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Financial Corp.**

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**3RD QUARTER
2022**

**EARNINGS
REPORT**

To Our Shareholders:

October 2022

Net income for the nine months ended September 30, 2022, was \$4.02 million, \$282 thousand higher than the first nine months of 2021. On a per share basis, net income year-to-date was \$1.20 this year compared to \$1.12 last year. For the three months ending September 30, 2022, net income was \$1.37 million, \$116 thousand higher than last year. On a per share basis, third quarter net income was \$.41 and \$.37, respectively, for 2022 and 2021.

Higher year-to-date net income in 2022 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 September 30, 2022, higher net income 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, as well as increases in other expenses and taxes.

The bank had federal funds sold of \$8.3 million on September 30, 2022. This is due to excess funds being held for liquidity.

On September 30, 2022, securities available for sale totaled \$285.2 million, \$67.9 million lower than September 2021. This decrease is attributable to changes in the portfolio's market value.

On September 30, 2022, net loans receivable totaled \$248.3 million, \$20.9 million higher than last year, the result of robust growth across all categories of the loan portfolio.

Total deposits were \$540 million on September 30, 2022, an increase of \$52.1 million from 2021. The deposit growth this year is due mainly to an increase in new checking account customers, the result of other bank branch closures within MCT's footprint.

Long term debt totaled \$60.5 million on September 30, 2022, \$524 thousand higher than 2021. This slight increase is the result of extending short term borrowings to longer terms during 2022.

Total shareholders' equity, on September 30, 2022, was negative \$17 million, \$65.7 million lower than 2021. The change in equity capital this year is attributable to an increase in accumulated other comprehensive loss and an increase in treasury stock, partially offset by a \$4.1 million increase in retained earnings.

Since Financial Accounting Standards Board (FASB) 115, Accounting for Certain Investments in Debt and Equity Securities, became effective in 1994, it has been the bank's

policy to hold investment securities as available for sale (AFS). To hold investment securities as AFS, unrealized gains or losses on securities, net of estimated taxes, must be reflected as other accumulated gains or losses in stockholder's equity.

This year's increase in accumulated other comprehensive loss is attributable to a decline in the market value of investment securities caused by the large and rapid increase in the level of interest rates since the beginning of 2022. This unrealized loss may persist for some time, but it is not permanent, and will decrease as the securities approach maturity or the level of interest rates decrease. If necessary, MCTFC intends to hold these securities in portfolio to maturity.

MCTFC remains "well capitalized" and well above the minimum regulatory requirements.

The Board of Directors has extended through December 31, 2022, the treasury stock re-purchase program 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 <https://www.mct.bank/Investor-Relations> for more details.

MCT is pleased with the level of earnings achieved through the first nine months of this year and the outlook for final quarter remains cautiously optimistic.

We wish we could say the same for the economy as a whole. It has been over 30 years since we have experienced inflation and interest rate increases of the magnitude experienced this year. The more the Fed raises rates to lower inflation, the higher the probability of a recession becomes and, we are fast approaching the point where recession will not be a question of "if" but, "when" and "how severe"?

Mild or severe, the bank will be prepared and able to assist our customers for whatever their needs.

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

Consolidated Balance Sheet (unaudited)
(Dollars in Thousands)

Assets	As of September 30,	
	2022	2021
Cash and due from banks	\$ 5,463	\$ 5,912
Federal funds sold	8,300	-
Securities available for sale, at fair value	285,171	353,116
Restricted investment in bank stock	2,939	3,166
Loans receivable, net of allowance for loan losses 2022 \$3,867; 2021 \$3,632	248,342	227,470
Bank premises and equipment, net	8,229	8,648
Accrued interest receivable	2,796	2,623
Investment in life insurance	10,430	10,164
Prepaid expenses and other assets	20,572	1,399
Total assets	\$ 592,242	\$ 612,498
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 93,112	\$ 81,745
Interest bearing	447,003	406,236
Total deposits	540,115	487,981
Securities sold under agreements to repurchase	5,010	4,606
Other Borrowed Funds	260	8,157
Other liabilities	3,325	3,013
Long-term debt	60,524	60,000
Total Liabilities	609,234	563,757
Stockholders' Equity		
Common stock, no par value; authorized 15,000,000 shares; issued 3,392,336 shares; outstanding 2022 3,335,970 shares; 2021 3,345,593 shares	8,497	8,497
Retained earnings	42,625	38,552
Accumulated other comprehensive gain (loss)	(67,392)	2,296
Treasury stock, at cost, 2022 56,366; 2021 46,743	(722)	(604)
Total stockholders' equity	(16,992)	48,741
Total liabilities and stockholders' equity	\$ 592,242	\$ 612,498

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Interest Income				
Loans receivable, including fees	\$ 2,802	\$ 2,306	\$ 7,583	\$ 6,827
Securities:				
Taxable	1,963	1,745	5,810	4,892
Tax-exempt	477	423	1,425	1,163
Interest Income fed funds sold	-	1	-	2
Total interest income	5,242	4,475	14,818	12,884
Interest expense				
Deposits	690	170	1,067	530
Borrowings	266	237	786	712
Total interest expense	956	407	1,853	1,242
Net interest income	4,286	4,069	12,965	11,643
Provision for Loan Losses	29	71	194	351
Net interest income after provision for loan losses	4,257	3,998	12,771	11,292
Other Income				
Service fees	478	467	1,342	1,212
Wealth management fees	212	245	668	700
Net realized gains on sales of securities	-	-	-	433
Net realized gains on sales of foreclosed assets	-	-	-	42
Income on insurance policies	60	62	176	181
Other	52	58	141	137
Total other income	802	831	2,327	2,704
Other Expense				
Salaries and benefits	1,617	1,620	5,027	4,695
Occupancy and equipment	412	406	1,262	1,289
Director's fees	118	98	304	258
Professional fees	116	146	347	366
FDIC insurance and assessments	56	51	178	153
Data processing	363	348	1,099	917
Advertising	58	54	172	159
Pennsylvania bank shares tax	81	84	298	253
Other operating	650	581	1,755	1,573
Total other expenses	3,471	3,387	10,442	9,662
Income before income taxes	1,588	1,442	4,656	4,334
Income Tax Expense	222	192	639	599
Net income	\$ 1,366	\$ 1,250	\$ 4,017	\$ 3,735
Basic Earnings Per Share	\$ 0.41	\$ 0.37	\$ 1.20	\$ 1.12
Weighted Average Shares Outstanding	3,335,970	3,345,593	3,336,206	3,346,343
Dividends Paid	\$ 0.17	\$ 0.16	\$ 0.17	\$ 0.16