

Main Street Financial Services Corp. Announces Earnings for Third Quarter of 2024

Business Highlights

- Financial results reflect a full quarter following the completed merger of Main Street Financial Services Corp. (Main Street) and Wayne Savings Bancshares, Inc. (Wayne) on May 31, 2024.
- Net income for the third quarter of 2024 totaled \$3.4 million, or \$0.44 per common share
- Annualized deposit growth of 7.8% for the quarter ended September 30, 2024
- Annualized loan growth of 4.6% for the quarter ended September 30, 2024
- Announced implementation of Dividend Reinvestment Plan for shareholders on October 3, 2024
- Declared cash dividend of \$0.14 per share on October 11, 2024

Wooster, Ohio, November 5, 2024 – Main Street Financial Services Corp. (OTCQX: MSWV), (the “Company”), the holding company parent of Main Street Bank Corp. reported a net income of \$3.4 million, or \$0.44 per common share, for the three months ended September 30, 2024. Excluding the merger-related expenses (non-GAAP) for the three months ended September 30, 2024, net income was \$3.6 million, or \$0.46 per share. Merger-related expenses totaled \$0.2 million for the quarter, consisting of legal and professional services.

The Company announced a merger of equals transaction with Wayne Savings Bancshares, Inc. (“Legacy Wayne”) on February 23, 2023. On May 31, 2024 (the “Merger Date”), the Company completed the transaction, forming a financial holding company with assets of \$1.4 billion. On the Merger Date, Legacy Wayne merged with and into Main Street, with Main Street surviving the merger (the “Merger”). Immediately following the Merger, Main Street’s wholly owned bank subsidiary, Main Street Bank Corp., merged with and into Wayne Savings Community Bank, with Wayne Savings Community Bank surviving the merger. Upon completion of the Merger, Wayne Savings Community Bank was renamed Main Street Bank Corp.

The Merger was accounted for as a reverse merger using the acquisition method of accounting, therefore, Legacy Wayne was deemed the acquirer for financial reporting purposes, even though Main Street was the legal acquirer. Accordingly, Legacy Wayne’s historical financial statements are the historical financial statements of the combined company for all periods before the Merger Date. Our consolidated statements of income for the quarters ended June 30, 2024 and September 30, 2024, include the results from Main Street on and after May 31, 2024. Results for periods before May 31, 2024, reflect only those of Legacy Wayne and do not include the consolidated statements of income of Main Street. Accordingly, comparisons of our results for the quarter ended September 30, 2024, with those of prior periods may not be meaningful. The number of shares issued and outstanding, earnings per share, dividends paid and all references to share quantities of Main Street have been retrospectively adjusted to reflect the equivalent number of shares issued in the Merger.

The return on average equity and return on average assets for the third quarter of 2024 was 12.58% and 1.00%, compared to 14.41% and 0.91%, for the third quarter of 2023. Excluding merger-related expenses (non-GAAP), return on average equity and return on average assets for the quarter ended September 30, 2024, was 13.21% and 1.05%, respectively.

President and CEO James R. VanSickle commented “2024 has been the most transformational year in the 125-year history of our bank. The successful merger of Main Street and Wayne has provided long-term value for our shareholders and benefits for our customers, communities and employees. We are pleased with our growth in loans and deposits and our solid earnings during our first full quarter of operations ended on September 30, 2024. We remain optimistic about the increased capabilities, scale and profitability of our combined organization.”

Third Quarter 2024 Financial Results

Net interest income was \$10.7 million for the quarter ended September 30, 2024, an increase of 97.6% from \$5.4 million for the quarter ended September 30, 2023. The net interest margin of 3.28% for the third quarter of 2024 increased 40 basis points from 2.88% for the third quarter of 2023. Loan yields were 6.17% for the quarter ended September 30, 2024, an increase of 99 basis points when compared to 5.18% for the quarter ended September 30, 2023. Investment yields increased 111 basis points to 3.45% as of September 30, 2024 when compared to the quarter ended September 30, 2023. The cost of funds for the third quarter of 2024, was 2.64%, an increase of 102 basis points when compared to the third quarter of 2023. The cost of funds increase is largely due to utilizing higher-cost wholesale funding, such as FHLB advances, and shifting deposit composition to higher-yielding product offerings. The cost of total deposits was 2.29% for the quarter ended September 30, 2024, a 90 basis point increase when compared to 1.39% for the quarter ended September 30, 2023. The cost of borrowings for the quarter ended September 30, 2024 totaled 5.45%, an increase of 25 basis points when compared to the quarter ended September 30, 2023.

