

To Our Stockholders:

Net income for the nine months ended September 30, 2008 was \$1.4 million, \$715 thousand higher than the same period in 2007. On a per share basis net income was \$.47 this year versus \$.24 last year. Net income for the quarter ended September 30, 2008, was \$556 thousand, \$129 thousand more than the third quarter of 2007.

Higher net income year to date and for the quarter is attributable to an increase in net interest income, a reduction in the provision for loan losses and an increase in non interest income. These positives were partially offset by an increase in non interest expense and Federal income taxes.

Two thousand seven year to date results reflect a \$440 thousand one time charge to non interest expense for pre-payment penalties incurred due to the early payoff of \$39.4 million in long-term debt. This restructuring plan had a positive effect on net interest income and net income during the subsequent quarters of 2007 and has continued in 2008. Also, in 2007 we uncovered a defalcation involving one of our large commercial borrowers. To provide for this situation \$ 329 thousand was added to the loan loss reserve during the third quarter of last year and we have continued to make elevated contributions to the reserve since that time. Management has focused considerable time and effort on this situation over the last 12 months and expects it to be to be fully resolved before the end of 2008.

On September 30, 2008, net loans outstanding totaled \$146.4 million, \$9.4 million higher than last year. Most of this growth occurred in the latter part of 2007 and the first half of 2008. Loan demand slowed considerably during the third quarter, reflecting a very cautious outlook on the part of businesses and consumers.

Securities available for sale totaled \$139.6 million on September 30, 2008, \$20 million higher than the same date in 2007. On the same date Federal Funds sold were \$5.8 million versus \$24 thousand at the end of the third quarter last year. These changes reflect adjustments we have made to our investment strategy to better suit the current interest rate and operating environment.

On September 30, 2008 total deposits were \$191.6 million, \$14.2 million higher than last year, do in part, to the growth we have experienced at our new offices in Lehigh and Hometown. On the same date long-term debt totaled \$101.5 million, \$6.7 million more than last year.

Total equity capital on September 30, 2008, was \$24.2 million, \$1.7 million more than 2007. Higher equity capital this year is

attributable to an increase in retained earnings and a decrease in accumulated other comprehensive loss, partially offset by an increase in treasury shares.

In the current operating environment it is well to point out MCT is well capitalized. At the end of the third quarter 2008 our ratio of Tier 1 capital to assets was 7.94% versus the 5% minimum required by our regulators; on the same date our ratio of capital to risk weighted assets was 15.32% versus the 10% minimum required by our regulators.

In our letter to stockholders at the end of the third quarter 2007 we wrote:

"...the problems we have seen in the capital markets the last few months and the housing industry's continued travails may signal a significant and potentially long lasting change in the economic environment."

These words seem especially prescient in light of recent events. The financial service landscape has changed dramatically over the past 90 days! We may not be in uncharted territory but the terrain is dramatically different and the road ahead is far from clear.

MCT has historically taken a conservative approach to the pursuit of profits. We have always sought to earn a good return for our stockholders by satisfying the needs of our customers in a manner that protects the long term financial health of the company. Even so, the exceptional nature of the current environment requires additional vigilance and we are acting aggressively to build the reserve for loan losses, improve liquidity and further strengthen our capital position.

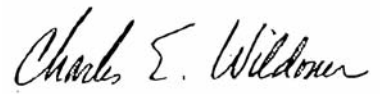
At times like these we believe it best to prepare for the worst. Then, if the worst does not occur, we can be pleasantly surprised. We also believe that changes and challenges of the magnitude we see taking place create opportunities and we intend to pursue these opportunities in a way that will produce safe, profitable growth.

As always, we thank you for your continued loyalty and support.

Sincerely,



Patrick H. Reilly
President/Chief Executive Officer



Charles E. Wildoner
Chairman of the Board

BALANCE SHEETS (UNAUDITED)

