



Mars National Bank

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Mars National Bank Announces Earnings

MARS, PENNSYLVANIA – Mars National Bank (OTCQB: MNBK) announced today that for the six months ended June 30, 2013, the Bank earned \$832,000 as compared to \$604,000 for the same period in the prior year, an increase of \$228,000 or 37.8%. The increase in earnings primarily relates to growth in residential mortgage 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, a weak economy, limited commercial lending opportunities and higher regulatory and operating costs.

Net interest income increased by \$253,000 or 5.4% for the six months ended June 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 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 3.19% and 3.28% at June 30, 2013, respectively, as compared to 2.96% and 3.11%, respectively, in 2012. Loans outstanding increased to \$145.3 million at June 30, 2013 as compared to \$144.8 at December 31, 2012 while deposits grew to \$311.4 million at June 30, 2013 from \$306.6 million at December 31, 2012.

There was no provision for loan losses recorded for the six months ended June 30, 2013 and \$15,000 recorded for the same period in 2012. This was reflective of the Bank's strong credit quality position at June 30, 2013 with delinquencies at 0.08% of total loans and the allowance for loan losses to loans coverage at 1.41%.

Non-interest income was higher by \$446,000 for the six months ended June 30, 2013. This reflects gains on sales of residential mortgages originated for sale and higher investment services income.

Non-interest expense increased by \$681,000 or 13.5% for the six months ended June 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 functions and increased marketing activities.

The Bank recognized a tax benefit of \$180,000 for the six months ended June 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

	2013	2012	Change
For the Six Months Ended June 30,			
(dollars in thousands, except per share data; unaudited)			
EARNINGS			
Net interest income	\$4,961	\$4,708	5.4%
Provision for loan losses	-	15	n/m
Non-interest income	1,405	959	46.6%
Non-interest expense	5,714	5,033	13.5%
Income tax (benefit) expense	(180)	15	n/m
Net income	832	604	37.8%
SHARE DATA			
Earnings per share	\$10.40	\$7.55	37.8%
PERFORMANCE RATIOS			
Return on average assets	0.48%	0.35%	13bps
Return on average equity	4.57%	3.27%	130bps
Net interest margin	3.28%	3.11%	17bps
Efficiency ratio	89.75%	88.81%	94bps
At June 30, and December 31,			
(dollars in millions, except per share data; unaudited)			
BALANCE SHEET			
Assets	\$352.5	\$344.8	2.2%
Loans	145.3	144.8	0.3%
Deposits	311.4	306.6	1.6%
Stockholders' equity	34.3	36.9	-7.2%
CAPITAL			
Book value per share	\$428.18	\$461.50	- 7.2%
Total risk-based capital ratio	20.70%	21.53%	-83bps
CREDIT QUALITY			
Delinquent loans	\$0.1	\$0.5	-76.2%
Nonaccrual loans	2.0	2.3	-9.7%
Delinquent loans/loans	0.08%	0.23%	-15bps
Nonaccrual loans/loans	1.40%	1.56%	-16bps
Allowance for loan losses/loans	1.41%	1.42%	-1bps

n/m – not meaningful