

**Directors of Mauch Chunk Trust  
Financial Corp.**

Thomas R. Lisella, Chairman of the Board  
James R. Nanovic, Vice-Chairman of the Board  
Patrick H. Reilly, President/Chief Executive Officer  
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Dr. Edward C. Beckett III  
Ida M. Queen  
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**Director Emeritus**

William R. Reabold

**Other Officers**

Nicole Barbaro, Treasurer/Assistant Secretary

**Solicitor**

Nanovic Law Offices

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Kevin McArdle \*  
Dr. Daniel Steigerwalt  
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Jerry Freiwald  
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Jon M. Zizelmann \*\*

\* Advisory Board Co-Chairmen

\*\* Advisory Board Chairman

**3<sup>RD</sup> QUARTER  
2023**

**EARNINGS  
REPORT**

**To Our Shareholders:**

October 2023

Net income for the nine months ended September 30, 2023, was \$2.8 million, \$1.2 million lower than the first nine months of 2022. On a per share basis, net income year-to-date was \$0.84 this year compared to \$1.20 last year. For the three months ending September 30, 2023, net income was \$733 thousand, \$633 thousand lower than last year. On a per-share basis, third quarter net income was \$0.22 and \$0.41, respectively, for 2023 and 2022.

Lower net income, for the three months ended September 30, 2023, and year-to-date, is attributable to a decrease in net interest income and increases in other expenses and the provision for loan losses, partially offset by higher other income and lower taxes.

The bank had federal funds sold of \$65.3 million on September 30, 2023, higher than the same period last year by \$57 million. With an inverted yield curve and the FOMC promising "higher for longer" interest rates, increasing federal funds sold has enabled us to reduce interest rate risk and increase liquidity without sacrificing interest income.

On September 30, 2023, securities available for sale totaled \$266.3 million, \$18.9 million lower than September 2022. This decrease is attributable to changes in the portfolio's market value as well as Management's decision to hold all additional cash, including runoff from the securities portfolio, in fed funds, for the reasons described above.

Net loans receivable, on September 30, 2023, totaled \$259.8 million, \$11.5 million higher than last year. 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 \$574.3 million on September 30, 2023, an increase of \$34.2 million from 2022. Deposit growth this year is due mainly to an increase in time deposits and interest checking partially offset by decreases in non-interest checking and money market account balances.

Long term debt totaled \$79.1 million on September 30, 2023, \$18.6 million higher than 2022.

Total shareholders' equity, on September 30, 2023, was negative \$18 million, \$1 million lower than 2022. The change in equity capital this year is attributable to an increase in accumulated other comprehensive loss, partially offset by a \$2.8 million increase in retained earnings.

Since the Financial Accounting Standards Board, FASB introduced FASB 115, the Accounting for Certain Investments in Debt and Equity Securities which 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 much-predicted recession appears to be nowhere in sight. Instead of slowing down in the face of higher interest rates the economy seems to be picking up speed. Many economists, probably the same ones who predicted recession, believe the FOMC is done raising interest rates and the inflation rate will continue to decrease, eventually reaching the FOMC's 2% target.

We are not convinced the inflation rate will continue to decrease or the FOMC is done raising rates. Even if the current tightening cycle has ended, we do not expect the FOMC to lower interest rates until they see tangible proof that inflation is under control, or an unexpected external event forces a sudden change of course.

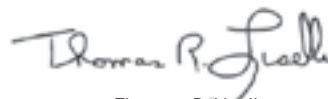
All this uncertainty makes for a challenging operating environment but, after 121 years in the business, we are accustomed to challenges.

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)

<b>Assets</b>	As of September 30,	
	<b>2023</b>	<b>2022</b>
Cash and due from banks	\$ 7,396	\$ 5,463
Federal funds sold	65,319	8,300
Securities available for sale, at fair value	266,349	285,171
Restricted investment in bank stock	3,778	2,939
Loans receivable, net of allowance for loan losses 2023 \$3,421; 2022 \$3,867	259,819	248,342
Bank premises and equipment, net	7,218	8,229
Accrued interest receivable	2,834	2,796
Investment in life insurance	9,530	10,430
Prepaid expenses and other assets	22,590	20,572
Total assets	<u>\$ 644,832</u>	<u>\$ 592,242</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Non-interest bearing	\$ 91,850	\$ 93,112
Interest bearing	482,429	447,003
Total deposits	574,279	540,115
Securities sold under agreements to repurchase	3,946	5,010
Other Borrowed Funds	-	260
Other liabilities	5,542	3,325
Long-term debt	79,104	60,524
Total Liabilities	<u>662,871</u>	<u>609,234</u>
<b>Stockholders' Equity</b>		
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	45,410	42,625
Accumulated other comprehensive gain (loss)	(71,224)	(67,392)
Treasury stock, at cost, 2023 56,366; 2022 56,366	(722)	(722)
Total stockholders' equity	<u>(18,039)</u>	<u>(16,992)</u>
Total liabilities and stockholders' equity	<u>\$ 644,832</u>	<u>\$ 592,242</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Interest Income</b>				
Loans receivable, including fees	\$ 3,522	\$ 2,802	\$ 9,973	\$ 7,583
Securities:				
Taxable	2,079	1,963	6,194	5,810
Tax-exempt	452	477	1,355	1,425
Interest Income fed funds sold	763	-	1,484	-
Total interest income	6,816	5,242	19,006	14,818
<b>Interest expense</b>				
Deposits	2,509	690	6,289	1,067
Borrowings	515	266	1,616	786
Total interest expense	3,024	956	7,905	1,853
Net interest income	3,793	4,286	11,101	12,965
<b>Provision for Loan Losses</b>	195	29	208	194
Net interest income after provision for loan losses	3,598	4,257	10,893	12,771
<b>Other Income</b>				
Service fees	493	478	1,506	1,342
Wealth management fees	216	212	725	668
Net realized gains on sales of securities	-	-	776	-
Income on insurance policies	(99)	60	527	176
Other	200	52	310	141
Total other income	1,586	802	3,844	2,327
<b>Other Expense</b>				
Salaries and benefits	1,936	1,617	5,466	5,027
Occupancy and equipment	385	412	1,226	1,262
Director's fees	66	118	249	304
Professional fees	195	116	432	347
FDIC insurance and assessments	108	56	402	178
Data processing	455	363	1,279	1,099
Advertising	68	58	207	172
Pennsylvania bank shares tax	-	81	-	298
Other operating	578	650	1,843	1,755
Total other expenses	4,386	3,471	11,699	10,442
Income before income taxes	798	1,588	3,038	4,656
<b>Income Tax Expense</b>	65	222	237	639
Net income	\$ 733	\$ 1,366	\$ 2,801	\$ 4,017
<b>Basic Earnings Per Share</b>	\$ 0.22	\$ 0.41	\$ 0.84	\$ 1.20
<b>Weighted Average Shares Outstanding</b>	3,335,970	3,335,970	3,335,970	3,336,206
<b>Dividends Paid</b>	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17