**MUNCY BANK FINANCIAL, INC.**
MUNCY, PENNSYLVANIA
For the quarters ending June 30, 2011 and June 30, 2010

## CONSOLIDATED BALANCE SHEET

| **ASSETS:** | June 30, 2011 | June 30, 2010 |
|---|---|---|
| Cash and Due From Banks | $4,038,755 | $2,977,342 |
| Federal Funds Sold | 3,000,000 | 0 |
| **Total Cash and Cash Equivalents** | $7,038,755 | $2,977,342 |
| Interest Bearing Deposits with Banks | 8,404 | 18,637,387 |
| Investment Securities Available For Sale | 46,687,055 | 32,877,990 |
| Investment Securities Held to Maturity | 1,066 | 1,351 |
| **Total Investments** | $46,696,525 | $51,516,728 |
| Loans, Net of Unearned Income | 226,354,307 | 206,242,118 |
| Allowance for Loan Losses | (3,120,311) | (2,530,006) |
| **Net Loans** | $223,233,996 | $203,712,112 |
| Bank Premises and Equipment, Net | 5,449,018 | 6,055,898 |
| Accrued Interest Receivable | 1,136,167 | 936,763 |
| Other Assets | 9,712,039 | 7,045,240 |
| **TOTAL ASSETS** | $293,266,500 | $272,244,083 |
| **LIABILITIES:** | | |
| Interest Bearing Deposits | $221,868,554 | $211,063,331 |
| Noninterest Bearing Deposits | 26,414,763 | 20,145,023 |
| **TOTAL DEPOSITS** | $248,283,317 | $231,208,354 |
| Repurchase Agreements | 3,209,702 | 4,173,850 |
| Other Borrowings | 11,581,453 | 10,448,150 |
| Other Liabilities | 2,313,013 | 2,107,493 |
| **TOTAL LIABILITIES** | $265,387,485 | $247,937,847 |
| **SHAREHOLDERS EQUITY:** | | |
| Common Stock, Par Value $.83 1/3; 1,813,342 Shares Authorized; 813,342 Shares Issued and Outstanding | $677,785 | $677,785 |
| Additional Paid in Capital | 2,511,449 | 2,443,729 |
| Retained Earnings | 25,058,517 | 22,166,914 |
| Net Unrealized Gain (Loss) on Available For Sale Securities | 537,433 | 192,176 |
| **TOTAL** | $28,785,184 | $25,480,604 |
| Less Treasury Stock - 54,512 Shares as of June 30, 2011 and 63,145 Shares as of June 30, 2010 at cost | (906,169) | (1,174,368) |
| **Total Shareholders Equity Net** | 27,879,015 | 24,306,236 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $293,266,500 | $272,244,083 |

**THIS INTERIM STATEMENT IS SUBJECT TO YEAR-END AUDIT ADJUSTMENTS**

## CONSOLIDATED STATEMENT OF INCOME

| **INTEREST INCOME:** | June 30, 2011 | June 30, 2010 |
|---|---|---|
| Interest and Fees on Loans | $6,611,259 | $6,205,308 |
| Interest and Dividends on Investments: | | |
| Taxable | 204,289 | 154,385 |
| Exempt from Federal Income Taxes | 525,623 | 397,735 |
| Interest on Deposits with Banks | 2,006 | 5,310 |
| Interest on Federal Funds Sold | 3,415 | 0 |
| **TOTAL INTEREST INCOME** | $7,346,592 | $6,762,738 |
| **INTEREST EXPENSE:** | | |
| Interest on Deposits | $1,470,897 | $1,912,677 |
| Interest on Short Term Borrowings | 21,720 | 22,288 |
| Interest on Other Borrowings | 68,180 | 179,332 |
| **TOTAL INTEREST EXPENSE** | $1,560,797 | $2,114,297 |
| **INTEREST INCOME, NET** | 5,785,795 | 4,648,441 |
| **Provision for Possible Losses** | (300,000) | (265,109) |
| **NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES** | $5,485,795 | $4,383,332 |
| **OTHER OPERATING INCOME:** | | |
| Trust Department Income | $53,000 | $58,000 |
| Service Charges on Deposit Accounts | 190,228 | 201,598 |
| Other Service Charges and Fees | 281,005 | 206,175 |
| Securities Gains | (2,882) | 3,393 |
| Other Income | 340,267 | 301,949 |
| **TOTAL OTHER OPERATING INCOME** | $861,618 | $771,115 |
| **OTHER OPERATING EXPENSES:** | | |
| Salaries and Employee Benefits | $2,044,807 | $1,803,486 |
| Occupancy Expense, Net | 227,938 | 220,165 |
| Furniture and Equipment Expense | 123,090 | 109,881 |
| Other Expenses | 912,367 | 923,839 |
| **TOTAL OTHER OPERATING EXPENSES** | $3,308,202 | $3,057,371 |
| Income Before Provision for Income Taxes | $3,039,211 | $2,097,076 |
| Provision for Income Taxes | (644,657) | (466,911) |
| **Net Income** | $2,394,554 | $1,630,165 |
| **NET INCOME PER SHARE** | $3.16 | $2.17 |
| | **CONTINUED** | **CONTINUED** |