A provision for credit losses and unfunded commitments of \$109,000 was recorded for the quarter ended September 30, 2024. During the quarter, the Company recognized 86,000 in charge-offs and \$36,000 in recoveries, reflecting relatively stable asset quality.

Noninterest income totaled \$1.6 million for the quarter ended September 30, 2024. The Company elected to sell approximately \$15 million of the acquired securities portfolio during the quarter, recognizing a gain on sale of investments totaling \$702,000.

Noninterest expense totaled \$7.9 million for the quarter ended September 30, 2024, an increase of \$4.1 million when compared to the quarter ended September 30, 2023. The increase reflects a full quarter of combined expenses after completion of the merger. Merger-related noninterest expenses (non-GAAP) totaled \$0.2 million for the quarter, consisting of legal and professional services. Excluding merger-related expenses (non-GAAP), the Company's efficiency ratio was 62.9% for the quarter ended September 30, 2024, compared to 58.2% for the quarter ended September 30, 2023.

September 30, 2024 Financial Condition

At September 30, 2024, the Company had total assets of \$1.39 billion with net loan balances totaling \$1.11 billion. Net loans receivable increased by \$12.6 million during the third quarter of 2024, or 4.6% annualized, primarily in the commercial loan portfolio. As part of the merger, the Company acquired \$430.8 million in loans.

The allowance for credit losses was \$11.8 million at September 30, 2024, compared to \$7.3 million at December 31, 2023. The increase is a result of establishing an allowance for credit losses on the acquired non-PCD loan portfolio during the second quarter of 2024. The allowance for credit losses as a percent of total loans was 1.04%, compared to 1.09% as of December 31, 2023. The allowance for credit losses and the related provision for credit losses is based on management's judgment and evaluation of the loan portfolio. Management believes the current allowance for credit losses is adequate, however, changing economic and other conditions may require future adjustments to the allowance for credit losses.

Total nonperforming loans (NPLs) was \$5.4 million at September 30, 2024, an increase from \$0.4 million at December 31, 2023. The NPL to net loan receivable ratio was 0.48% as of September 30, 2024. Past due loan balances of 30 days and more increased from \$2.8 million at December 31, 2023, to \$13.2 million, or 1.18% of net loans outstanding, at September 30, 2024. The increase in nonperforming and past due loans is due to the impact of the acquired loan portfolio.

Improvement in Asset Quality Since Merger Announcement: The combined level of classified loans and loans past due 30 or more days was \$24.4 million and \$19.1 as of December 31, 2022. Since the merger

announcement on February 23, 2023, the management teams of both Main Street and Wayne invested a great deal of time ensuring our combined organization utilizes strong underwriting standards and proactively monitors credit quality. Main Street sold approximately \$15.2 million of loans in August 2023 and April 2024, of which approximately \$12.7 million were classified loans. As of September 30, 2024, the resultant Company has \$14.6 of classified loans and \$13.2 of loans past due 30 or more days.

Total liabilities increased to \$1.28 billion at September 30, 2024 with deposits totaling \$1.10 billion and FHLB advances totaling \$140.0 million. Deposits grew by \$21.2 million, or 7.8% annualized, during the third quarter of 2024. As part of the merger, the Company acquired \$487.4 million in deposits. As of September 30, 2024, the Company held no brokered deposits compared to \$116.7 million at December 31, 2024. The Company leverages FHLB advances for short-term funding needs due to their accessibility and alignment with prevailing market rates. As of September 30, 2024, the Company held \$140.0 million in FHLB advances.

Total stockholders' equity was \$111.3 million at September 30, 2024, an increase of \$58.4 million when compared to the December 31, 2023 balance. The increase was primarily driven by the merger between Main Street and Wayne. Total stockholders' equity increased during the third quarter of 2024 by \$5.3 million, primarily from net income of \$3.4 million and an increase in accumulated other comprehensive income benefit of \$2.8 million, partially offset by dividends of \$1.1 million.

Main Street Financial Services Corp. is a holding company headquartered in Wooster, Ohio. Its primary subsidiary, Main Street Bank Corp. was founded in 1899 and provides full-service banking, commercial lending, and mortgage services across its branch infrastructure. Today, Main Street Bank Corp. operates 19 branch locations in Wooster, Ohio, Wheeling, West Virginia and other surrounding communities in Ohio and West Virginia. Additional information about Main Street Bank Corp. is available at www.mymainstreetbank.bank.

