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Financial Corp.**

Thomas R. Lisella, Chairman of the Board
James R. Nanovic, Vice-Chairman of the Board
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Brian Seitz

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Solicitor

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** Advisory Board Chairman

2ND QUARTER
2023

**EARNINGS
REPORT**

The logo for Mauch Chunk Trust Financial, featuring the letters "MCT" in a bold, white, sans-serif font, followed by the words "Mauch Chunk Trust Financial" in a smaller, white, sans-serif font. The logo is set against a green background with a hexagonal pattern.

To Our Shareholders:

July 2023

Net income for the six months ended June 30, 2023, was \$2.07 million, \$583 thousand lower than the first half of 2022. On a per share basis, net income year-to-date was \$.62 this year compared to \$.79 last year. For the three months ending June 30, 2023, net income was \$923 thousand, \$462 thousand lower than last year. On a per share basis, second quarter net income was \$.28 and \$.42, respectively, for 2023 and 2022.

Lower net income, for the three months ended June 30, 2023, and year-to-date, is attributable to a decrease in net interest income and an increase in other expenses, partially offset by higher other income and decreases in the provision for loan losses and taxes. Lower net interest income is mainly attributable to higher interest expense brought about by an increase in the level of interest rates.

On June 30, 2023, securities available for sale totaled \$285.6 million, \$26.1 million lower than last year. This decrease is the result of an unrealized loss in the securities portfolio caused by higher interest rates.

Net loans receivable totaled \$255.9 million on June 30, 2023, \$13.2 million higher than 2022. This change is primarily attributable to an increase in commercial loans, both organic and purchased, as well as consumer loans, home equity and residential mortgages.

Total deposits were \$551.4 million on June 30, 2023, \$29.7 million higher than 2022. Non-interest-bearing deposits were \$84 million or \$1.7 million lower than the prior year; interest-bearing deposits were \$467.1 million or \$31.4 million higher than last year.

Long-term debt on June 30, 2023, was \$85 million or \$24.5 million higher than June 30, 2022. Other borrowed funds totaled zero on June 30, 2023, \$7.4 million lower than last year.

Total shareholders' equity capital on June 30, 2023, was negative \$7.7 million, \$8.6 million less than 2022. Lower equity capital this year is the result of a \$12 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 \$3.4 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 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's capital remains well above the regulatory minimum requirements to be considered well capitalized.

Can the Fed pull off a "soft landing"?

An encouraging CPI report in June has raised the possibility that the Fed might be able to bring inflation down to its 2% target without causing a recession. This happy outcome is possible but, if history is any sort of guide, highly unlikely.

Despite over 500 bps of Fed tightening this past year, the U.S. economy has proven to be remarkably resilient. Inflation, as measured by the CPI, seems to be trending downward but we don't think the Fed is satisfied. We expect the Fed to take rates higher and keep them higher until they see tangible economic proof that inflation is under control.


This has been the Fed's modus operandi in past tightening cycles and this pattern has usually resulted in a recession.

In the meantime, MCT continues to grow, attract new customers, take in deposits, and make loans.

On June 28, we released an important update to our mobile banking app which includes new card management features, allowing customers to securely control their debit card in real time. New features include the ability able to turn off their card instantly if misplaced, control where it can be used, create travel plans, report a card as lost or stolen, easily add the card to Apple Pay or Google Pay, view detailed spending history, and more. For more information on the new features please visit www.mct.bank/mobile.

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 June 30,	
	2023	2022
Cash and due from banks	\$ 4,818	\$ 5,068
Federal funds sold	47,452	-
Securities available for sale, at fair value	285,586	311,719
Restricted investment in bank stock	3,902	3,225
Loans receivable, net of allowance for loan losses 2023 \$3,215; 2022 \$3,812	255,985	242,737
Bank premises and equipment, net	7,937	8,325
Accrued interest receivable	3,065	2,841
Investment in life insurance	9,692	10,366
Prepaid expenses and other assets	19,032	15,497
Total assets	\$ 637,469	\$ 599,778
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 84,296	\$ 86,002
Interest bearing	467,116	435,754
Total deposits	551,412	521,756
Securities sold under agreements to repurchase	2,761	5,062
Other Borrowed Funds	-	7,395
Other liabilities	6,033	4,203
Long-term debt	85,000	60,524
Total Liabilities	645,206	598,940
Stockholders' Equity		
Common stock, no par value; authorized 15,000,000 shares; issued 3,392,336 shares; outstanding 2023 3,335,970 shares; 2022 3,335,970 shares	8,497	8,497
Retained earnings	44,683	41,259
Accumulated other comprehensive gain	(60,195)	(48,196)
Treasury stock, at cost, 2023 56,366; 2022 56,366	(722)	(722)
Total stockholders' equity	(7,737)	838
Total liabilities and stockholders' equity	\$ 637,469	\$ 599,778

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Interest Income				
Loans receivable, including fees	\$ 3,334	\$ 2,475	\$ 6,451	\$ 4,782
Securities:				
Taxable	1,742	1,948	4,115	3,847
Tax-exempt	451	475	903	948
Interest Income fed funds sold	377	-	721	-
Total interest income	5,904	4,898	12,190	9,577
Interest expense				
Deposits	2,038	228	3,780	377
Borrowings	552	275	1,101	520
Total interest expense	2,590	503	4,881	897
Net interest income	3,314	4,395	7,309	8,680
Provision for Loan Losses	(170)	105	(133)	165
Net interest income after provision for loan losses	3,484	4,290	7,442	8,515
Other Income				
Service fees	569	447	1,013	864
Wealth management fees	240	227	509	456
Income on insurance policies	221	94	626	116
Other	47	9	109	88
Total other income	1,077	777	2,257	1,524
Other Expense				
Salaries and benefits	1,854	1,730	3,530	3,410
Occupancy and equipment	408	413	841	850
Director's fees	98	100	183	186
Professional fees	122	115	237	231
FDIC insurance and assessments	138	60	294	122
Data processing	405	362	824	736
Advertising	70	56	139	114
Pennsylvania bank shares tax	-	112	-	217
Other operating	805	510	1,411	1,105
Total other expenses	3,900	3,458	7,459	6,971
Income before income taxes	661	1,609	2,240	3,068
Income Tax Expense	82	224	172	417
Net income	\$ 579	\$ 1,385	\$ 2,068	\$ 2,651
Basic Earnings Per Share	\$ 0.28	\$ 0.42	\$ 0.62	\$ 0.79
Weighted Average Shares Outstanding	3,335,970	3,336,324	3,335,970	3,336,324
Dividends Paid	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17