

To Our Stockholders:

Net income for the six months ended June 30, 2009 was \$1.18 million, \$296 thousand more than the first half of 2008. On a per share basis net income was \$.38 this year versus \$.29 last year. For the quarter ended June 30, 2009, net income was \$424 thousand, \$49 thousand less than the same period in 2008.

Higher net income in the first half this year is attributable to an increase in net interest and non interest income, especially mortgage banking income and gains on the sale of securities, partially offset by a higher provision for loan losses, non interest expense, particularly the FDIC assessment and federal income taxes. The decrease in net income for the three month period ended June 30, 2009 versus the same period in 2008 is attributable to an increase in the loan loss provision and other expenses, mainly the cost of the FDIC assessment, offset, in part, by higher net interest income and lower federal income taxes.

During the second quarter, the Board of Directors of the FDIC approved a special assessment imposed on all insured financial institutions in order to increase their insurance fund. The board also changed their regular deposit base assessment which banks are required to pay to a risk based assessment approach. For Mauch Chunk Trust Company this represented a \$307 thousand increase over last year's amount.

On June 30, 2009, loans receivable totaled \$135.8 million, \$10.7 million less than last year. The decrease in loans receivable this year is attributable to weak demand for new loans. Except for refinancing mortgage loans, which do not add to the loan portfolio but are sold in the secondary market, most customers are not borrowing money. To compensate for the decrease in loans receivable, securities available for sale were increased to \$159.5 million, \$9.4 million higher than June 30, 2008.

With attractive growth opportunities on the asset side of the balance sheet constrained by weak loan demand, management has taken a very conservative approach to deposit pricing to reduce the cost of funds and increase net interest income. The result of this strategy has been modest growth in total deposits and a positive change in the deposit mix in favor of lower cost checking and savings accounts. On June 30, 2009, total deposits were \$191.4 million, an increase of \$254 thousand over last year.

In light of the ongoing issues with the Federal Home Loan Banks and recent regulatory changes, we have reduced our use of non-deposit funding. On June 30, 2009, customer repurchase agreements were \$2.6 million, \$2.3 million higher than 2008. On the same date, short-term borrowings and long-term debt

were \$7.6 million and \$91.8 million, respectively, \$994 thousand and \$7.7 million less than last year.

Total equity capital on June 30, 2009, was \$27 million, \$5.2 million higher than 2008. The increase in equity capital this year is attributable to an increase in retained earnings, as well as changes in the value of accumulated other comprehensive income.

MCT is well capitalized. On June 30, 2009, our ratio of Tier 1 capital to average assets was 8.26 % versus 7.97 % on June 30, 2008. To be considered well capitalized by our regulators, the minimum ratio required is 5.0%.

Our permanent office at 735 Blakeslee Boulevard Drive East, Lehighton is now open for business. To mark the occasion a special celebration was held the week of June 22nd. We are very gratified by the response of the Lehighton community to our office and we expect this branch to make a significant contribution to the growth of Mauch Chunk Trust Company.

While there is some evidence that the recession may come to an end in the second half of this year, it is altogether possible the worst is yet to come for our residential and small business customers. With this in mind, we have and will continue to strengthen our balance sheet by increasing the capital to asset ratio, the allowance for loan losses and liquidity.

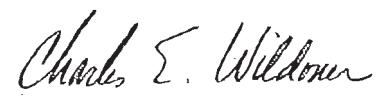
In spite of the many challenges facing our industry, we have not forgotten that one of our primary responsibilities to you, our shareholders, is the creation of value. As demanding as the economic environment may be it is also creating opportunities for MCT, because we are capable of and committed to meeting the needs of our customers and our community.

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 June 30,	
	2009	2008
	(in thousands)	
ASSETS		
Cash and due from banks	\$3,470	\$3,804
Interest bearing demand deposits	25	398
Federal funds sold	27	2
Securities available for sale, at fair value	159,499	150,095
Restricted investment in bank stock	5,537	5,404
Loans receivable	138,302	148,146
Less: Allowance for loan losses	2,444	1,606
Net loans	135,858	146,540
Bank premises and equipment, net	9,731	7,877
Accrued interest receivable	2,016	1,492
Investment in life insurance	5,249	5,031
Prepaid expenses and other assets	1,378	3,154
TOTAL ASSETS	\$322,790	\$323,797
LIABILITIES		
Deposits:		
Non-interest bearing	\$22,228	\$21,351
Interest bearing	169,199	169,822
Total deposits	191,427	191,173
Customer repurchase agreements	2,630	379
Short-term borrowings	7,623	8,617
Long-term debt	91,881	99,556
Other liabilities	2,151	2,238
TOTAL LIABILITIES	295,712	301,963
SHAREHOLDERS' EQUITY		
Common stock, no par value; authorized 15,000,000 shares; issued 2009 and 2008 3,087,228 shares; outstanding 2009 and 2008 3,066,944 shares	4,377	4,377
Retained earnings	22,227	20,991
Accumulated other comprehensive income	775	(3,233)
Treasury Shares at cost (20,284 shares in 2009 and 2008)	(301)	(301)
TOTAL SHAREHOLDERS' EQUITY	27,078	21,834
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$322,790	\$323,797

CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in thousands, except per share data)			
Interest income				
Loans receivable, including fees	\$2,195	\$2,441	\$4,443	\$4,952
Securities:				
Taxable	1,882	1,924	3,784	3,788
Tax-exempt	83	49	139	101
Interest federal funds sold	0	0	0	1
Total Interest Income	4,160	4,414	8,366	8,842
Interest expense				
Deposits	789	1,153	1,643	2,466
Short-term borrowings	8	12	17	39
Long-term debt	1,089	1,258	2,244	2,511
Total Interest Expense	1,886	2,423	3,904	5,016
Net interest income	2,274	1,991	4,462	3,826
Provision for loan losses	527	194	789	278
Net interest income after provision	1,747	1,797	3,673	3,548
Other income				
Service fees	318	306	605	571
Wealth management fees	103	143	212	259
Net realized gains on sales of securities	269	0	683	25
Mortgage banking income	177	36	435	105
Other	98	94	181	181
Total Other Income	965	579	2,116	1,141
Other Expense				
Salaries and benefits	891	858	1,818	1,721
Occupancy and equipment	354	316	733	669
Professional fees	153	112	271	226
FDIC assessment	295	5	327	20
Other operating	487	453	1,045	877
Total Other Expenses	2,180	1,744	4,194	3,513
Income before income taxes	532	632	1,595	1,176
Federal income taxes	108	159	414	291
Net income	\$424	\$473	\$1,181	\$885
Basic earnings per share	\$0.14	\$0.15	\$0.38	\$0.29
Weighted average shares outstanding	3,073,174	3,070,995	3,073,174	3,069,530
Dividends paid	\$0.16	\$0.15	\$0.16	\$0.15