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April 28, 2023

Mars Bancorp, Inc. Announces Earnings

MARS, PENNSYLVANIA – Mars Bancorp, Inc. (OTCQX: MNBP) (the “Company”) announced today that for the three months ended March 31, 2023, the Company earned \$277,000 as compared to \$274,000 for the same period in the prior year, an increase of \$3,000 or 0.8%.

Interest income totaled \$4,068,000 for the three months ended March 31, 2023, compared to \$3,197,000 for the same three-month period in 2022, an increase of \$871,000. This was primarily due to increases in interest income on loans of \$698,000, interest income on investment securities of \$58,000, and interest income from interest-bearing deposits with banks of \$114,000. The increase in interest income on loans was primarily related to higher average loan balances and higher yields earned. The increase in investment security interest income was primarily related to higher yields earned. The increase in interest-bearing deposits with banks interest income was primarily related to higher yields earned.

Interest expense totaled \$692,000 for the three months ended March 31, 2023, compared to \$58,000 for the same three-month period in 2022, an increase of \$634,000. This was primarily due to increases in interest expense from higher deposit costs of \$542,000 and higher borrowing costs of \$92,000. The increase in deposit costs was primarily related to higher rates paid on deposits resulting from market rate increases.

As a result, net interest income increased by \$237,000 or 7.5% for the three months ended March 31, 2023, compared to the same period in 2022.

The net interest spread and net interest margin were 2.47% and 2.77% for the three months ended March 31, 2023, respectively, compared to 2.69% and 2.71% for the same period in the prior year.

Loans outstanding increased by \$7.7 million, or 2.4%, to \$329.7 million at March 31, 2023, compared to \$322.0 million at December 31, 2022. Deposits decreased by \$10.9 million, or 2.3%, to \$470.5 million at March 31, 2023, as compared to \$481.4 million at December 31, 2022.

Provision for loan losses totaled \$53,000 for the three months ended March 31, 2023, compared to no provision for the same period in the prior year. The Company’s credit quality position at March 31, 2023, remained very strong, as evidenced by delinquencies at 0.03% of total loans, nonaccrual loans at 0.01% of total loans, and the allowance for loan losses at 0.98% of total loans.

Non-interest income increased by \$60,000 or 16.2% for the three months ended March 31, 2023, as compared to the same period in 2022. The primary reasons for this increase were higher residential mortgage sale and processing income of \$35,000 and higher Federal Home Loan Bank stock dividends of \$22,000.

Non-interest expense increased by \$223,000 or 6.9% for the three months ended March 31, 2023, as compared to the same period in 2022, primarily related to increases in employee compensation of \$156,000, employee benefit costs of \$49,000, FDIC costs of \$43,000, charitable contributions of \$25,000, and computer processing related costs of \$13,000. These increases were partially offset by lower Pennsylvania Shares Tax of \$35,000 and lower mortgage closing/processing costs of \$40,000.

The Company recognized income tax expense of \$22,000 for the three months ended March 31, 2023, as compared to \$4,000 for the same period in the prior year.

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

FINANCIAL HIGHLIGHTS

	<u>2023</u>	<u>2022</u>	<u>Change</u>
For the Three Months Ended March 31,			
(dollars in thousands, except per share data; unaudited)			
EARNINGS			
Interest income	\$4,068	\$3,197	27.2%
Interest expense	692	58	1,090.6%
Net interest income	3,376	3,139	7.5%
Provision for loan losses	53	-	n/m
Non-interest income	430	370	16.2%
Non-interest expense	3,454	3,231	6.9%
Income tax expense	22	4	n/m
Net income	277	274	0.8%
SHARE DATA			
Earnings per share	\$ 0.17	\$ 0.17	0.8%
PERFORMANCE RATIOS			
Return on average assets	0.22%	0.22%	-
Return on average equity	4.46%	3.00%	146bps
Net interest margin	2.77%	2.71%	6bps
Efficiency ratio	90.76%	92.07%	-131bps
At March 31, and December 31,			
(dollars in millions, except per share data; unaudited)			
BALANCE SHEET			
Assets	\$516.3	\$514.6	0.3%
Loans	329.7	322.0	2.4%
Deposits	470.5	481.4	-2.3%
Stockholders' equity	26.9	24.3	10.6%
CAPITAL			
Book value per share	\$16.81	\$15.19	10.6%
Total risk-based capital ratio	14.23%	14.44%	-21bps
CREDIT QUALITY			
Delinquent loans	\$ 0.10	\$ 0.10	-
Nonaccrual loans	0.03	0.03	-
Delinquent loans/loans	0.03%	0.04%	-1bp
Nonaccrual loans/loans	0.01%	0.01%	-
Allowance for loan losses/loans	0.98%	0.97%	1bp

n/m – not meaningful