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Financial Corp.**

Thomas R. Lisella, Chairman of the Board
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* Advisory Board Co-Chairmen

** Advisory Board Chairman

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1ST QUARTER 2025

EARNINGS REPORT



To Our Shareholders:

April 2025

Net income for the three months ended March 31, 2025, was \$243 thousand, \$1 million less than the same period in 2024. On a per share basis, net income was \$.07 this year versus \$.38 last year.

Lower net income in 2025 is attributable to a decrease in net interest income and other income, and increases in the provision for credit losses, partially offset by decreases in income tax expense. Lower net interest income in 2025 is attributable to higher interest expense caused by changes in the Bank's funding mix; lower other income this year is attributable to a one-time gain on the discontinuance of a cashflow hedge 2024.

Loans receivable, net of allowance, totaled \$274 million on March 31, 2025, an increase of \$12.7 million from the last year. This increase is attributable to an increase in both purchased and organic commercial loans, consumer loans and tax-exempt loans, partially offset by decreases in mortgages.

Securities available for sale totaled \$284.2 million on March 31, 2025, \$4.4 million higher than the same period in 2024. This increase is attributable to a strategy to move on balance sheet funds to higher yielding securities ahead of projected short term rate decreases, offset partially by cashflow from the mortgage back portfolio.

On March 31, 2025, total deposits were \$602.1 million, \$2.4 million lower than the same period in 2024. This decrease is attributable to a more conservative pricing strategy intended to reduce funding costs and increase net interest income.

Long term debt totaled \$30.5 million on March 31, 2025, \$29.9 million less than 2024; the result of allowing longer term FHLB borrowings to mature and be replaced with lower cost deposits.

Total shareholders' equity capital on March 31, 2025, was -\$5.5 million, \$290 thousand more than 2024. Lower equity capital this year is the result of a \$361 thousand increase in accumulated other comprehensive loss and a slight decrease in retained earnings, partially offset by decreases in treasury stock of \$76 thousand.

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 an increase in the level of interest rates. 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.

At the end of the first quarter, an operating environment consisting of modest growth, higher interest rates and stubborn inflation was totally overshadowed by the shock and uncertainty induced by the Trump administration's new tariff policies. While these policies are currently the subject of much debate, their ultimate results, good or ill, will be determined in the fullness of time. Meanwhile, we continue to focus on strengthening relationships with customers, improving the effectiveness of our systems and managing risk.

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,	
	2025	2024
Cash and due from banks	\$ 4,882	\$ 3,580
Federal funds sold	23,784	79,329
Securities available for sale, at fair value	284,205	279,795
Restricted investment in bank stock	1,718	2,918
Loans receivable, net of allowance for credit losses 2025 \$3,451; 2024 \$3,989	273,975	261,294
Bank premises and equipment, net	7,766	7,221
Accrued interest receivable	2,824	2,990
Investment in life insurance	14,626	9,661
Prepaid expenses and other assets	18,417	18,327
Total assets	<u>\$ 632,197</u>	<u>\$ 665,115</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 82,149	\$ 83,227
Interest bearing	519,999	521,288
Total deposits	602,148	604,515
Securities sold under agreements to repurchase	2,533	2,117
Other liabilities	2,522	3,275
Long-term debt	30,500	60,424
Total Liabilities	637,703	670,331
Stockholders' Equity		
Common stock, no par value; authorized 15,000,000 shares; 2025 issued 3,392,336 shares; outstanding 3,342,357 2024 issued 3,392,336 shares; outstanding 3,335,970	8,497	8,497
Retained earnings	46,326	46,331
Accumulated other comprehensive loss	(59,683)	(59,322)
Treasury stock, at cost, 2025 49,979; 2024 56,366	(646)	(722)
Total stockholders' equity	(5,506)	(5,216)
Total liabilities and stockholders' equity	<u>\$ 632,197</u>	<u>\$ 665,115</u>

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

	Three Months Ended March 31,	
	2025	2024
Interest Income		
Loans receivable, including fees	\$ 3,778	\$ 3,542
Securities:		
Taxable	2,371	2,786
Tax-exempt	451	451
Total interest income	6,600	6,779
Interest expense		
Deposits	2,865	2,764
Borrowings	193	381
Total interest expense	3,058	3,145
Net interest income	3,542	3,634
Provision for Credit Losses	358	154
Net interest income after provision for credit losses	3,184	3,480
Other Income		
Service fees	508	500
Wealth management fees	285	270
Gain on discontinuance of cash flow hedge	-	1,124
Income on insurance policies	126	59
Other	18	17
Total other income	937	1,970
Other Expenses		
Salaries and benefits	1,960	1,955
Occupancy and equipment	479	496
Director's fees	65	77
Professional fees	128	116
FDIC insurance and assessments	136	132
Data processing	496	419
Advertising	58	69
Other operating	656	707
Total other expenses	3,978	3,971
Income before income taxes	143	1,479
Income Tax Expense	(100)	215
Net income	\$ 243	\$ 1,264
Basic Earnings Per Share	\$ 0.07	\$ 0.38
Weighted Average Shares Outstanding	3,342,357	3,335,970