



To Our Shareholders:

Net income for the three months ended March 31, 2019 was \$622 thousand, \$119 thousand less than the same period in 2018. On a per share basis, net income was \$.20 this year versus \$.24 last year.

Lower net income this year is mainly attributable to a decrease in gains on the sale of securities, higher provisioning for loan losses relating to increased growth in the overall loan portfolio and an increase in salary and benefit expense. These unfavorable changes were partially offset by an increase in net interest income and a decrease in income tax expense.

As stated in previous letters, one of our strategic initiatives is to change MCT's asset mix in favor of loans with the goals of improving margin and increasing net interest income. Execution of this strategy is the main reason why Q1 2019 net interest income is 8% higher than the same period in 2018, despite a 78% increase in interest expense.

The ultimate success of this approach depends on our ability to increase loans receivable without sacrificing credit quality. The following are indicators of our progress:

- Interest Income from Loans Receivable increased by 31% on a year over year basis and comprised 64% of Interest Income in Q1 2019 versus 59% in 2018.
- On March 31, 2019, Loans Receivable, net of allowance, totaled \$227.4 million, \$29.4 million or 15% higher than the same date last year.
- Loans as a percent of assets increased from 47% last year to 52% in 2019.
- Nonperforming assets as a percentage of Loans Receivable decreased to .11% this year compared to .21% in 2018.

On the liability side of the balance sheet, we seek to fund asset growth by increasing core deposits, preferably low-cost non-maturity core deposits. Although higher interest rates have caused customers to shift their deposits from Money Market to Certificates of Deposit (CDs), overall in-market deposit growth has been sufficiently strong to enable us to virtually eliminate brokered deposits from our funding mix this year.

The following items highlight changes in our funding:

- On March 31, 2019, total deposits were \$347.2 million, \$20.8 million or 6% higher than 2018.
- Non-interest-bearing deposits totaled \$46.6 million, increased \$5.9 million or 14% compared to the same period last year.
- Long term debt was \$55.6 million at the end of Q1 2019, an increase over 2018 of \$15 million or 37%.
- Other borrowed funds totaled \$1.7 million on March 31st this year, a decrease of \$8.1 million.

MCTFC's capital continues to remain well above the regulatory minimum requirements. Total shareholders' equity capital, excluding accumulated other comprehensive losses, totaled \$40.7 million on March 31, 2019 compared to \$39.4 million last year, an increase of \$1.3 million or 3.4%.

During the first quarter, we upgraded our online and mobile banking platforms to improve the customer experience and offer several enhancements including real-time account notifications, external transfers, Touch ID/Face ID login on mobile devices, easier-to-use mobile deposit and improved business cash management. We also outsourced the management of our computer network services to improve operating efficiency and cyber security.

As always, we thank you for your continued loyalty and support.

Sincerely,

Patrick H. Reilly
President/Chief Executive Officer

Charles E. Wildoner
Chairman of the Board

Consolidated Balance Sheet (unaudited)
(Dollars in Thousands)

Assets	As of March 31,	
	2019	2018
Cash and due from banks	\$ 3,282	\$ 2,786
Securities available for sale, at fair value	194,168	192,172
Restricted investment in bank stock	2,850	2,213
Loans receivable, net of allowance for loan losses 2019 \$2,267; 2018 \$2,179	227,350	197,970
Other real estate owned	18	82
Bank premises and equipment, net	9,476	9,029
Accrued interest receivable	1,520	1,386
Investment in life insurance	9,480	9,204
Prepaid expenses and other assets	1,671	2,883
Total assets	\$ 449,815	\$ 417,725
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 47,649	\$ 41,752
Interest bearing	299,522	284,559
Total deposits	347,171	326,311
Securities sold under agreements to repurchase	2,724	3,094
Other borrowed funds	1,731	9,839
Other liabilities	2,813	1,736
Long-term debt	55,460	40,510
Total Liabilities	409,899	381,490
Stockholders' Equity		
Common stock, no par value; authorized 15,000,000 shares; issued 3,087,228 shares; outstanding 2019 3,052,792 shares; 2018 3,056,843 shares	4,337	4,337
Retained earnings	36,815	35,409
Accumulated other comprehensive loss	(803)	(3,138)
Treasury stock, at cost, 2019 34,436; 2018 30,385 shares	(433)	(373)
Total stockholders' equity	39,916	36,235
Total liabilities and stockholders' equity	\$ 449,815	\$ 417,725
BOOK VALUE PER SHARE	\$ 13.08	\$ 11.85

Consolidated Statement of Income (unaudited)
(Dollars in Thousands, Except Per Share Data)

	Three Months Ended March 31,	
	2019	2018
Interest Income		
Loans receivable, including fees	\$ 2,650	\$ 2,017
Securities:		
Taxable	1,468	1,364
Tax-exempt	50	67
	4,168	3,448
Interest expense		
Deposits	727	449
Borrowings	392	181
	1,119	630
Net interest income	3,049	2,818
Provision for Loan Losses	122	33
	2,927	2,785
Net interest income after provision for loan losses		
Other Income		
Service fees	363	362
Wealth management fees	179	153
Net realized gains on sales of securities	61	256
Income on insurance policies	58	58
Other	42	48
	703	877
Total other income		
Other Expenses		
Salaries and benefits	1,498	1,384
Occupancy and equipment	379	401
Director's fees	79	75
Professional fees	94	86
FDIC insurance and assessments	38	35
Data processing	215	203
Advertising	55	50
Pennsylvania bank shares tax	62	57
Other operating	472	485
	2,892	2,776
Total other expenses		
Income before income taxes	738	886
Income Tax Expense	116	145
	622	741
Net income	\$	\$
Basic Earnings Per Share	0.20	0.24
Weighted Average Shares Outstanding	3,052,792	3,056,843

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