MUNCY BANK FINANCIAL, INC.

MUNCY, PENNSYLVANIA
For the quarters ending September 30, 2011 and September 30, 2010

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME

| ASSETS: | <u>September 30, 2011</u> | <u>September 30, 2010</u> | INTEREST INCOME: | <u>September 30, 2011</u> | <u>September 30, 2010</u> |
|---|---------------------------|---------------------------|--|----------------------------|---------------------------|
| Cash and Due From Banks | \$3,917,585 | \$3,182,763 | Interest and Fees on Loans | \$10,062,723 | \$9,478,079 |
| Federal Funds Sold | 3,000,000 | 3,000,000 | Interest and Dividends on Investments: | | |
| Total Cash and Cash Equivalents | \$6,917,585 | \$6,182,763 | Taxable | 298,041 | 213,609 |
| Interest Bearing Deposits with Banks | 4,750,702 | 9,379,844 | Exempt from Federal Income Taxes | 790,768 | 622,458 |
| Investment Securities Available For Sale | 44,928,891 | 37,451,840 | Interest on Deposits with Banks | 2,992 | 8,140 |
| Investment Securities Held to Maturity | 1,015 | 1,270 | Interest on Federal Funds Sold | 4,361 | 1,679 |
| Total Investments | \$49,680,608 | \$46,832,954 | | | |
| Loans, Net of Unearned Income | 227,406,362 | 213,920,570 | TOTAL INTEREST INCOME | \$11,158,885 | \$10,323,965 |
| Allowance for Loan Losses | (3,280,456) | (2,645,052) | | | |
| | | <u>-</u> | INTEREST EXPENSE: | | |
| Net Loans | \$224,125,906 | \$211,275,518 | | | |
| | | | Interest on Deposits | \$2,141,313 | \$2,799,092 |
| Bank Premises and Equipment, Net | 5,641,720 | 5,954,769 | Interest on Short Term Borrowings | 34,949 | 32,148 |
| Accrued Interest Receivable | 1,101,046 | 1,040,284 | Interest on Other Borrowings | 93,208 | 268,871 |
| Other Assets | 10,220,799 | 7,094,567 | • | | |
| | | | TOTAL INTEREST EXPENSE | \$2,269,470 | \$3,100,111 |
| TOTAL ASSETS | \$297,687,664 | \$278,380,855 | INTEREST INCOME, NET | 8,889,415 | 7,223,854 |
| | | | Provision for Possible Losses | (500,000) | (415,109) |
| | | | NET INTEREST INCOME AFTER PROVISION | , , | , |
| LIABILITIES: | | | FOR POSSIBLE LOAN LOSSES | \$8,389,415 | \$6,808,745 |
| Interest Bearing Deposits | \$225,377,832 | \$212,109,858 | | | |
| Noninterest Bearing Deposits | 28,854,875 | 24,284,429 | OTHER OPERATING INCOME: | | |
| TOTAL DEPOSITS | \$254,232,707 | \$236,394,287 | Trust Department Income | \$83,000 | \$88,000 |
| | Ψ=0 :,=0=,: 0: | Ψ=30,00 1,=0. | Service Charges on Deposit Accounts | 292,095 | 294,693 |
| Repurchase Agreements | 4,554,405 | 4,010,769 | Other Service Charges and Fees | 434,653 | 336,411 |
| Other Borrowings | 6,646,012 | 10,447,736 | Securities Gains | (2,402) | 6,952 |
| Other Liabilities | 2,778,076 | 2,218,804 | Other Income | 552,583 | 453,282 |
| Other Elabilities | 2,110,010 | 2,210,001 | TOTAL OTHER OPERATING INCOME | \$1,359,929 | \$1,179,338 |
| TOTAL LIABILITIES | \$268,211,200 | \$253,071,596 | TOTAL OTTILIK OF LIKKING INCOME | \$1,000,020 | Ψ1,170,000 |
| | ΨΕΘΟ,Ε11,ΕΘΟ | Ψ200,07 1,000 | OTHER OPERATING EXPENSES: | | |
| SHAREHOLDERS EQUITY: | | | Salaries and Employee Benefits | \$3,034,026 | \$2,823,627 |
| Common Stock, Par Value \$.831/3; 1,813,342 Shares | | | Occupancy Expense, Net | 338,907 | 329,640 |
| Authorized; 813,342 Shares Issued and Outstanding | \$677,785 | \$677,785 | Furniture and Equipment Expense | 185,917 | 168,194 |
| Additional Paid in Capital | 2,527,468 | 2,456,619 | Other Expenses | 1,437,320 | 1,437,056 |
| Retained Earnings | 26,154,576 | 22,854,554 | TOTAL OTHER OPERATING EXPENSES | \$4,996,170 | \$4,758,517 |
| Net Unrealized Gain (Loss) on Available For Sale Securities | 960,301 | 445,435 | TOTAL OTHER OF ERVIRED EXICENSES | Ψ1,000,110 | Ψ 1,1 σσ,σ 11 |
| TOTAL | \$30,320,130 | \$26,434,393 | Income Before Provision for Income Taxes | \$4,753,174 | \$3,229,566 |
| Less Treasury Stock 52,682 Shares as of September 2011 | ψ30,020,100 | Ψ20,707,000 | Provision for Income Taxes | (1,003,937) | (686,798) |
| and 61,302 Shares as of September 2010 at cost | (843,666) | (1,125,134) | 1 TOMOROTI TOT TROOTING T GARGO | (1,000,007) | (000,100) |
| and or, ooz onates as of ooptomber 2010 at cost | <u></u> | (1,120,104) | Net Income | \$3,749,237 | \$2,542,768 |
| Total Shareholders Equity Net | 29,476,464 | 25,309,259 | | | <u> </u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$297,687,664 | \$278,380,855 | NET INCOME PER SHARE | \$4.93 CONTINUED | \$3.38 CONTINUED |
| | +-01,001,001 | +=. 5,000,000 | | 00.11.11.025 | 30.11.11.02.0 |

