

**MUNCY BANK FINANCIAL, INC.**

MUNCY, PENNSYLVANIA

For the quarters ending December 31, 2009 and December 31, 2008

**CONSOLIDATED BALANCE SHEET**

<u>ASSETS:</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Cash and Due From Banks	\$3,049,098	\$3,029,278
Federal Funds Sold	0	0
<b>Total Cash and Cash Equivalents</b>	<u>\$3,049,098</u>	<u>\$3,029,278</u>
Interest Bearing Deposits with Banks	14,530,257	15,576
Investment Securities Available For Sale	30,590,795	34,437,355
Investment Securities Held to Maturity	1,746	2,460
<b>Total Investments</b>	<u>\$45,122,798</u>	<u>\$34,455,391</u>
Loans, Net of Unearned Income	199,747,795	175,595,531
Allowance for Loan Losses	<u>(2,308,838)</u>	<u>(1,993,232)</u>
<b>Net Loans</b>	<u>\$197,438,957</u>	<u>\$173,602,299</u>
Bank Premises and Equipment, Net	6,152,381	4,898,034
Accrued Interest Receivable	911,661	887,508
Other Assets	<u>6,509,562</u>	<u>5,145,383</u>
<b>TOTAL ASSETS</b>	<u><u>\$259,184,457</u></u>	<u><u>\$222,017,893</u></u>
 <u>LIABILITIES:</u>		
Interest Bearing Deposits	\$198,547,320	\$163,952,763
Noninterest Bearing Deposits	<u>18,977,493</u>	<u>18,221,386</u>
<b>TOTAL DEPOSITS</b>	<u>\$217,524,813</u>	<u>\$182,174,149</u>
Repurchase Agreements	6,206,695	1,806,322
Other Borrowings	10,698,959	14,880,500
Other Liabilities	<u>1,729,664</u>	<u>1,772,501</u>
<b>TOTAL LIABILITIES</b>	<u>\$236,160,131</u>	<u>\$200,633,472</u>
 <u>SHAREHOLDERS EQUITY:</u>		
Common Stock, Par Value \$.831/3; 1,813,342 Shares Authorized; 813,342 Shares Issued and Outstanding	\$677,785	\$677,785
Additional Paid in Capital	2,451,331	2,462,745
Retained Earnings	20,986,931	19,519,199
Net Unrealized Gain (Loss) on Available For Sale Securities	180,538	228,431
<b>TOTAL</b>	<u>\$24,296,585</u>	<u>\$22,888,160</u>
Less Treasury Stock - 65864 Shares as of December 2009 and 73,596 Shares as of December 31, 2008 at cost	<u>(1,272,259)</u>	<u>(1,503,739)</u>
<b>Total Shareholders Equity Net</b>	<u>23,024,326</u>	<u>21,384,421</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>\$259,184,457</u></u>	<u><u>\$222,017,893</u></u>

THIS INTERIM STATEMENT IS SUBJECT TO YEAR-END AUDIT ADJUSTMENTS

**CONSOLIDATED STATEMENT OF INCOME**

<u>INTEREST INCOME:</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Interest and Fees on Loans	\$11,848,262	\$11,228,101
Interest and Dividends on Investments:		
Taxable	376,802	589,890
Exempt from Federal Income Taxes	822,564	703,435
Interest on Deposits with Banks	1,922	17,198
Interest on Federal Funds Sold	<u>0</u>	<u>0</u>
<b>TOTAL INTEREST INCOME</b>	<u>\$13,049,550</u>	<u>\$12,538,624</u>
 <u>INTEREST EXPENSE:</u>		
Interest on Deposits	\$4,335,977	\$4,699,795
Interest on Short Term Borrowings	31,872	202,318
Interest on Other Borrowings	<u>400,930</u>	<u>392,881</u>
<b>TOTAL INTEREST EXPENSE</b>	<u>\$4,768,779</u>	<u>\$5,294,994</u>
<b>INTEREST INCOME, NET</b>	<u>8,280,771</u>	<u>7,243,630</u>
<b>Provision for Possible Losses</b>	(550,000)	(570,000)
<b>NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES</b>	<u>\$7,730,771</u>	<u>\$6,673,630</u>
 <u>OTHER OPERATING INCOME:</u>		
Trust Department Income	\$120,000	\$118,500
Service Charges on Deposit Accounts	436,151	457,025
Other Service Charges and Fees	360,068	313,282
Securities Gains	9,569	16,486
Other Income	494,115	668,393
<b>TOTAL OTHER OPERATING INCOME</b>	<u>\$1,419,903</u>	<u>\$1,573,686</u>
 <u>OTHER OPERATING EXPENSES:</u>		
Salaries and Employee Benefits	\$3,438,331	\$3,199,430
Occupancy Expense, Net	377,179	331,459
Furniture and Equipment Expense	205,853	175,737
Other Expenses	1,843,511	1,604,326
<b>TOTAL OTHER OPERATING EXPENSES</b>	<u>\$5,864,874</u>	<u>\$5,310,952</u>
Income Before Provision for Income Taxes	\$3,285,800	\$2,936,364
Provision for Income Taxes	<u>(735,016)</u>	<u>(630,505)</u>
<b>Net Income</b>	<u><u>\$2,550,784</u></u>	<u><u>\$2,305,859</u></u>
 <b>NET INCOME PER SHARE</b>	<u>\$3.41</u>	<u>\$3.09</u>

