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Financial Corp.**

Thomas R. Lisella, Chairman of the Board  
James R. Nanovic, Vice-Chairman of the Board  
Patrick H. Reilly, President/Chief Executive Officer  
William R. Reibold, Secretary  
Dr. Edward C. Beckett III  
Charlene Grant  
Ida M. Queen  
Brian Seitz

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Leah Crouthamel, Assistant Secretary

**Solicitor**

Nanovic Law Offices

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Sky Fogal  
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**Tamaqua Advisory Board**

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Krista L. Serrian  
Charles C. Snyder  
Tammy Sword  
Jon M. Zizelmann\*

\*Advisory Board Chairman

**2<sup>ND</sup> QUARTER  
2022**

**EARNINGS  
REPORT**

Consolidated Balance Sheet (unaudited)  
 (Dollars in Thousands)

<b>Assets</b>	As of June 30,	
	<u>2022</u>	<u>2021</u>
Cash and due from banks	\$ 5,068	\$ 4,984
Federal funds sold	-	-
Securities available for sale, at fair value	311,719	322,683
Restricted investment in bank stock	3,225	3,097
Loans receivable, net of allowance for loan losses	242,737	224,574
2022 \$3,812; 2021 \$3,569		
Other Realestate Owned	-	-
Bank premises and equipment, net	8,325	8,769
Accrued interest receivable	2,841	2,495
Investment in life insurance	10,366	10,097
Prepaid expenses and other assets	15,497	1,354
	<u>599,778</u>	<u>578,053</u>
Total assets	<u>\$ 599,778</u>	<u>\$ 578,053</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Non-interest bearing	\$ 86,002	\$ 76,123
Interest bearing	435,754	377,269
	<u>521,756</u>	<u>453,392</u>
Total deposits	521,756	453,392
Securities sold under agreements to repurchase	5,062	7,974
Other Borrowed Funds	7,395	3,859
Other liabilities	4,203	4,332
Long-term debt	60,524	60,986
	<u>598,940</u>	<u>530,543</u>
Total Liabilities	598,940	530,543
<b>Stockholders' Equity</b>		
Common stock, no par value; authorized 15,000,000 shares; issued 3,392,336 shares; outstanding 2022 3,335,970 shares; 2021 3,346,718 shares	8,497	8,497
Retained earnings	41,259	37,301
Accumulated other comprehensive gain	(48,196)	2,301
Treasury stock, at cost, 2022 56,366; 2021 45,618	(722)	(589)
	<u>838</u>	<u>47,510</u>
Total stockholders' equity	838	47,510
Total liabilities and stockholders' equity	<u>\$ 599,778</u>	<u>\$ 578,053</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Interest Income</b>				
Loans receivable, including fees	\$ 2,475	\$ 2,342	\$ 4,782	\$ 4,521
Securities:				
Taxable	1,948	1,647	3,847	3,147
Tax-exempt	475	370	948	740
Interest Income fed funds sold	0	1	0	1
Total interest income	<u>4,898</u>	<u>4,360</u>	<u>9,577</u>	<u>8,409</u>
<b>Interest expense</b>				
Deposits	228	166	377	360
Borrowings	275	236	520	475
Total interest expense	<u>503</u>	<u>402</u>	<u>897</u>	<u>835</u>
Net interest income	4,395	3,958	8,680	7,574
<b>Provision for Loan Losses</b>	<u>105</u>	<u>137</u>	<u>165</u>	<u>280</u>
Net interest income after provision for loan losses	4,290	3,821	8,515	7,294
<b>Other Income</b>				
Service fees	447	382	864	745
Wealth management fees	227	236	456	455
Net realized gains on sales of securities	0	0	0	433
Net realized gains on sales of foreclosed assets	0	0	0	42
Income on insurance policies	94	61	116	119
Other	9	39	88	79
Total other income	<u>777</u>	<u>718</u>	<u>1,524</u>	<u>1,873</u>
<b>Other Expense</b>				
Salaries and benefits	1,730	1,563	3,410	3,075
Occupancy and equipment	413	407	850	883
Director's fees	100	81	186	160
Professional fees	115	78	231	220
FDIC insurance and assessments	60	51	122	102
Data processing	362	283	736	569
Advertising	56	53	114	105
Pennsylvania bank shares tax	112	85	217	169
Other operating	510	607	1,105	992
Total other expenses	<u>3,458</u>	<u>3,208</u>	<u>6,971</u>	<u>6,275</u>
Income before income taxes	1,609	1,331	3,068	2,892
<b>Income Tax Expense</b>	<u>224</u>	<u>166</u>	<u>417</u>	<u>407</u>
Net income	<u>\$ 1,385</u>	<u>\$ 1,165</u>	<u>\$ 2,651</u>	<u>\$ 2,485</u>
<b>Basic Earnings Per Share</b>	<u>\$ 0.42</u>	<u>\$ 0.35</u>	<u>\$ 0.79</u>	<u>\$ 0.74</u>
<b>Weighted Average Shares Outstanding</b>	<u>3,336,324</u>	<u>3,346,718</u>	<u>3,336,324</u>	<u>3,346,718</u>
<b>Dividends Paid</b>	\$ 0.17	\$ 0.16	\$ 0.17	\$ 0.16