Non-GAAP Disclosure

This press release includes disclosures of the Company's return on average equity, return on average assets, net income, and efficiency ratios which are excluding costs related to merger activities which are financial measures not prepared in accordance with generally accepted accounting principles in the United States (GAAP). A non-GAAP financial measure is a numerical measure of historical or future financial performance, financial position or cash flow that excludes or includes amounts that are required to be disclosed by GAAP. The Company believes that these non-GAAP financial measures provide both management and investors a more complete understanding of the underlying operational results and trends and the Company's marketplace performance. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the numbers prepared in accordance with GAAP.

Forward-Looking Statements

This release contains forward-looking statements that are not historical facts and that are intended to be "forward-looking statements" as that term is defined by the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include, but are not limited to, statements about the Company's plans, objectives, expectations and intentions and other statements contained in this release that are not historical facts and pertain to the Company's future operating results. When used in this release, the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions are generally intended to identify forward-looking statements. Actual results may differ materially from the results discussed in these forward-looking statements, because such statements are inherently subject to significant assumptions, risks and uncertainties, many of which are difficult to predict and are generally beyond the Company's control. These include but are not limited to: the possibility of adverse economic developments that may, among other things, increase default and delinquency risks in the Company's loan portfolios; shifts in interest rates; shifts in the rate of inflation; shifts in the demand for the Company's loan and other products; unforeseen increases in costs and expenses; lower-than-expected revenue or cost savings in connection with acquisitions; changes in accounting policies; changes in the monetary and fiscal

policies of the federal government; and changes in laws, regulations and the competitive environment. Unless legally required, the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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MAIN STREET FINANCIAL SERVICES CORP.

Condensed Consolidated Balance Sheets

(Dollars in thousands, except share data - unaudited)

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
ASSETS		
Cash and cash equivalents	\$ 40,654	\$ 20,884
Securities, net (1)	152,915	86,405
Loans receivable, net	1,118,781	669,603
Federal Home Loan Bank stock	7,420	3,959
Premises & equipment, net	11,119	4,904
Bank-owned life insurance	22,013	11,706
Other assets	40,351	12,486
TOTAL ASSETS	\$ 1,393,252	\$ 809,947
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposit accounts	\$ 1,101,999	\$ 693,126
Other short-term borrowings	25,715	8,743
Federal Home Loan Bank advances	140,000	47,000
Accrued interest payable and other liabilities	14,218	8,111
TOTAL LIABILITIES	1,281,932	756,980
Common stock (7,801,011 shares of \$1.00 par value issued)	7,801	398
Additional paid-in capital	55,640	36,715
Retained earnings	54,133	55,342
Treasury Stock, at cost - 0 shares and 1,777,824 shares at September 30, 2024 and December 31, 2023, respectively.	-	(30,330)
Accumulated other comprehensive loss	(6,254)	(9,158)
TOTAL STOCKHOLDERS' EQUITY	111,320	52,967
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,393,252	\$ 809,947

(1) Includes available-for-sale and held-to-maturity classifications.

Note: The December 31, 2023 Condensed Consolidated Balance Sheet has been derived from the audited Consolidated Balance Sheet as of that date.

MAIN STREET FINANCIAL SERVICES CORP.
Condensed Consolidated Statements of Income
(Dollars in thousands, except share data - unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest income	\$ 18,930	\$ 9,078	\$ 41,196	\$ 25,550
Interest expense	8,308	3,673	19,134	8,590
Net interest income	10,622	5,405	22,062	16,960
Provision for credit losses	109	138	4,703	526
Net interest income after provision for credit losses	10,513	5,267	17,359	16,434
Non-interest income	1,600	691	2,994	2,000
Non-interest expense				
Salaries and employee benefits	3,799	2,049	8,688	5,949
Net occupancy and equipment expense	1,465	629	2,970	1,806
Federal deposit insurance premiums	118	117	440	374
Franchise taxes	51	98	358	299
Advertising and marketing	190	49	408	179
Legal	195	11	508	362
Professional fees	371	54	1,664	270
ATM network	79	121	474	320
Auditing and accounting	193	60	386	180
Other	1,403	545	2,625	1,337
Total non-interest expense	7,863	3,733	18,520	11,076
Income before federal income taxes	4,251	2,225	1,833	7,358
Provision for federal income taxes	804	452	315	1,562
Net income	\$ 3,446	\$ 1,773	\$ 1,517	\$ 5,796
Earnings per share				
Basic	\$ 0.44	\$ 0.46	\$ 0.27	\$ 1.51
Diluted	\$ 0.44	\$ 0.46	\$ 0.27	\$ 1.50

MAIN STREET FINANCIAL SERVICES CORP.
Selected Condensed Consolidated Financial Data
(Dollars in thousands, except share data - unaudited)