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**December 31, 2009December 31, 2008**OTHER COMPREHENSIVE INCOME NET OF TAX**

Unrealized Gains/(Losses) on Securities	(47,894)	201,413
Reclassification Adjustment	6,315	10,881
Other Comprehensive Income	<u>(41,579)</u>	<u>212,294</u>
<b>COMPREHENSIVE INCOME</b>	<b><u>\$2,509,205</u></b>	<b><u>\$2,518,153</u></b>

**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

**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  
Dewart, Pa 17730  
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

**MUNCY BANK FINANCIAL, INC. OFFICERS**

Daniel C. Berninger, President & CEO  
Craig W. Kremser, Senior Vice President  
David Mayer, Senior Vice President  
Rhonda L. Gingery, Treasurer  
Karen J. Brandis, 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  
Margarethe Aderhold, Vice President, Trust Dept. Manager  
Kathlene M. Bower, Vice President, Business Development  
Rhonda L. Gingery, Vice President, Cashier  
Esther A. Houseknecht, Asst. V. P., Senior Lending Officer  
Doris E. Swartz, Asst. VP, Electronic Banking, Security  
Karen J. Brandis, Corporate Secretary, Human Resource Mgr  
Brenda K. Bitler, Finance Control Manager  
Marcella A. Soverns, Compliance Officer  
Janet D. Schultz, Community Office Manager  
Kay B. Bussler, Community Office Manager  
Susan E. Tollackson, Community Office Manager  
Ruth L. Schneider, Community Office Manager  
Krista R. Dyer, Community Office Manager  
Linda L. Reeser, Collections Manager  
Susan P. McConnell, Asst. Community Office Manager  
Kimberly A. Feigles, Asst. Community Office Manager  
Heath D. Heiss, Asst. Community Office Manager  
Beth W. Schultz, Customer Service Officer  
Kathy K. Dincher, Customer Service Officer  
Phyllis R. Girven, Trust Operations Manager  
Steven N. Naylor, Registered Representative  
Robert S. Helmrich, Jr., Registered Representative  
Jo A. Langer, Muncy Head Teller  
Lisa R. Henninger, Hughesville Head Teller  
Molly K. Delany, Clarkstown Head Teller  
Nicole R. Stepp, Montoursville Head Teller  
Randi K. Fogleman, Dewart Head Teller  
Michele L. Leidhecker, Vault Teller

**FULL TIME****EMPLOYEES**

Pamela D. Aderhold  
Deborah L. Akers  
Barbara J. Applegate  
Jacquelyn J. Blair  
Candice A. Brown  
Holly A. Clayton  
Beth A. Cooley  
D'Aracy D. Erb  
Cheryl J. Frantz  
Jamie A. Fry  
Andrea R. Hulsizer  
Diane L. Jordan  
Sheila K. Karschner  
Susan M. Keller  
Betsy J. Lepley  
Sandra E. Little  
Jamie M. Livermore  
Jane A. Miller  
Kirsten C. Minier  
Alicia M. Naugle  
Tammy J. Pennycoff  
Kathy A. Stauffer  
Luke G. Temple  
Vanessa L. VanKirk  
Kimberly A. Wetherhold

**PART TIME****EMPLOYEES**

Linda S. Barto  
Janice C. Baumer  
Pamela J. Borek  
Helen B. Bowers  
Glenda E. Burgess  
Stephanie G. Carpenter  
Erin D. Confer  
Dorcas L. Fisher  
Jessica A. Johnson  
Michele R Keith  
Connie J. Kessler  
Danielle L. Magaro  
Krystle L. Pearson  
Michelle A. Rohrbach  
Tanya M. Sheets  
Ann E. Spega  
Tonia A. Stutzman  
Katie B. Ulrich  
Jennifer E. Walter  
Michael J. Wallis



Member F.D.I.C.

**CONSOLIDATED  
STATEMENT  
AS OF  
December 31, 2009**