**To Our Shareholders:**

Net income for the six months ended June 30, 2022, was \$2.65 million, \$166 thousand higher than the first half of 2021. On a per share basis, net income year-to-date was \$.79 this year compared to \$.74 last year. For the three months ending June 30, 2022, net income was \$1.39 million, \$220 thousand higher than last year. On a per share basis, second quarter net income was \$.42 and \$.35, respectively, for 2022 and 2021.

Higher net income year-to-date is attributable to an increase in net interest income and a decrease in the provision for loan losses, partially offset by a reduction in other income, mainly lower gains on the sales of securities, as well as increases in other expenses and taxes. For the three months ended June 30, 2022, higher net income is attributable to an increase in net interest income, other income, and a decrease in the provision for loan losses, partially offset by higher other expenses and taxes.

On June 30, 2022, securities available for sale totaled \$311.7 million, \$11 million lower than last year. This decrease is the result of an unrealized loss in the portfolio brought about by the higher level of interest rates.

Net loans receivable totaled \$242.7 million on June 30, 2022, \$18.2 million higher than 2021. This change is primarily attributable to a \$15 million increase in purchased commercial loans and a \$4 million increase residential mortgages.

Total deposits were \$521.8 million on June 30, 2022, \$68.4 million more than 2021. Non-interest-bearing deposits were \$86 million or \$9.9 million higher than the prior year; interest-bearing deposits were \$435.8 million or \$58.5 million higher than last year.

Long-term debt on June 30, 2022, was \$61 million, about the same as June 30, 2020. Other borrowed funds were \$7.4 million on June 30, 2022, \$3.5 million higher than last year.

Total shareholders' equity capital on June 30, 2022, was \$838 thousand, \$46.7 million less than 2021. Lower equity capital this year is the result of a \$50.5 million increase in accumulated other comprehensive loss associated with

the change in the value of the securities portfolio resulting from an increase in the level of interest rates. This decrease was partially offset by an increase in retain earnings of \$4 million. MCTFC's capital remains well above the regulatory minimum requirements to be considered well capitalized.

The Board of Directors has extended the treasury stock repurchase program through December 31, 2022, providing for the repurchase by the Corporation of up to 150,000 shares (4.9%) of its outstanding common stock in the open market and in privately negotiated transactions, subject to market conditions and other requirements.

Please visit [www.mct.bank/Investor-Relations](http://www.mct.bank/Investor-Relations) or send an email to [shareholderinfo@mct.bank](mailto:shareholderinfo@mct.bank) for more details.

Inflation is unacceptably high, and the Fed seems determined to bring it down by raising short term interest rates, even at the risk of triggering a recession. It remains to be seen how far the Fed will need to go but there are already signs that the combination of higher prices and higher interest rates are beginning to change consumer behavior and slowing economic activity. It is too soon to say that a recession is imminent, but the odds of experiencing one sometime in the next 12 months have certainly increased.

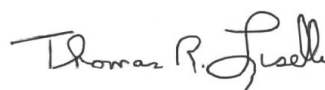
We expect the next several quarters to be quite challenging.

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

Sincerely,



Patrick H. Reilly  
President/Chief Executive Officer



Thomas R. Lisella  
Chairman of the Board