Mars Bancorp
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# Mars Bancorp, Inc. Announces Earnings

MARS, PENNSYLVANIA – Mars Bancorp, Inc. (OTCQX: MNBP) (the "Company") announced today that for the six months ended June 30, 2020, the Company earned $916,000 as compared to $800,000 for the same period in the prior year, an increase of $116,000 or 14.5%.

Net interest income decreased by $67,000 or 1.2% for the six months ended June 30, 2020, as compared to the same period in 2019. This was primarily due to a decrease in interest on interest-bearing deposits with banks of $169,000, investment securities of $33,000 and an increase in deposit interest expense of $12,000, which was partially offset by increases in interest income on loans of $134,000, lower borrowings costs of $13,000. 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 $11.1 million over the past year. The increase in deposit costs was primarily related to higher average interest-bearing deposit balances of $19.3 million. The increase in interest income on loans was primarily related to higher average loan receivables of $30.0 million.

The net interest spread, and net interest margin were 2.56% and 2.78% for the six months ended June 30, 2020, respectively, as compared to 2.77% and 3.01% for the same period in the prior year, respectively.

Loans outstanding increased by $24.7 million, or 9.2% to $294.8 million at June 30, 2020, as compared to $270.1 million at December 31, 2019. Deposits increased by $33.5 million, or 9.5% to $386.0 million at June 30, 2020, as compared to $352.5 million at December 31, 2019.

The Bank participated in the Federal Payroll Protection Loans ("PPP") loan program in response to the pandemic and produced approximately $15.1 million most of which are outstanding at June 30, 2020. In addition, a majority of these funds were deposited with the Bank some of which still remain at June 30, 2020.

The provision for loan losses totaled $100,000 for the six months ended June 30, 2020, as compared to no provision for the same period in the prior year. The Company's credit quality position at June 30, 2020, remained very strong as evidenced by delinquencies at 0.05% of total loans, nonaccrual loans at 0.02% of total loans, and the allowance for loan losses at 0.91% of total loans. Without the PPP Loans, which are 100% secured by the Small Business Administration, the allowance for loan losses at June 30, 2020 would be 0.96% of total loans.

Non-interest income increased by $538,000 or 50.6% for the six months ended June 30, 2020, as compared to the same period in 2019. The primary reasons for this increase were higher residential mortgage sale income of $382,000, realized gains on investment security sales of $152,000 and insurance services income of $37,000. These increases were partially offset by lower Federal Home Loan Bank stock dividends of $31,000.

Non-interest expense increased by $244,000 or 4.3% for the six months ended June 30, 2020, as compared to the same period in 2019, primarily related to increases in salaries of $70,000, commissions paid of $141,000 and benefit costs of $60,000, information technology consulting expense of $60,000, equipment expense of $39,000 and COVID 19 related expenses of $35,000. These increases were partially offset by lower occupancy costs of $63,000, advertising expense of $44,000, travel expense of $25,000, education expense of $23,000 and lower FDIC costs of $13,000.

The Company recognized income tax expense of $121,000 for the six months ended June 30, 2020, as compared to $110,000 for the same period in the prior year.

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

## FINANCIAL HIGHLIGHTS

| For the Six Months Ended June 30, | 2020 | 2019 | Change |
|---|---|---|---|
| (dollars in thousands, except per share data; unaudited) | | | |
| **EARNINGS** | | | |
| Net interest income | $5,410 | $ 5,477 | -1.2% |
| Provision for loan losses | 100 | - | n/m |
| Non-interest income | 1,601 | 1,063 | 50.6% |
| Non-interest expense | 5,874 | 5,630 | 4.3% |
| Income tax expense | 121 | 110 | 10.0% |
| Net income | 916 | 800 | 14.5% |
| **SHARE DATA** | | | |
| Earnings per share | $ 11.45 | $ 10.00 | 14.5% |
| **PERFORMANCE RATIOS** | | | |
| Return on average assets | 0.44% | 0.41% | 3bps |
| Return on average equity | 4.76% | 4.54% | 22bps |
| Net interest margin | 2.78% | 3.01% | -23bps |
| Efficiency ratio | 83.78% | 86.08% | -230bps |

| At June 30, and December 31, | | | |
|---|---|---|---|
| (dollars in millions, except per share data; unaudited) | | | |
| **BALANCE SHEET** | | | |
| Assets | $442.6 | $407.7 | 8.6% |
| Loans | 294.8 | 270.1 | 9.2% |
| Deposits | 386.0 | 352.5 | 9.5% |
| Stockholders' equity | 39.9 | 37.6 | 6.1% |
| **CAPITAL** | | | |
| Book value per share | $498.34 | $469.50 | 6.1% |
| Total risk-based capital ratio | 15.72% | 16.02% | -30bps |
| **CREDIT QUALITY** | | | |
| Delinquent loans | $ 0.15 | $ 0.05 | n/m |
| Nonaccrual loans | 0.06 | 0.06 | -5.4% |
| Delinquent loans/loans | 0.05% | 0.02% | 3bps |
| Nonaccrual loans/loans | 0.02% | 0.02% | - |
| Allowance for loan losses/loans | 0.91% | 0.95% | -4bps |

n/m – not meaningful