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Financial Corp.**

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*Advisory Board Chairman

1ST QUARTER
2023

**EARNINGS
REPORT**

To Our Shareholders:

April 2023

Net income for the three months ended March 31, 2023 was \$1.1 million, \$121 thousand less than the same period in 2022. On a per share basis, net income was \$.34 this year versus \$.38 last year.

Lower net income in 2023 is attributable to a decrease in net interest income, an increase in other expenses partially offset by higher other income and decreases in the provision for loan losses and taxes.

Loans receivable, net of allowance, totaled \$255.1 million on March 31, 2023, an increase of \$24.2 million from the last year. This increase is attributable to an increase in commercial loans; organic and purchased, mortgages and consumer loans partially offset by a decrease in tax exempt and purchased mortgage loans.

Securities available for sale totaled \$291.2 million on March 31, 2023, \$51 million less than the same period in 2022. This decrease is attributable to an increase in the unrealized loss on the portfolio and Management's decision to allow cashflow from the portfolio to accumulate in Federal Funds Sold.

On March 31, 2023, total deposits were \$530.9 million, \$17.4 million higher than the same period in 2022. This increase is attributable to new deposit customers as a result of the other bank branch closures within MCT's footprint and an increased emphasis on deposit marketing.

Long term debt totaled \$85 million on March 31, 2023, \$9.5 million higher than 2022; the result of increasing and extending into longer term borrowings to fortify the bank's liquidity position.

Total shareholders' equity capital on March 31, 2023 was negative \$5.1 million, \$25.5 million less than 2022. Lower equity capital this year is the result of a \$29.3 million increase in accumulated other comprehensive loss, the result of a change in the level of interest rates on the value of the securities portfolio, partially offset by an increase in retain earnings of \$3.9 million.

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.

On January 1st 2023, the bank adopted the Financial Accounting Standards Board's Current Expected Credit Losses (CECL) impairment standard, which requires "life of loan" estimates of losses to be recorded for unimpaired loans and the first quarter of 2023 is the first time we are reporting financial results using this new method to determine the amount of the reserve for loan losses. Because of this change, the reserve for loan losses on March 31, 2023 was decreased by \$118 thousand with the resulting offset being an increase in pre-tax operating income of the same amount. Adjustments of this size are common under CECL, and future reported earnings are expected to have greater variability.

Recent turmoil in the banking industry may be cause for concern but certainly not cause for alarm. It is unrealistic to expect shifting from a 20-year period of near zero interest rates to a higher, more restrictive level needed to reduce inflation would be a smooth transition.

We have seen an increase in the cost of funds and a decrease in net interest income as a result of higher rates, but, for the most part, our local operating environment continues to be business as usual. We continue to attract new customers, make loans, and grow deposits. The next several quarters will be challenging but we have implemented several new strategies to adapt and, while lower than 2022, first quarter results are encouraging. We believe our company is well positioned to take advantage of the future opportunities available in our market area, long-term prospects remain excellent, and persistence and patience will be rewarded.

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 Sheets (unaudited)
(Dollars in Thousands)

Assets	As of March 31,	
	2023	2022
Cash and due from banks	\$ 4,589	\$ 6,423
Federal funds sold	23,591	896
Securities available for sale, at fair value	291,215	342,347
Restricted investment in bank stock	3,929	4,003
Loans receivable, net of allowance for loan losses 2023 \$3,265; 2022 \$3,767	255,134	230,952
Bank premises and equipment, net	8,053	8,379
Accrued interest receivable	2,816	2,672
Investment in life insurance	9,810	10,302
Prepaid expenses and other assets	17,897	10,489
Total assets	\$ 617,034	\$ 616,463
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 86,197	\$ 80,012
Interest bearing	444,707	433,449
Total deposits	530,904	513,461
Securities sold under agreements to repurchase	2,873	4,222
Other borrowed funds	260	240
Other liabilities	3,130	2,690
Long-term debt	85,000	75,524
Total Liabilities	622,167	596,137
Stockholders' Equity		
Common stock, no par value; authorized 15,000,000 shares; 2023 issued 3,392,336 shares; outstanding 3,335,970 2022 issued 3,392,336 shares; outstanding 3,336,678	8,497	8,497
Retained earnings	44,327	40,440
Accumulated other comprehensive loss	(57,235)	(27,898)
Treasury stock, at cost, 2023 56,366; 2022 55,658	(722)	(713)
Total stockholders' equity	(5,133)	20,326
Total liabilities and stockholders' equity	\$ 617,034	\$ 616,463

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

	Three Months Ended March 31,	
	2023	2022
Interest Income		
Loans receivable, including fees	\$ 3,117	\$ 2,307
Securities:		
Taxable	2,373	1,899
Tax-exempt	452	473
Total interest income	5,942	4,679
Interest expense		
Deposits	1,742	149
Borrowings	549	245
Total interest expense	2,291	394
Net interest income	3,651	4,285
Provision for Loan Losses	37	60
Net interest income after provision for loan losses	3,614	4,225
Other Income		
Service fees	444	417
Wealth management fees	269	229
Income on insurance policies	405	22
Other	62	79
Total other income	1,180	747
Other Expenses		
Salaries and benefits	1,676	1,680
Occupancy and equipment	433	437
Director's fees	85	86
Professional fees	115	116
FDIC insurance and assessments	156	62
Data processing	419	374
Advertising	69	58
Pennsylvania bank shares tax	-	105
Other operating	606	595
Total other expenses	3,559	3,513
Income before income taxes	1,235	1,459
Income Tax Expense	90	193
Net income	\$ 1,145	\$ 1,266
Basic Earnings Per Share	\$ 0.34	\$ 0.38
Weighted Average Shares Outstanding	3,335,970	3,336,678