MUNCY BANK FINANCIAL, INC.
MUNCY, PENNSYLVANIA
For the quarters ending December 31, 2013 and December 31, 2012

CONSOLIDATED BALANCE SHEET

ASSETS:	December 31, 2013	December 31, 2012
Cash and due from banks	$ 6,081,350	$ 4,213,727
Federal funds sold	5,000,000	3,000,000
Total cash and cash equivalents	$ 11,081,350	$ 7,213,727
Interest bearing deposits with banks	15,113,886	15,088,990
Available for sale securities	47,127,119	41,755,347
Held-to-maturity securities	510	696
NET LOANS	$ 263,225,589	$ 243,111,353
Bank premises and equipment, net	5,932,523	5,504,187
Accrued interest receivable	1,114,730	987,404
Other real estate	189,905	253,487
Cash surrender value of life insurance	7,585,309	7,359,285
Other Assets	1,991,133	2,205,512
TOTAL ASSETS	$ 353,362,054	$ 323,479,988
LIABILITIES		
Interest bearing deposits	271,418,095	245,771,359
Noninterest bearing deposits	34,559,278	29,630,610
TOTAL DEPOSITS	$ 305,977,373	$ 275,401,969
Borrowed funds	8,606,595	11,277,600
Accrued interest payable	361,629	397,965
Other Liabilities	1,544,228	2,249,111
TOTAL LIABILITIES	$ 316,489,825	$ 289,326,645
SHAREHOLDERS EQUITY:		
Common stock, par value $.41 2/3per share; 3,626,684 shares authorized, 1,626,684 shares Issued	677,785	677,785
Additional paid in capital	3,115,923	2,801,778
Retained earnings	33,477,839	30,119,783
Accumulated other comprehensive (loss) income	(95,572)	1,031,664
TOTAL	$ 37,175,975	$ 34,631,010
Less treasury stock 70,968 shares as of December 2013 and 83,596 shares as of December 2012, at cost	303,746	477,667
Shareholders equity, net	36,872,229	34,153,343
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 353,362,054	$ 323,479,988

THIS INTERIM STATEMENT IS SUBJECT TO YEAR-END AUDIT ADJUSTMENTS

CONSOLIDATED STATEMENT OF INCOME

INTEREST INCOME:	December 31, 2013	December 31, 2012
Total Interest Income loans	$ 13,761,626	$ 13,978,973
Interest and dividends on investments	1,593,714	1,623,133
Interest on deposit accounts with banks	23,932	8,144
Interest on fed funds	8,309	4,029
TOTAL INTEREST INCOME	$ 15,387,581	$ 15,614,279
INTEREST EXPENSE:		
Interest expense deposits	2,328,711	2,378,576
Interest expense borrowings	82,927	111,884
TOTAL INTEREST EXPENSE	$ 2,411,638	$ 2,490,460
NET INTEREST INCOME	12,975,943	13,123,819
PROVISION FOR LOAN LOSSES	400,000	875,000
NET INCOME AFTER PROVISION FOR LOAN LOSSES	$ 12,575,943	$ 12,248,819
TOTAL OTHER OPERATING INCOME	$ 1,549,019	$ 1,581,871
TOTAL OTHER OPERATING EXPENSES	$ 7,939,277	$ 7,151,072
Income before provision for income taxes	6,185,685	6,679,618
PROVISION FOR INCOME TAXES	$ 1,584,567	$ 1,837,936
NET INCOME	$ 4,601,118	$ 4,841,682
NET INCOME PER SHARE	$ 2.96	$ 3.15
COMPONENTS OF OTHER COMPREHENSIVE INCOME:		
Unrealized holding losses on available-for-sale securities arising during the year	$ (1,714,379)	$ (10,682)
Reclassification adjustment for realized gain in net income	6446	585
Subtotal	(1,707,933)	(10,097)
Less tax effect	(580,697)	(3,433)
TOTAL	$ (1,127,236)	$ (6,664)

THIS INTERIM STATEMENT IS SUBJECT TO YEAR-END AUDIT ADJUSTMENTS

Dear Shareholders,

I am pleased to present the financial results for Muncy Bank Financial, Inc. for the 12 months ending December 31, 2013. We have continued to experience balance sheet growth as loans, deposits, assets and equity all continue to exceed our peer group averages.

