



To Our Shareholders:

Net income for the nine months ended September 30, 2019 was \$2.1 million, or \$116 thousand less than the same period in 2018. On a per share basis, net income year to date was \$.68 this year compared to \$.72 last year. For the three months ending September 30, 2019, net income was \$688 thousand, \$35 thousand less than the same period in 2018. On a per share basis, third quarter net income was \$.23 this year versus \$.24 last year.

Lower net income in 2019, year-to-date and for the third quarter, is mainly attributable to increases in the provision for loan losses and other expenses, partially offset by higher net interest and other income. The larger than usual increase in the loan loss provision during the third quarter was intended to provide for higher expected losses from purchased consumer loans. Management expects future contributions to the allowance for loan losses to be more in line with historic averages.

Securities available for sale totaled \$197.2 million on September 30, 2019, compared with \$190.2 million for the same period last year. This year over year increase is entirely attributable to changes in market value in the portfolio brought about by a decrease in the level of interest rates.

On September 30, 2019, net loans receivable totaled \$224.7 million, an increase of less than \$4 million from last year. The modest, year-over-year change is mainly attributable to prepayments on several large purchased participation loans during the third quarter. Loans originated within MCT's market area increased by \$5.5 million versus 2018 while loans originated outside MCT's market area decreased by \$1.1 million.

The overall quality of our loan portfolio remains high. On September 30th this year, non-performing assets totaled \$527 thousand or .23% of loans and leases compared to \$402 thousand or .18% on the same date in 2018.

Total deposits were \$355.6 million on September 30, 2019, an increase of \$16.7 million from 2018. Non-interest-bearing deposits were \$40.9 million, \$3.2 million higher than last year; interest-bearing deposits were \$307 million, \$13.4 million more than 2018.

Long-term debt decreased to \$56.5 million compared to \$67.0 million last year. During the third quarter we

took a small prepayment penalty and reduced our FHLB advances by \$10.5 million. This transaction will reduce our borrowing costs going forward and improve our overall cost of funds.

Total equity capital on September 30, 2019 was \$42.1 million, \$6.7 million higher than 2018. This increase is attributable to a \$5.3 million improvement in the value of accumulated other comprehensive income and an increase of \$1.4 million in retained earnings.

While 2019's financial results have been somewhat disappointing, we are very pleased with the progress made this year upgrading our back-office processes and digital service offerings. During the third quarter we implemented an MCT branded application for our mobile banking customers, launched business remote deposit within our cash management service and began the process of upgrading our automatic teller machine network.

As we enter the fourth quarter of 2019, we may also be entering the next phase of the business cycle. The FOMC lowered the Fed Funds rate at their September meeting and additional rate reductions are expected before year end. The U.S. Treasury curve is inverted, a signal of impending recession, and other leading economic indicators point to a slowing economy.

We believe the economy is still fundamentally sound and the FOMC will reduce the Fed Funds rate another .25% to .50% before the end of this year.

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 Sept 30,	
Assets	2019	2018
Cash and due from banks	\$ 7,340	\$ 4,448
Federal funds sold	2,753	4,798
Securities available for sale, at fair value	197,215	190,154
Restricted investment in bank stock	2,760	3,146
Loans receivable, net of allowance for loan losses 2019 \$2,516; 2018 \$2,088	224,693	220,702
Other real estate owned	-	88
Bank premises and equipment, net	9,494	8,814
Accrued interest receivable	1,497	1,465
Investment in life insurance	9,609	9,335
Prepaid expenses and other assets	4,607	3,755
Total assets	\$ 459,968	\$ 446,705
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 48,884	\$ 45,625
Interest bearing	306,683	293,204
Total deposits	355,567	338,829
Securities sold under agreements to repurchase	2,899	3,516
Other liabilities	2,919	1,993
Long-term debt	56,510	67,010
Total Liabilities	417,895	411,348
Stockholders' Equity		
Common stock, no par value; authorized 15,000,000 shares; issued 3,087,228 shares; outstanding 2019 3,052,492 shares; 2018 3,052,792 shares	4,337	4,337
Retained earnings	37,606	36,240
Accumulated other comprehensive gain (loss)	567	(4,787)
Treasury stock, at cost, 2019 34,736; 2018 34,436 shares	(437)	(433)
Total stockholders' equity	42,073	35,357
Total liabilities and stockholders' equity	\$ 459,968	\$ 446,705
BOOK VALUE PER SHARE	\$ 13.78	\$ 11.57

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

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	<u>2019</u>	2018	<u>2019</u>	2018
Interest Income				
Loans receivable, including fees	\$ 2,734	\$ 2,526	\$ 8,187	\$ 6,701
Securities:				
Taxable	1,164	1,381	4,087	4,119
Tax-exempt	51	32	149	160
Other, including federal funds sold	312	14	374	46
Total interest income	<u>4,261</u>	3,953	<u>12,797</u>	11,026
Interest expense				
Deposits	817	555	2,343	1,500
Borrowings	462	398	1,313	862
Total interest expense	<u>1,279</u>	953	<u>3,656</u>	2,362
Net interest income	2,982	3,000	9,141	8,664
Provision for Loan Losses	<u>454</u>	58	<u>738</u>	124
Net interest income after provision for loan losses	2,528	2,942	8,403	8,540
Other Income				
Service fees	428	388	1,186	1,136
Wealth management fees	180	237	593	576
Net realized gains (losses) on sales of securities	406	(7)	539	221
Net realized gains (losses) on sales of foreclosed assets	(2)	1	10	123
Income on insurance policies	60	63	176	179
Other	48	46	130	141
Total other income	<u>1,120</u>	728	<u>2,634</u>	2,376
Other Expense				
Salaries and benefits	1,438	1,375	4,379	4,107
Occupancy and equipment	373	362	1,129	1,125
Director's fees	81	81	240	234
Professional fees	151	161	338	343
FDIC insurance and assessments	(30)	39	34	108
Data processing	273	222	710	635
Advertising	48	60	152	170
Pennsylvania bank shares tax	52	61	166	179
Other operating	431	446	1,389	1,398
Total other expenses	<u>2,817</u>	2,807	<u>8,537</u>	8,299
Income before income taxes	831	863	2,500	2,617
Income Tax Expense	<u>143</u>	140	<u>417</u>	418
Net income	<u>\$ 688</u>	<u>\$ 723</u>	<u>\$ 2,083</u>	<u>\$ 2,199</u>
Basic earnings per share	\$ 0.23	\$ 0.24	\$ 0.68	\$ 0.72
Weighted average shares outstanding	3,052,668	3,053,347	3,052,750	3,055,665
Dividends Paid	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22

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