**THIS INTERIM STATEMENT IS SUBJECT TO YEAR-END AUDIT ADJUSTMENTS**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| | June 30, 2011 | June 30, 2010 |
|---|---|---|
| **OTHER COMPREHENSIVE INCOME NET OF TAX** | | |
| Unrealized Gains/(Losses) on Securities | 414,163 | 11,638 |
| Reclassification Adjustment | (1,902) | 2,239 |
| Other Comprehensive Income | 412,261 | 13,877 |
| **COMPREHENSIVE INCOME** | $2,806,815 | $1,644,042 |


**BOARD OF DIRECTORS**

Todd M. Arthur
Daniel C. Berninger
J. Howard Langdon
Richard H. Lloyd
Harold E. Lowe
Gary M. Peck
Robert M. Rabb
Bonnie M. Tompkins
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, Senior Vice President
Rhonda L. Gingery, Treasurer
Karen J. Brandis, Secretary
Kimberly A. Wetherhold, 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
Karen J. Brandis, Corporate Secretary/Human Resource Mgr
Janet D. Schultz, 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
Linda L. Reeser, Collections Manager
Susan P. McConnell, Asst. Community Office Manager
Kathy K. Dincher, Asst. Community Office Manager
Heath D. Heiss, Customer Service Officer
Beth A. Wolyniec, Customer Service Officer
Steven N. Naylor, Registered Representative
Robert S. Helmrich, Jr., Registered Representative
Jason A. Fischer, Credit Analyst
Jo A. Langer, Muncy Head Teller
Candice A. Brown, Hughesville Head Teller
Molly K. Delany, Clarkstown Head Teller
Tammy J. Pennycoff, Montoursville Head Teller
Randi K. Snyder, Dewart Head Teller
Cheryl J. Frantz, Vault Teller

**FULL TIME EMPLOYEES**

Pamela D. Aderhold
Deborah L. Akers
Barbara J. Applegate
Holly A. Clayton
Beth A. Cooley
D'Aracy D. Erb
Dorcas L. Fisher
Jamie A. Fry
Andrea R. Hulsizer
Diane L. Jordan
Sheila K. Karschner
Susan M. Keller
Michele L. Leidhecker
Betsy J. Lepley
Sandra E. Little
Jamie M. Livermore
Jane A. Miller
Kirsten C. Minier
Alicia M. Naugle
Michelle A. Rohrbach
Kathy A. Stauffer
Nicole R. Stepp
Luke G. Temple
Katie B. Ulrich
Vanessa L. VanKirk
Kimberly A. Wetherhold

**PART TIME EMPLOYEES**

Pamela J. Borek
Helen B. Bowers
Glenda E. Burgess
Stephanie G. Carpenter
Erin D. Confer
Cheryl E. Good
Mary M. Hoffman
Judith M. Houser
Michele R. Keith
Connie J. Kessler
Danielle L. Magaro
Brett A. O'Conner
Debra L. Page
Michelle A. Paisley
Karen E. Shoemaker
Lori A. Snyder
Ann E. Spega
Tonia A. Stutzman


## 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.

**Member F.D.I.C.**

**CONSOLIDATED STATEMENT AS OF June 30, 2011**