Deposits have increased $30,575,404 or 11.10% ending 2013 at $305,977,373, loans have increased $20,114,236 or 8.27% and total $263,225,589, and assets increased $29,882,066 or 9.24% ending the year at $353,362,054.

Shareholders equity increased $2,718,886 or 7.96% to $36,872,229 as of December 31, 2013. As our equity increased, Muncy Bank Financial, Inc. has increased dividends 5.26% from $.76 per share in 2012, to $.80 per share in 2013.

Net income was $4,601,118 or $2.96 per share as of December 31, 2013. For comparison, net income was $4,841,682 or $3.15 per share, as of December 31, 2012, which was inflated in part due to a one-time nonrecurring income opportunity, which generated $240,000 in January 2012.

In November 2013, The Muncy Bank and Trust Company was named as one of the BEST BANKS TO WORK FOR in the nation according to American Banker magazine. The list includes all banks in the country with assets less than $3 billion. Muncy Bank was number eleven in the country, and just one of two banks represented from Pennsylvania.

In a difficult economic and regulatory environment, we continue to grow and expand our company. Our results continue to exceed peer group averages in both state and national comparisons and we believe we are well positioned for future success.

Thank you on behalf of our Officers, Directors and Employees for your continued support and confidence.

Respectfully,

Daniel C. Berninger
President & Chief Executive Officer

BOARD OF DIRECTORS

Todd M. Arthur, Richard H. Lloyd, Robert M. Rabb
Daniel C. Berninger, Harold E. Lowe, Bonnie M. Tompkins
J. Howard Langdon, Gary M. Peck, David E. Wallis

HONORARY DIRECTORS

Pauline R. Montgomery, James L. Muffly, Arlene R. Opp

MUNCY BANK FINANCIAL, INC. OFFICERS

Daniel C. Berninger, President & CEO
Craig W. Kremser, Senior Vice President
David Mayer, Sr. Vice President
Rhonda L. Gingery, Treasurer
Karen J. Brandis, Secretary
Michelle A. Rohrbach, Asst. Secretary

THE MUNCY BANK AND TRUST COMPANY OFFICERS

Daniel C. Berninger, President & CEO
Craig W. Kremser, Senior Vice President
David Mayer, Sr. Vice President/Sales Division Manager
Kathlene M. Bower, Sr. Vice President/Business Development
Margarethe Aderhold, Vice President/Trust Dept. Manager
Rhonda L. Gingery, Vice President/Cashier
Marcella A. Soverns, Vice President/Compliance Manager
Esther A. Houseknecht, Asst. VP/Senior Lending Officer
Doris E. Swartz, Asst. VP/Electronic Banking, Security
Brenda K. Bitler, Asst. VP/Finance Control Manager
Jason A. Fischer, Asst VP/Credit Analyst
Karen J. Brandis, Corporate Secretary/Human Resource Mgr
Janet D. Yerg, Community Office Manager
Krista R. Dyer, Community Office Manager
Susan E. Tollackson, Community Office Manager
Ruth L. Schneider, Community Office Manager
Kimberly A. Feigles, Community Office Manager
Kimberly A. Wetherhold, Asst. Community Office Admin.
Susan P. McConnell, Asst. Community Office Manager
Kathy K. Dincher, Asst. Community Office Manager
Diane L. Jordan, Asst Community Office Manager
Heath D. Heiss, Loan Collector
Beth A. Wolyniec, Loan Administration Supervisor
Steven N. Naylor, Registered Representative
Robert S. Helmrich, Jr., Registered Representative
Jo A. Langer, Muncy Head Teller
Candice A. Brown, Hughesville Head Teller
Molly K. Delany, Clarkstown Head Teller
Judith M. Houser, Montoursville Head Teller
Tricia C. Giazzon, Dewart Head Teller
Cheryl J. Frantz, Vault Teller

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Member F.D.I.C.

CONSOLIDATED STATEMENT AS OF December 31, 2013