



To Our Shareholders:

Net income for the three months ended March 31, 2018 was \$741 thousand, \$133 thousand higher than the same period in 2017. On a per share basis, net income was \$.24 this year versus \$.20 last year.

Higher net income this year is attributable to an increase in net interest income, lower loan loss provision, an increase in net realized gains on the sales of securities and a reduction in salary expenses. These favorable variances were offset, in part, by an increase in data processing costs and higher other operating expenses.

Loans receivable, net of allowance, at March 31, 2018 increased \$25.5 million or 14.8% to \$197.9 million compared to the same period last year. Even with this growth, credit risk management remains a critical focus as nonperforming assets continued to decrease to \$414 thousand resulting in nonperforming assets to loan ratio of .21%.

Securities available for sale totaled \$192.1 million on March 31, 2018, \$8.1 million less than the same date in 2017. Much of this reduction is due to an increase in unrealized losses brought about by an increase in the level of interest rates.

On the liability side of the balance sheet, total deposits on March 31, 2018 were \$326.3 million, \$4.7 million higher than last year. This growth is attributable to a \$6.3 million or 17.6% increase in non-interest-bearing deposits offset by a \$1.5 million or .54% decrease in interest-bearing deposits. The year-over-year decrease in interest-bearing deposits is the result of a \$35.2 million or 57.9 % decrease in brokered deposits.

Borrowed funds and long-term debt were used to offset the decline in brokered deposits and help fund loan growth. Long-term debt increased by \$7 million or 21.0%; other borrowed funds increased by \$7.2 million.

MCTFC's capital continues to remain well above the regulatory minimum requirements. Total shareholders' equity capital, excluding accumulated other comprehensive losses, totaled \$39.4 million on March 31, 2018 compared to \$37.6 million last year, an increase of \$1.8 million or 5.0%.

As expected, the FOMC increased the Federal Funds rate to 1.75% at their March meeting and additional rate hikes are expected later in the year. Although higher short-term rates and a flattening yield curve will be a strain on our margin, 2018 first quarter net interest income was higher than last year, the result of growth in loans and non-interest-bearing deposits. Continued growth in loans, managing funding costs and controlling operating expenses will help mitigate forecasted margin pressure.

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

Consolidated Balance Sheet (unaudited)
(Dollars in Thousands)

Assets	As of March 31,	
	2018	2017
Cash and due from banks	\$ 2,786	\$ 4,005
Securities available for sale, at fair value	192,172	200,275
Restricted investment in bank stock	2,213	1,810
Loans receivable, net of allowance for loan losses 2018 \$2,179; 2017 \$2,345	197,970	172,454
Other real estate owned	82	209
Bank premises and equipment, net	9,029	9,212
Accrued interest receivable	1,386	1,574
Investment in life insurance	9,204	8,921
Prepaid expenses and other assets	2,883	1,630
Total assets	\$ 417,725	\$ 400,090
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 41,752	\$ 35,491
Interest bearing	284,559	286,107
Total deposits	326,311	321,598
Securities sold under agreements to repurchase	3,094	3,040
Other borrowed funds	9,839	2,565
Other liabilities	1,736	2,082
Long-term debt	40,510	33,500
Total Liabilities	381,490	362,785
Stockholders' Equity		
Common stock, no par value; authorized 15,000,000 shares; issued 3,087,228 shares; outstanding 2018 3,056,843 shares; 2017 3,056,843 shares	4,337	4,337
Retained earnings	35,409	33,683
Accumulated other comprehensive loss	(3,138)	(342)
Treasury stock, at cost, 2018 30,385; 2017 30,385 shares	(373)	(373)
Total stockholders' equity	36,235	37,305
Total liabilities and stockholders' equity	\$ 417,725	\$ 400,090
BOOK VALUE PER SHARE	\$ 11.85	\$ 12.18

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

	Three Months Ended March 31,	
	2018	2017
Interest Income		
Loans receivable, including fees	\$ 2,017	\$ 1,772
Securities:		
Taxable	1,364	1,193
Tax-exempt	67	155
Total interest income	3,448	3,120
Interest expense		
Deposits	449	313
Borrowings	181	87
Total interest expense	630	400
Net interest income	2,818	2,720
Provision for Loan Losses	33	78
Net interest income after provision for loan losses	2,785	2,642
Other Income		
Service fees	362	368
Wealth management fees	153	170
Net realized gains on sales of securities	256	213
Income on insurance policies	58	59
Other	48	42
Total other income	877	852
Other Expenses		
Salaries and benefits	1,384	1,463
Occupancy and equipment	401	393
Director's fees	75	67
Professional fees	86	83
FDIC insurance and assessments	35	20
Data processing	203	164
Advertising	50	48
Pennsylvania bank shares tax	57	53
Other operating	485	433
Total other expenses	2,776	2,724
Income before income taxes	886	770
Income Tax Expense	145	162
Net income	\$ 741	\$ 608
Basic Earnings Per Share	\$ 0.24	\$ 0.20
Weighted Average Shares Outstanding	3,056,843	3,061,910

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