$11,905	\$11,114	7.1%
Provision for loan losses	36	338	-89.4%
Non-interest income	2,779	3,458	-19.6%
Non-interest expense	12,227	11,998	1.9%
Income tax expense	307	251	22.3%
Net income	2,114	1,985	6.5%
SHARE DATA			
Earnings per share	\$ 1.32	\$ 1.24	6.5%
PERFORMANCE RATIOS			
Return on average assets	0.44%	0.45%	-1bps
Return on average equity	5.35%	5.03%	32bps
Net interest margin	2.65%	2.75%	-10bps
Efficiency ratio	83.27%	82.34%	93bps
At December 31, (dollars in millions, except per share data; unaudited)			
BALANCE SHEET			
Assets	\$505.2	\$464.3	8.8%
Loans	281.0	281.8	-0.3%
Deposits	463.4	414.2	11.9%
Stockholders' equity	38.7	40.2	-3.7%
CAPITAL			
Book value per share	\$24.22	\$25.15	-3.7%
Total risk-based capital ratio	15.91%	16.28%	-37bps
CREDIT QUALITY			
Delinquent loans	\$ 0.1	\$ 0.1	39.1%
Nonaccrual loans	0.1	1.1	-96.6%
Delinquent loans/loans	0.04%	0.03%	1bp
Nonaccrual loans/loans	0.01%	0.38%	-37bps
Allowance for loan losses/loans	1.05%	1.03%	2bps