



To Our Shareholders:

Net income for the six months ended June 30, 2019 was \$1.39 million, \$81 thousand less than the first half of 2018. On a per share basis, net income year-to-date was \$.46 this year compared to \$.48 last year. For the three months ending June 30, 2019, net income was \$773 thousand, or \$38 thousand higher than last year. On a per share basis, second quarter net income was \$.25 and \$.24, respectively for 2019 and 2018.

On a year-to-date basis, lower net income in 2019 is mainly attributable to a decrease in gains on the sale of securities, lower net realized gains on the sale of foreclosed assets, higher provisioning for loan losses relating to growth in the loan portfolio and an increase in salary expense. These negative variances were partially offset by higher net interest income resulting from an increase in interest income relating to growth in loans receivable and higher other income resulting from wealth management fees.

Higher net income for the three-month period ended June 30, 2019 versus 2018 is the result of an increase in net revenue, net interest income and other income, partially offset by increases in the provision for loan losses, other expenses and income tax expense.

On June 30, 2019, net loans receivable totaled \$229.8 million, \$22.7 million higher than the same period last year. Loans originated within MCT's market area increased by \$4.0 million or 2.6% over 2018. The remaining \$18.7 million or 36.4% increase in loans receivable is attributable to purchased loans.

The overall quality of our loan portfolio remains strong with non-performing assets totaling \$325 thousand or 0.14% of total loans compared to \$492 thousand or 0.24% for the same period last year.

Securities available for sale totaled \$188.4 million on June 30, 2019, virtually unchanged from 2018, the result of management's strategy to increase loans receivable. On the same date, federal funds sold totaled \$21.9 million versus \$9.5 million last year, mainly the result of a temporary increase in deposits by a large customer.

As of June 30, 2019, total deposits were \$349.1 million compared to \$324.5 million last year. Non-interest-bearing deposits increased \$3.6 million or 8.5% compared to 2018. Interest-bearing deposits also recorded an overall increase by \$20.9 million or 7.43% vs the same period last year with most of this growth occurring in time deposits.

Total shareholders' equity, on June 30, 2019, was \$41.5 million, \$5.8 million higher than 2018. The change in equity capital this year is attributable to a \$4.4 million increase in accumulated other comprehensive income and an increase in retained earnings of \$1.4 million. MCTFC's equity capital remains well above the minimum regulatory requirements to be considered "well-capitalized."

The Board of Directors have again authorized the repurchase of up to 150,000 shares (4.9%) of the Corporations outstanding common stock. Pursuant to the authorization, the Chief Executive Officer of the Corporation may direct the repurchases at times and in amounts determined by him to be prudent, except that any transaction involving an aggregate purchase price to be paid by the Corporations of more than \$100,000 will be subject to the separate prior approval of the Corporation's Board of Directors. The Board of Directors has provided for the repurchase program to expire after December 31, 2019, unless sooner terminated or extended.

Repurchases may be made from time to time on the open market or in privately negotiated transactions. The timing and actual number of shares repurchased will depend on market conditions and other requirements. Shares repurchased will be held by the Corporation as treasury shares available for future issuance.

The repurchase program does not obligate the Corporation to purchase any dollar amount or number of shares and the Corporation may suspend, modify, extend or terminate the program at any time.

The U.S. Treasury yield curve has been inverted for the last several weeks. This signals the strong possibility of a recession and creates a very challenging environment in which to lend and invest. Based on the minutes of their June meeting, it appears the FOMC's next move will be to lower the target Fed Funds rate. If this occurs, we believe it will be good news for the economy and MCTFC.

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)

	As of June 30,	
Assets	2019	2018
Cash and due from banks	\$ 4,634	\$ 3,413
Federal funds sold	21,909	9,526
Securities available for sale, at fair value	188,360	188,285
Restricted investment in bank stock	3,636	3,061
Loans receivable, net of allowance for loan losses 2019 \$2,269; 2018 \$2,156	229,834	207,133
Bank premises and equipment, net	9,594	8,923
Accrued interest receivable	1,474	1,269
Investment in life insurance	9,544	9,270
Prepaid expenses and other assets	4,910	4,332
Total assets	\$ 473,895	\$ 435,212
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 46,309	\$ 42,664
Interest bearing	302,824	281,857
Total deposits	349,133	324,521
Securities sold under agreements to repurchase	2,687	3,961
Other liabilities	3,072	1,935
Long-term debt	77,460	69,010
Total Liabilities	432,352	399,427
Stockholders' Equity		
Common stock, no par value; authorized 15,000,000 shares; issued 3,087,228 shares; outstanding 2019 3,052,792 shares; 2018 3,052,843 shares	4,337	4,337
Retained earnings	36,916	35,516
Accumulated other comprehensive gain (loss)	722	(3,695)
Treasury stock, at cost, 2019 34,436; 2018 30,385	(432)	(373)
Total stockholders' equity	41,543	35,785
Total liabilities and stockholders' equity	\$ 473,895	\$ 435,212
BOOK VALUE PER SHARE	\$ 13.61	\$ 11.71

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Interest Income				
Loans receivable, including fees	\$ 2,803	\$ 2,158	\$ 5,453	\$ 4,175
Securities:				
Taxable	1,455	1,374	2,923	2,738
Tax-exempt	48	61	98	128
Interest Income fed funds sold	62	32	62	32
Total interest income	4,368	3,625	8,536	7,073
Interest expense				
Deposits	799	496	1,526	945
Borrowings	459	283	851	464
Total interest expense	1,258	779	2,377	1,409
Net interest income	3,110	2,846	6,159	5,664
Provision for Loan Losses	162	33	284	66
Net interest income after provision for loan losses	2,948	2,813	5,875	5,598
Other Income				
Service fees	395	386	758	748
Wealth management fees	234	186	413	339
Net realized gains on sales of securities	72	(28)	133	228
Net realized gains on sales of foreclosed assets	12	122	12	122
Income on insurance policies	58	58	116	116
Other	40	35	82	83
Total other income	811	771	1,514	1,648
Other Expense				
Salaries and benefits	1,443	1,348	2,941	2,732
Occupancy and equipment	377	362	756	763
Director's fees	80	78	159	153
Professional fees	93	96	187	182
FDIC insurance and assessments	26	34	64	69
Data processing	222	210	437	413
Advertising	49	60	104	110
Pennsylvania bank shares tax	52	61	114	118
Other operating	486	467	958	952
Total other expenses	2,828	2,716	5,720	5,492
Income before income taxes	931	868	1,669	1,754
Income Tax Expense	158	133	274	278
Net income	\$ 773	\$ 735	\$ 1,395	\$ 1,476
Basic Earnings Per Share	\$ 0.25	\$ 0.24	\$ 0.46	\$ 0.48
Weighted Average Shares Outstanding	3,052,792	3,056,843	3,052,792	3,059,363
Dividends Paid	\$ 0.22	\$ 0.22	0.22	0.22

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