	September 2024	June 2024	March 2024	December 2023
Interest and dividend income	\$ 18,930	\$ 12,572	\$ 9,694	\$ 9,545
Interest expense	8,308	6,185	4,641	4,330
Net interest income	10,622	6,387	5,053	5,215
Provision for credit losses	109	4,720	(126)	4
Net interest income after provision for credit losses	10,513	1,666	5,179	5,211
Non-interest income	1,600	716	678	1,017
Non-interest expense	7,863	6,723	3,934	3,748
Income before federal income taxes	4,251	(4,341)	1,923	2,480
Provision for federal income taxes	804	(873)	384	443
Net income	<u>\$ 3,446</u>	<u>\$ (3,468)</u>	<u>\$ 1,539</u>	<u>\$ 2,037</u>
Earnings per share - basic	\$ 0.44	\$ (0.68)	\$ 0.40	\$ 0.53
Earnings per share - diluted	\$ 0.44	\$ (0.67)	\$ 0.40	\$ 0.53
Dividends per share	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14
Return on average assets	1.00%	-1.38%	0.76%	1.02%
Return on average equity	12.58%	-17.16%	11.63%	16.90%
Shares outstanding at quarter end	7,801,011	7,787,055	3,840,575	3,839,702
Book value per share	\$ 14.27	\$ 13.60	\$ 13.81	\$ 13.80
Tangible equity per share	\$ 12.15	\$ 11.49	\$ 13.36	\$ 13.35

	September 2023	June 2023	March 2023	December 2022
Interest and dividend income	\$ 9,078	\$ 8,571	\$ 7,901	\$ 7,518
Interest expense	3,673	2,867	2,050	1,248
Net interest income	5,405	5,704	5,851	6,270
Provision for credit losses	138	170	218	381
Net interest income after provision for credit losses	5,267	5,534	5,633	5,889
Non-interest income	691	706	603	631
Non-interest expense	3,733	3,949	3,394	3,508
Income before federal income taxes	2,225	2,291	2,842	3,012
Provision for federal income taxes	452	547	563	603
Net income	<u>\$ 1,773</u>	<u>\$ 1,744</u>	<u>\$ 2,279</u>	<u>\$ 2,409</u>
Earnings per share - basic	\$ 0.46	\$ 0.46	\$ 0.60	\$ 0.62
Earnings per share - diluted	\$ 0.46	\$ 0.45	\$ 0.59	\$ 0.63
Dividends per share	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14
Return on average assets	0.91%	0.92%	1.23%	1.36%
Return on average equity	14.41%	14.36%	19.58%	22.87%
Shares outstanding at quarter end	3,837,609	3,837,085	3,831,939	3,825,451
Book value per share	\$ 12.40	\$ 12.64	\$ 12.51	\$ 11.69
Tangible equity per share	\$ 11.95	\$ 12.20	\$ 12.06	\$ 11.24

MAIN STREET FINANCIAL SERVICES CORP.
Non-GAAP reconciliation
(Dollars in thousands, except per share data - unaudited)

	For three months ended		For the nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Net Income as reported - GAAP	\$ 3,446	\$ 1,773	\$ 1,518	\$ 5,796
Effect of merger related expenses (net of tax benefit)	170	160	5,743	597
Net Income non-GAAP	<u>\$ 3,616</u>	<u>\$ 1,933</u>	<u>\$ 7,261</u>	<u>\$ 6,393</u>
Earnings per share - GAAP	\$ 0.44	\$ 0.46	\$ 0.27	\$ 1.51
Effect of merger related expenses	0.02	0.04	1.03	0.16
Earnings per share non-GAAP	<u>\$ 0.46</u>	<u>\$ 0.50</u>	<u>\$ 1.30</u>	<u>\$ 1.67</u>
Return on average assets - GAAP	1.00%	0.91%	0.19%	1.02%
Effect of merger related expenses	0.05%	0.08%	0.72%	0.10%
Return on average assets non-GAAP	<u>1.05%</u>	<u>0.99%</u>	<u>0.91%</u>	<u>1.12%</u>
Return on average equity - GAAP	12.58%	14.41%	2.66%	16.06%
Effect of merger related expenses	0.62%	1.29%	10.06%	1.65%
Return on average equity non-GAAP	<u>13.20%</u>	<u>15.70%</u>	<u>12.72%</u>	<u>17.71%</u>
Efficiency Ratio - GAAP	64.34%	61.24%	73.92%	58.42%
Effect of merger related expenses	-1.39%	-3.07%	-9.90%	-3.29%
Efficiency Ratio non-GAAP	<u>62.9%</u>	<u>58.17%</u>	<u>64.02%</u>	<u>55.13%</u>