

Dear Shareholders,

I am pleased to announce the financial results for Muncy Bank Financial, Inc for the six months ended June 30, 2014. Net income increased \$74,439 or 3.29% from the same period of 2013. Actual net earnings were \$2,334,688 or \$1.50 per share. For comparison, 2013 earnings were \$2,260,249 or \$1.46 per share.

Net loans grew 8.85% or \$21,896,136 and total \$269,249,230; deposits have increased 7.65% or \$22,821,011 and total \$321,151,523; and assets have increased 7.41% or \$25,494,434 and total \$369,730,609.

Shareholders equity increased 9.84% or \$3,478,913 to \$38,834,772. With this increase in equity, Muncy Bank Financial, Inc. has increased dividends 10% year-to-date from \$.40 per share in 2013 to \$.44 per share in 2014.

I am pleased to announce that Muncy Bank Financial, Inc. was recognized by *American Banker* magazine in the May 2014 issue as being ranked #24th in the "Top 200 Community Bank List" in the United States. This list includes all banks and thrifts with less than \$2 billion in assets as of December 31, 2013. This is the 5th consecutive year that the bank has been nationally recognized.

We are proud of the financial success we have achieved through the first half of 2014. We remain focused on continuing to grow, expand, and prosper not only in 2014, but also in the years ahead. On behalf of our officers, directors and employees, thank you 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
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
Krista R. Dyer, Community Office Manager
Ruth L. Schneider, Community Office Manager
Kimberly A. Feigles, Community Office Manager
Andrea R. Hulsizer, Community Office Manager
Kimberly A. Wetherhold, Asst. Community Office Admin.
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

OFFICES

MAIN OFFICE

Two North Main Street
PO Box 179
Muncy, PA 17756
Phone (570) 546-2211

HUGHESVILLE OFFICE

725 State Route 405
Hughesville, PA 17737
Phone (570) 584-5171

CLARKSTOWN OFFICE

Lowe's Plaza
2175 State Route 442
Clarkstown, PA 17756
Phone (570) 546-2226

MONTOURSVILLE OFFICE

900 Loyalsock Avenue
Montoursville, PA 17754
Phone (570) 368-1234

DEWART OFFICE

4880 State Route 44
Watsonstown, PA 17777
(570) 538-2200

MUNCY DRIVE-THROUGH

319 South Main St.
Muncy, PA 17756

www.muncybank.com

toll free (877) 243-8919

24 Hour Telephone Access Banking

(570) 546-9221 or toll free (877) 243-8916



**CONSOLIDATED
STATEMENT
AS OF
JUNE 30, 2014**

MUNCY BANK FINANCIAL, INC.
MUNCY, PENNSYLVANIA
For the quarters ending June 30, 2014 and June 30, 2013

CONSOLIDATED BALANCE SHEET

<u>ASSETS:</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash and due from banks	\$ 6,498,163	\$ 4,056,178
Federal funds sold	5,000,000	5,000,000
Total cash and cash equivalents	\$ 11,498,163	\$ 9,056,178
Interest bearing deposits with banks	22,615,026	26,780,273
Available for sale securities	48,921,751	43,100,505
Held-to-maturity securities	446	600
NET LOANS	\$ 269,249,230	\$ 247,353,094
Bank premises and equipment, net	6,186,886	6,933,925
Accrued interest receivable	1,093,037	1,077,801
Other real estate	197,655	1,145,512
Cash surrender value of life insurance	7,689,891	7,473,412
Other Assets	2,278,524	1,314,875
TOTAL ASSETS	\$ 369,730,609	\$ 344,236,175
<u>LIABILITIES</u>		
Interest bearing deposits	280,456,672	264,924,750
Noninterest bearing deposits	40,694,851	33,405,762
TOTAL DEPOSITS	\$ 321,151,523	\$ 298,330,512
Borrowed funds	7,156,201	7,834,964
Accrued interest payable	336,126	406,432
Other Liabilities	2,251,987	2,308,408
TOTAL LIABILITIES	\$ 330,895,837	\$ 308,880,316
<u>SHAREHOLDERS EQUITY:</u>		
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	3,306,109	3,048,832
Retained earnings	35,127,654	31,759,558
Accumulated other comprehensive (loss) income	263,951	242,551
TOTAL	\$ 39,375,499	\$ 35,728,726
Less treasury stock 72,231 shares as of June 2014 and 74,066 shares as of June 2013, at cost	540,727	372,867
Shareholders equity, net	38,834,772	35,355,859
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 369,730,609	\$ 344,236,175

THIS INTERIM STATEMENT IS SUBJECT TO YEAR-END AUDIT ADJUSTMENTS

CONSOLIDATED STATEMENT OF INCOME

<u>INTEREST INCOME:</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Total Interest Income loans	\$ 6,883,653	\$ 6,782,492
Interest and dividends on investments	836,335	776,085
Interest on deposit accounts with banks	13,840	10,227
Interest on fed funds	5,235	3,212
TOTAL INTEREST INCOME	\$ 7,739,063	\$ 7,572,016
<u>INTEREST EXPENSE:</u>		
Interest expense deposits	1,087,840	1,176,282
Interest expense borrowings	27,723	42,518
TOTAL INTEREST EXPENSE	\$ 1,115,563	\$ 1,218,800
NET INTEREST INCOME	6,623,500	6,353,216
PROVISION FOR LOAN LOSSES	150,000	250,000
NET INCOME AFTER PROVISION FOR LOAN LOSSES	\$ 6,473,500	\$ 6,103,216
TOTAL OTHER OPERATING INCOME	\$ 736,370	\$ 763,971
TOTAL OTHER OPERATING EXPENSES	\$ 4,039,361	\$ 3,852,689
Income before provision for income taxes	3,170,509	3,014,498
PROVISION FOR INCOME TAXES	\$835,821	\$ 754,249
NET INCOME	\$ 2,334,688	\$ 2,260,249
NET INCOME PER SHARE	\$ 1.50	\$ 1.46
<u>COMPONENTS OF OTHER COMPREHENSIVE INCOME:</u>		
Unrealized holding losses on available-for-sale securities arising during the year	\$ 363,388	\$ (1,189,206)
Reclassification adjustment for realized gain in net income	(3,865)	(6,420)
Subtotal	359,523	(1,195,626)
TOTAL COMPREHENSIVE INCOME	\$ 2,694,211	\$ 1,064,623

THIS INTERIM STATEMENT IS SUBJECT TO YEAR-END AUDIT ADJUSTMENTS