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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, 2023, the Company earned \$187,000 as compared to \$1,212,000 for the same period in the prior year, a decrease of \$1,025,000 or -84.6%. These results were impacted by costs associated with the NexTier, Inc. and Mars Bancorp, Inc. merger of approximately \$418,000 (\$330,000 after tax benefit).

Interest income totaled \$12,737,000 for the nine months ended September 30, 2023, compared to \$10,246,000 for the same nine-month period in 2022, an increase of \$2,491,000. This was primarily due to increases in interest income on loans of \$2,146,000, interest income from interest-bearing deposits with banks of \$215,000, and interest income on investment securities of \$130,000. The increase in interest income on loans was primarily related to higher average loan balances and higher yields earned. The increase in interest-bearing deposits with banks and investment security interest income was primarily related to higher yields earned.

Interest expense totaled \$3,436,000 for the nine months ended September 30, 2023, compared to \$329,000 for the same nine-month period in 2022, an increase of \$3,107,000. This was primarily due to increases in interest expense from higher deposit costs of \$2,430,000 and higher borrowing costs of \$677,000. The increase in deposit costs was primarily related to higher rates paid on deposits resulting from competitive market rate increases. The increase in borrowing costs was primarily related to higher rates paid on borrowings and increases in borrowings.

As a result, net interest income decreased by \$616,000 or 6.2% for the nine months ended September 30, 2023, compared to the same period in 2022.

The net interest spread and net interest margin were 2.04% and 2.51% for the nine months ended September 30, 2023, respectively, compared to 2.72% and 2.77% for the same period in the prior year.

Loans outstanding increased by \$17.9 million, or 5.6%, to \$339.9 million at September 30, 2023, compared to \$322.0 million at December 31, 2022. Deposits decreased by \$8.1 million, or -1.7%, to \$473.3 million at September 30, 2023, as compared to \$481.4 million at December 31, 2022.

Provision for loan losses totaled \$57,000 for the nine months ended September 30, 2023, compared to \$90,000 for the same period in the prior year. The Company’s credit quality position at September 30, 2023, remained very strong, as evidenced by no delinquent loans, no nonaccrual loans, and the allowance for loan losses at 0.96% of total loans.

Non-interest income decreased by \$117,000 or -8.0% for the nine months ended September 30, 2023, as compared to the same period in 2022. The primary reasons for this decrease were lower residential mortgage sale and processing income of \$138,000, lower title insurance fees of \$59,000 and lower service charge on deposits including NSF fees of \$23,000. These decreases were partially offset by

higher Federal Home Loan Bank stock dividends of \$73,000 and higher ATM processing fee income of \$20,000.

Non-interest expense increased by \$549,000 or 5.5% for the nine months ended September 30, 2023, as compared to the same period in 2022, primarily related to increases in professional fees of \$491,000 (\$403,000 merger related), employee compensation of \$110,000, employee benefit costs of \$51,000, FDIC insurance assessment costs of \$101,000, computer processing and related costs of \$45,000 and advertising costs of \$23,000. These increases were partially offset by lower Pennsylvania Shares Tax of \$93,000, lower equipment expense of \$82,000, lower occupancy expense of \$28,000, lower charitable contribution expense of \$26,000, and mortgage related processing costs of \$35,000.

The Company recognized an income tax benefit of \$100,000 for the nine months ended September 30, 2023, as compared to an income tax expense of \$124,000 for the same period in the prior year.

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

FINANCIAL HIGHLIGHTS

	2023	2022	Change	
For the Nine Months Ended September 30,				
(dollars in thousands, except per share data; unaudited)				
EARNINGS				
Interest income	\$12,737	\$10,246	\$2,491	24.3%
Interest expense	3,436	329	3,107	944.4%
Net interest income	9,301	9,917	-616	-6.2%
Provision for loan losses	57	90	-33	-36.7%
Non-interest income	1,339	1,456	-117	-8.0%
Non-interest expense	10,496	9,947	549	5.5%
Income tax (benefit)/expense	-100	124	-224	-180.6%
Net income	187	1,212	-1,025	-84.6%
SHARE DATA				
Earnings per share	\$ 0.12	\$ 0.76	\$ -0.64	-84.6%
PERFORMANCE RATIOS				
Return on average assets	0.05%	0.32%		-27bps
Return on average equity	0.98%	5.12%		-414bps
Net interest spread	2.04%	2.72%		-68bps
Net interest margin	2.51%	2.77%		-26bps
Efficiency ratio	98.65%	87.46%		1119bps
At September 30, and December 31,				
(dollars in millions, except per share data; unaudited)				
BALANCE SHEET				
Assets	\$518.7	\$514.6	\$ 4.1	0.8%
Loans	339.9	322.0	17.9	5.6%
Deposits	473.3	481.4	-8.1	-1.7%
Stockholders' equity	22.8	24.3	-1.5	-6.2%
CAPITAL				
Book value per share	\$14.25	\$15.19	\$ -0.94	-6.2%
Total risk-based capital ratio	13.74%	14.44%		-70bps
CREDIT QUALITY				
Delinquent loans	\$ -	\$ 0.10	\$ -0.10	-100%
Nonaccrual loans	-	0.03	-0.03	-100%
Delinquent loans/loans	-%	0.04%		-4bps
Nonaccrual loans/loans	-%	0.01%		-1bp
Allowance for loan losses/loans	0.96%	0.97%		-1bp