	As of September 30,	
	2008	2007
	(in thousands)	
ASSETS		
Cash and due from banks	\$4,276	\$3,148
Interest bearing demand deposits	50	16,197
Federal funds sold	5,831	24
Securities available for sale, at fair value	139,675	119,593
Loans receivable	148,020	138,786
Less: Allowance for loan losses	1,606	1,725
Net loans	146,414	137,061
Bank premises and equipment, net	9,290	6,760
Other assets	14,187	13,358
TOTAL ASSETS	\$319,723	\$296,141
LIABILITIES		
Deposits:		
Non-interest bearing	\$19,923	\$20,036
Interest bearing	171,665	157,362
Total deposits	191,588	177,398
Customer Repurchase Agreements	81	0
Long-term debt	101,516	94,808
Other liabilities	2,312	1,486
TOTAL LIABILITIES	295,497	273,692
SHAREHOLDERS' EQUITY		
Common stock, no par value; authorized 15,000,000 shares; issued 2008 and 2007 3,087,228 shares; outstanding 2008 3,066,944 shares; 2007 3,070,962 shares	4,378	4,378
Surplus	0	0
Retained earnings	21,547	20,711
Accumulated other comprehensive income	(1,398)	(2,396)
Treasury Shares at cost (20,284 shares in 2008 and 16,266 shares in 2007)	(301)	(244)
TOTAL SHAREHOLDERS' EQUITY	24,226	22,449
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$319,723	\$296,141

CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Interest income				
Loans receivable, including fees	\$2,438	\$2,444	\$7,390	\$7,233
Securities:				
Taxable	2,014	1,689	5,802	5,202
Tax-exempt	49	134	150	402
Interest Fed Funds Sold	6	147	7	535
Total interest income	4,507	4,414	13,349	13,372
Interest expense				
Deposits	1,100	1,573	3,566	5,145
Short-term borrowings	31	0	70	0
Long-term borrowings	1,283	1,141	3,794	3,254
Total interest expense	2,414	2,714	7,430	8,399
Net interest income	2,093	1,700	5,919	4,973
Provision for loan losses	140	329	418	515
Net interest income after provision for loan losses	1,953	1,371	5,501	4,458
Non-Interest income				
Service fees on deposit accounts	340	288	911	802
Wealth management fees	102	129	361	346
Net realized gains (losses) on sales of securities	64	0	89	(34)
Mortgage Banking Income	55	34	160	70
Other	87	80	268	258
Total non-interest income	648	531	1,789	1,442
Non-Interest expense				
Salaries and benefits	938	808	2,659	2,302
Occupancy and equipment	315	292	984	846
Professional fees	126	150	352	359
Pre-payment penalties	0	0	0	440
Other operating	458	408	1,355	1,204
Total non-interest expenses	1,837	1,658	5,350	5,151
Income before income taxes	764	244	1,940	749
Federal income taxes	208	(183)	499	23
Net income	\$556	\$427	\$1,441	\$726
Basic earnings per share	\$0.18	\$0.14	\$0.47	\$0.24
Weighted average shares outstanding	3,073,174	3,071,059	3,070,753	3,071,342
Dividends Paid	\$0.15	\$0.14	\$0.15	\$0.14

(in thousands, except per share data)

DIRECTORS AND OFFICERS

DIRECTORS

Dean E. Beers
Edward J. McElmoyle
Roger N. Nanovic, II
Cathryn J. Porambo
Harold A. Queen
William R. Reabold
Patrick H. Reilly
James E. Smith, Jr.
Charles E. Wildoner

TAMAQUA ADVISORY BOARD

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Dr. Joanne Calabrese
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Tammy A. Swinburne

OFFICERS

Charles E. Wildoner, Chairman of Board
Harold A. Queen, Vice Chairman
Patrick H. Reilly, President/Chief Executive Officer
Roger N. Nanovic, II, Vice President
Edward J. McElmoyle, Secretary/Treasurer
Denise M. Rautzhan, Assistant Treasurer
Joanne Uhrie, Assistant Secretary

SOLICITOR

Nanovic Law Offices

MARKET MAKER

Stifel Nicolaus
18 Columbia Turnpike
Florham Park, NJ 07032
Telephone No. 1-800-342-2325

LOCATIONS

MAIN OFFICE

1111 North Street, Jim Thorpe, PA 18229

BRANCH

Lehigh Office
Blakeslee Boulevard, Lehigh, PA 18235

BRANCH

Railroad Station, Jim Thorpe, PA 18229

BRANCH

Pine Point Plaza, Albrightsville, PA 18210

BRANCH

Redner's Warehouse Market
Nesquehoning, PA 18240

BRANCH

Hometown Office
226 Claremont Avenue, Tamaqua, PA 18252

WEALTH MANAGEMENT SERVICES

Mauch Chunk Trust Plaza
Jim Thorpe, PA 18229

The logo for Mauch Chunk Trust Company, featuring the letters 'MCT' in a bold, stylized font with horizontal lines through the letters.

Mauch Chunk
Trust Company

Neighbors you know, bankers you trust.