THIS INTERIM STATEMENT IS SUBJECT TO YEAR-END AUDIT ADJUSTMENTS

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| CONSOLIDATED STATEMENT OF | | |
|---|--------------------|--------------------|
| COMPREHENSIVE INCOME | September 30, 2011 | September 30, 2010 |
| | \$40,816 | \$40,451 |
| OTHER COMPREHENSIVE INCOME NET OF TAX | | |
| Unrealized Gains/(Losses) on Securities | 693,255 | 217,003 |
| Reclassification Adjustment | (1,585) | 4,588 |
| Other Comprehensive Income | 691,670 | 221,591 |
| COMPREHENSIVE INCOME | \$4,440,907 | \$2,764,359 |

BOARD OF DIRECTORS

HONORARY DIRECTORS

Todd M. ArthurRichard H. LloydRobert M. RabbPauline R. MontgomeryDaniel C. BerningerHarold E. LoweBonnie M. TompkinsJames L. MufflyJ. Howard LangdonGary M. PeckDavid E. WallisArlene R. Opp

MUNCY BANK FINANCIAL, INC. OFFICERS

Daniel C. Berninger, President & CEO Rhonda L. Gingery, Treasurer Craig W. Kremser, Senior Vice President Karen J. Brandis, Secretary

David Mayer, Senior Vice President Kimberly A. Wetherhold, Asst. Secretary

Dear Shareholders,

I am pleased to announce the financial results for Muncy Bank Financial, Inc for the nine months ended September 30, 2011. Net income increased to \$3,749,237, compared to \$2,542,768 for the same period of 2010. Operating earnings per share for the nine months ended September 30, 2011 were \$4.93 per share compared to \$3.38 per share for the same period of 2010, or an increase of 45.9%.

Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were 1.73% and 19.44% for the nine months ended September 30, 2011 compared to 1.27% and 14.78% for the same period of 2010.

Our net interest margin for the nine months ended September 30, 2011 was 4.39% compared to 3.84% for the corresponding period of 2010.

Assets have increased \$19,306,809 or 6.93% totaling \$297,687,664, loans have increased 6.08% or \$12,850,388 and total \$224,125,906, and deposits have increased \$17,838,420 or 7.54% and total \$254,232,707 as of September 30, 2011.

Shareholders equity increased 16.46% or \$4,167,205 to \$29,476,464 at September 30, 2011 from \$25,309,259 on September 30, 2010.

The first nine months of 2011 have been very successful for Muncy Bank Financial, Inc. It is my belief that this success will carry forward not only for the remaining months of 2011, but also in the years to come. At a time when so many financial institutions are struggling in this difficult economic environment, we continue to outperform the industry standards.

I thank you, our shareholders, for your continued support and confidence.

Respectfully,

Daniel C. Berninger
President & Chief Executive Officer

OFFICES

MAIN OFFICE

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HUGHESVILLE OFFICE

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CLARKSTOWN OFFICE

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DEWART OFFICE

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MUNCY DRIVE-THROUGH

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Member F.D.I.C.

CONSOLIDATED STATEMENT AS OF September 30, 2011