



Mars National Bank

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October 18, 2013

Mars National Bank Announces Earnings

MARS, PENNSYLVANIA – Mars National Bank (OTCQB: MNBK) announced today that for the nine months ended September 30, 2013, the Bank earned \$1,099,000 as compared to \$871,000 for the same period in the prior year, an increase of \$228,000 or 26.1%. The increase in earnings primarily relates to growth in residential mortgage and commercial loan originations and the unanticipated payoff of a large non-accrual loan which resulted in significant interest income being recognized during the period. This increase was partially offset by generally flat interest rates, declining yields on earning assets and higher regulatory and operating costs.

Net interest income increased by \$130,000 or 1.8% for the nine months ended September 30, 2013 as compared to the same period in 2012. This increase primarily relates to the significant income recognized from the aforementioned payoff of a non-accrual loan, new and refinanced residential mortgage and commercial loan originations and lower rates paid on deposit products. The increase in net interest income was partially offset by continued maturities and calls of investment securities reinvested at lower yields. Net interest spread and net interest margin equaled 3.02% and 3.11% at September 30, 2013, respectively, as compared to 2.92% and 3.07%, respectively, in 2012. Loans outstanding grew to \$159.3 million or 10.0% at September 30, 2013 as compared to \$144.8 at December 31, 2012 while deposits increased to \$317.2 million or 3.5% at September 30, 2013 from \$306.6 million at December 31, 2012.

There was no provision for loan losses recorded for the nine months ended September 30, 2013 and \$15,000 recorded for the same period in 2012. This was reflective of the Bank's strong credit quality position at September 30, 2013 with delinquencies at 0.41% of total loans and the allowance for loan losses to loans coverage at 1.20%.

Non-interest income was higher by \$636,000 or 43.7% for the nine months ended September 30, 2013. This reflects gains on sales of residential mortgages originated for sale and higher investment services income.

Non-interest expense increased by \$838,000 or 11.1% for the nine months ended September 30, 2013, primarily related to increased personnel costs in the commercial lending, credit, and mortgage origination departments, non-recurring expenses associated with the restructuring of the Bank's operations and retail banking functions and increased marketing activities.

The Bank recognized a tax benefit of \$270,000 for the nine months ended September 30, 2013 as compared to a tax expense of \$15,000 for the same period in the prior year.

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

FINANCIAL HIGHLIGHTS

For the Nine Months Ended September 30,
(dollars in thousands, except per share data; unaudited)

	2013	2012	Change
EARNINGS			
Net interest income	\$7,149	\$7,019	1.8%
Provision for loan losses	-	15	n/m
Non-interest income	2,090	1,454	43.7%
Non-interest expense	8,410	7,572	11.1%
Income tax (benefit) expense	(270)	15	n/m
Net income	1,099	871	26.1%
SHARE DATA			
Earnings per share	\$13.74	\$10.89	26.1%
PERFORMANCE RATIOS			
Return on average assets	0.42%	0.34%	8bps
Return on average equity	4.11%	3.14%	97bps
Net interest margin	3.11%	3.07%	4bps
Efficiency ratio	91.02%	89.36%	166bps
At September 30, and December 31, (dollars in millions, except per share data; unaudited)			
BALANCE SHEET			
Assets	\$356.9	\$344.8	3.5%
Loans	159.3	144.8	10.0%
Deposits	317.2	306.6	3.5%
Stockholders' equity	34.2	36.9	-7.3%
CAPITAL			
Book value per share	\$427.8	\$461.50	-7.3%
Total risk-based capital ratio	18.97%	21.53%	-256bps
CREDIT QUALITY			
Delinquent loans	\$0.7	\$0.5	42.3%
Nonaccrual loans	1.6	2.3	-26.6%
Delinquent loans/loans	0.41%	0.23%	18bps
Nonaccrual loans/loans	1.04%	1.56%	-52bps
Allowance for loan losses/loans	1.20%	1.42%	-22bps

n/m – not meaningful