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1ST QUARTER

2020

EARNINGS  
REPORT

## To Our Shareholders:

In a little over two months, COVID 19 has morphed from someone else's problem to a real and present danger to our health and our economy. Since the crisis we are now facing is unprecedented, we are abandoning the usual format of these shareholder letters in favor of describing how we are responding to the pandemic, its impact on first quarter results and how we intend to address the increasing financial risks that are emerging.

We implemented our Pandemic Crisis Response plan on March 17th with four objectives:

- Protect the health and safety of our employees while continuing to serve our customers.
- Increase the bank's capacity to meet our customer's liquidity needs.
- Provide additional liquidity to our loan customers, especially our business borrowers.
- Prepare for a possible increase in delinquencies and problem loans.

MCTFC's two most valuable assets are not reflected in our financial statements:

- Our employees
- Our reputation

In the interest of protecting both, we implemented social distancing a full week before Governor Wolf closed all non-essential Pennsylvania businesses by offering drive up only service at five offices, closing the two offices without drive-up windows and by providing all our back-office employees the ability to work remotely.

To increase the bank's capacity to meet our customer's liquidity needs we increased cash on hand, repositioned the investment portfolio and re-focused our lending process. These strategies are reflected on the balance sheet by increases in cash and due from banks and securities available for sale and a decrease in loans receivable.

The decrease in loans receivable is attributable to early payoffs from purchased commercial participation loans and normal paydown from purchased consumer loans and mortgages.

Because our loss experience was greater than expected, we stopped purchasing consumer loans in the second half of last year and have been allowing the portfolio to run off. With the advent of the pandemic crisis we have also stopped purchasing commercial loans to enable our lenders to focus exclusively on meeting the credit needs of our local customers.

We have not changed our underwriting standards and continue to lend to qualified borrowers. Recent new loan activity has been mainly comprised of requests to refinance mortgages or participate in SBA's Payroll Protection Plan.

We are deferring up to three months of loan payments for any loan customers adversely affected by COVID 19 and offering "on the spot" lines of credit to business customers. By reducing monthly outflow and/or increasing the cash available, these programs provide much needed liquidity and, hopefully, some peace of mind to borrowers.

MCT's deposits are very stable and, with the advent of the pandemic crisis, we have taken steps to strengthen an already strong liquidity position by increasing our borrowing capacity at the Federal Reserve Bank. We have modeled several scenarios and our balance sheet is positioned to comfortably absorb a reduction in deposits, an increase in loan demand or the combination of both.

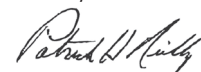
The length of the economic shutdown will ultimately determine the severity of the financial damage but, given the change in the operating environment, it is prudent to anticipate some deterioration in asset quality. The results of our worst-case credit risk modeling were not favorable, nor were they cause for alarm. Our biggest concern is the 26% of loans receivable comprised of purchased loans. We will be in a better position to quantify our exposure during the second quarter. As for now, we increased our contribution to the provision for loan losses during the month of March and expect the contribution to remain elevated for the remainder of this year.

As this letter is being written, we are waiting for Congress to approve a second round of funding for the Payroll Protection Plan (PPP). We were an active participant in the first round of funding, and it was a struggle at every turn. The program was rolled out very quickly and lender guidance was not clear or complete. Like most other community banks, for the sake of our customers, we ignored the potential liability and reputation risk engendered by this uncertainty and jumped right in. Our lending team logged a lot of hours and did an amazing job, successfully processing almost \$6 million in about two weeks. Unfortunately, when the funding ran out, we still had millions of dollars in PPP loan requests in the pipeline. We can only hope enough members of Congress will reach an agreement soon and approve additional PPP funding.


It is trite to say but it is all too true that a crisis brings out the best and the worst in people. In this regard, we have been especially fortunate. Thanks to the resiliency and resourcefulness of our employees we have successfully adapted to the new demands of our operating environment, we are taking care of our customers and planning for gradual re-opening of our economy.

More than ever, 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 Sheets (unaudited)  
(Dollars in Thousands)

<b>Assets</b>	As of March 31,	
	<b>2020</b>	2019
Cash and due from banks	\$ 4,767	\$ 3,282
Securities available for sale, at fair value	212,097	194,168
Restricted investment in bank stock	2,647	2,850
Loans receivable, net of allowance for loan losses	224,007	227,350
2020 \$2,703; 2019 \$2,267		
Other real estate owned	-	18
Bank premises and equipment, net	9,457	9,476
Accrued interest receivable	1,691	1,520
Investment in life insurance	9,755	9,480
Prepaid expenses and other assets	1,477	1,671
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Total assets	<b>\$ 465,898</b>	<b>\$ 449,815</b>
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<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Non-interest bearing	\$ 43,929	\$ 47,649
Interest bearing	316,807	299,522
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Total deposits	360,736	347,171
Securities sold under agreements to repurchase	3,266	2,724
Other borrowed funds	4,384	1,731
Other liabilities	3,033	2,813
Long-term debt	50,800	55,460
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Total Liabilities	422,219	409,899
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<b>Stockholders' Equity</b>		
Common stock, no par value; authorized 15,000,000 shares;		
2020 issued 3,392,336 shares; outstanding 3,346,718		
2019 issued 3,087,228 shares; outstanding 3,052,792	8,497	4,337
Retained earnings	33,981	36,815
Accumulated other comprehensive loss	1,790	(803)
Treasury stock, at cost, 2020 45,618; 2019 34,436 shares	(589)	(433)
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Total stockholders' equity	43,679	39,916
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Total liabilities and stockholders' equity	<b>\$ 465,898</b>	<b>\$ 449,815</b>
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<b>BOOK VALUE PER SHARE</b>	<b>\$ 13.03</b>	<b>\$ 13.08</b>

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

	Three Months Ended March 31,	
	2020	2019
<b>Interest Income</b>		
Loans receivable, including fees	\$ 2,642	\$ 2,650
Securities:		
Taxable	1,388	1,468
Tax-exempt	53	50
<b>Total interest income</b>	<b>4,083</b>	4,168
<b>Interest expense</b>		
Deposits	711	727
Borrowings	196	392
<b>Total interest expense</b>	<b>907</b>	1,119
<b>Net interest income</b>	<b>3,176</b>	3,049
<b>Provision for Loan Losses</b>	<b>230</b>	122
<b>Net interest income after provision for loan losses</b>	<b>2,946</b>	2,927
<b>Other Income</b>		
Service fees	362	363
Wealth management fees	176	179
Net realized gains on sales of securities	135	61
Income on insurance policies	76	58
Other	137	42
<b>Total other income</b>	<b>886</b>	703
<b>Other Expenses</b>		
Salaries and benefits	1,474	1,498
Occupancy and equipment	418	379
Director's fees	78	79
Professional fees	95	94
FDIC insurance and assessments	21	38
Data processing	291	215
Advertising	49	55
Pennsylvania bank shares tax	62	62
Other operating	484	472
<b>Total other expenses</b>	<b>2,972</b>	2,892
<b>Income before income taxes</b>	<b>860</b>	738
<b>Income Tax Expense</b>	<b>141</b>	116
<b>Net income</b>	<b>\$ 719</b>	\$ 622
<b>Basic Earnings Per Share</b>	<b>\$ 0.21</b>	\$ 0.20
<b>Weighted Average Shares Outstanding</b>	<b>3,353,382</b>	3,052,792