Dear Shareholders,

I am pleased to announce the financial results for Muncy Bank Financial, Inc for the three months ending March 31, 2014. Net income increased $49,073 or 4.23% from the same period of 2013. Actual net earnings were $1,208,086 or $.78 per share. For comparison, 2013 earnings were $1,159,013 or $.75 per share.

Return on average assets (ROAA) and return on Average Equity (ROAE) were 1.48% and 15.31% for the three months ended March 31, 2014.

Deposits increased $28,981,670 or 10.04% and total $317,683,883, loans have increased $23,213,409 or 9.62%, and total $264,444,320; assets have increased $27,848,551 or 8.25%, and total $365,215,244 as of March 31, 2014.

Shareholders equity increased 11.27% or $3,848,124 and total $38,001,467 as of March 31, 2014. With this increase in equity, Muncy Bank Financial, Inc increased dividends 10% from $.20 per share in March of 2103 to $.22 per share in March 2014.

The first three months of 2014 have been very successful for Muncy Bank Financial, Inc. We continue to outperform industry standards, while we continue to experience solid balance sheet growth.

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
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
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
Watsontown, 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

MUNCY BANK FINANCIAL INC.

Member F.D.I.C.

CONSOLIDATED STATEMENT AS OF March 31, 2014

MUNCY BANK FINANCIAL, INC.
MUNCY, PENNSYLVANIA
For the quarters ending March 31, 2014 and March 31, 2013

CONSOLIDATED BALANCE SHEET

ASSETS:	March 31, 2014	March 31, 2013
Cash and due from banks	$ 4,985,798	$ 3,375,505
Federal funds sold	5,000,000	3,000,000
Total cash and cash equivalents	$ 9,985,798	$ 6,375,505
Interest bearing deposits with banks	25,975,505	29,671,254
Available for sale securities	47,723,088	42,824,067
Held-to-maturity securities	479	644
NET LOANS	$ 264,444,320	$ 241,230,911
Bank premises and equipment, net	6,012,768	6,196,448
Accrued interest receivable	1,079,241	1,093,708
Other real estate	211,765	528,026
Cash surrender value of life insurance	7,637,582	7,415,712
Other Assets	2,144,698	2,030,418
TOTAL ASSETS	$ 365,215,244	$ 337,366,693
LIABILITIES		
Interest bearing deposits	278,515,499	257,252,891
Noninterest bearing deposits	39,168,384	31,449,322
TOTAL DEPOSITS	$ 317,683,883	$ 288,702,213
Borrowed funds	6,762,706	10,712,864
Accrued interest payable	356,935	395,547
Other Liabilities	2,410,253	3,402,726
TOTAL LIABILITIES	$ 327,213,777	$ 303,213,350
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	3,254,157	2,801,778
Retained earnings	34,343,230	30,119,783
Accumulated other comprehensive (loss) income	101,784	1,031,664
TOTAL	$ 38,376,956	$ 34,631,010
Less treasury stock 68,960 shares as of March 2014 and 77,068 shares as of March 2013, at cost	375,489	477,667
Shareholders equity, net	38,001,467	34,153,343
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 365,215,244	$ 337,366,693

THIS INTERIM STATEMENT IS SUBJECT TO YEAR-END AUDIT ADJUSTMENTS

CONSOLIDATED STATEMENT OF INCOME

INTEREST INCOME:	March 31, 2014	March 31, 2013
Total Interest Income loans	$ 3,415,989	$ 3,390,225
Interest and dividends on investments	417,249	388,070
Interest on deposit accounts with banks	6,583	3,369
Interest on fed funds	1,715	1,473
TOTAL INTEREST INCOME	$ 3,841,536	$ 3,783,137
INTEREST EXPENSE:		
Interest expense deposits	546,241	588,168
Interest expense borrowings	13,948	21,696
TOTAL INTEREST EXPENSE	$ 560,189	$ 609,864
NET INTEREST INCOME	3,281,347	3,173,273
PROVISION FOR LOAN LOSSES	75,000	150,000
NET INCOME AFTER PROVISION FOR LOAN LOSSES	$ 3,206,347	$ 3,023,273
TOTAL OTHER OPERATING INCOME	$ 381,919	$ 388,119
TOTAL OTHER OPERATING EXPENSES	$ 1,990,834	$ 1,858,908
Income before provision for income taxes	1,597,432	1,552,484
PROVISION FOR INCOME TAXES	$ 389,346	$ 393,471
NET INCOME	$ 1,208,086	$ 1,159,013
NET INCOME PER SHARE	$ 0.78	$ 0.75
COMPONENTS OF OTHER COMPREHENSIVE INCOME:		
Unrealized holding losses on available-for-sale securities arising during the year	$ 198,732	$ (184,249)
Reclassification adjustment for realized gain in net income	(1,376)	(6,420)
Other comprehensive income, net	197,356	(190,669)
TOTAL COMPREHENSIVE	$ 1,405,442	$ 968,344

THIS INTERIM STATEMENT IS SUBJECT TO YEAR-END AUDIT ADJUSTMENTS