

**Letter From The President
Dear Shareholder:**

We are pleased to present to you the financial condition of Mifflinburg Bancorp, Inc. and its subsidiaries through September 30, 2016.

Net income, as reported for the nine months ended September 30, 2016 was \$3,233,000 compared to \$3,065,000 for the same period in 2015, a 5.5% increase. Earnings per share were \$3.27 compared to \$3.10 during the same period in 2015. Return on average assets and return on average equity were 1.10% and 10.00% for the nine months ended September 30, 2016 compared to 1.08% and 10.06% for the corresponding period of 2015.

Net interest income for the nine months ended September 30, 2016 was \$8,748,000 compared to \$8,526,000 for the same period in 2015, a 2.6% increase. Net interest margin decreased slightly from 3.20% to 3.16% for the corresponding periods of 2015 & 2016. The decrease in the net interest margin resulted from a decrease in yield on earning assets and slight increase in cost of funds. Yield on earning assets decreased from 3.77% as of September 30, 2015 to 3.74% as of September 30, 2016. Cost of funds increased from 0.72% as of September 2015 to 0.75% as of September 30, 2016. The increase in total net interest income is the result of the significant increase in the size of the balance sheet.

The provision for loan losses was funded \$275,000 year to date. The allowance for loan loss currently stands at 1.37% of gross loans as of September 30, 2016, compared to 1.36% of gross loans as of September 30, 2015.

Total non-operating income increased 4.6% over the prior year primarily as result of increases in investment product sales and other sources of income, offset by decreases in security gains and services charges on deposit accounts. Total non-interest expense increased 2.5% over the prior year.

Total assets increased to \$414 million as of September 30, 2016 from \$381 million as of September 30, 2015, an increase of \$33 million, or 8.8%. The increase in total assets is the result of an increase in total loans of \$14 million, or 5.3% and an increase of securities available for sale of \$8 million, or 12.1%. To fund the loan and security growth, deposits increased \$30 million, or 10.1%.

Our financial performance through three quarters is on target with our plan. We continue to focus on community banking, customer relationships and honest, reliable service. We are committed to being our community's trusted financial resource while working together as a team and taking pride in Mifflinburg Bank and Trust.

Sincerely,



Jeffrey J. Kapsar
President and CEO

**Mifflinburg Bancorp, Inc. & Subsidiary
Consolidated Balance Sheet
(unaudited)**

(In Thousands, Except Per Share Data)	September 30,	
	2016	2015
ASSETS		
Cash and due from banks	\$ 16,067	\$ 5,501
Federal funds sold	<u>1,754</u>	<u>1,308</u>
Total cash and cash equivalents	<u>17,821</u>	<u>6,809</u>
Interest-bearing deposits in banks	19,744	19,432
Securities available for sale	75,155	67,020
Loans held for sale	396	233
Loans	284,335	270,069
Allowance for loan losses	<u>(3,895)</u>	<u>(3,670)</u>
Loans, net	<u>280,440</u>	<u>266,399</u>
Premises and equipment	7,347	7,137
Accrued interest receivable	1,486	1,652
Cash surrender value of life insurance	9,908	10,073
Other real estate owned	20	-
Deferred income taxes	1,212	1,186
Other assets	<u>755</u>	<u>859</u>
TOTAL ASSETS	<u>\$414,284</u>	<u>\$380,800</u>
LIABILITIES		
Noninterest-bearing deposits	\$ 48,255	\$ 44,759
Interest bearing deposits	<u>276,820</u>	<u>250,455</u>
Total deposits	<u>325,075</u>	<u>295,214</u>
Securities sold under agreement to repurchase	6,066	6,206
Federal funds purchased	-	-
Short term borrowings	5,208	6,000
Federal Home Loan Bank advances	29,337	28,026
Accrued interest payable	399	372
Other liabilities	<u>4,296</u>	<u>3,529</u>
Total Liabilities	<u>370,381</u>	<u>339,347</u>
SHAREHOLDERS' EQUITY		
Common stock, par value \$1.00;		
Authorized 5,000,000 shares;		
Issued 1,080,000 shares; outstanding	1,080	1,080
Capital surplus	2,726	2,711
Retained earnings	43,167	40,913
Accumulated other comprehensive income	864	478
Less: Treasury Stock at cost, 94,467 and 91,358 shares	<u>(3,934)</u>	<u>(3,729)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>43,903</u>	<u>41,453</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$414,284</u>	<u>\$380,800</u>

PERFORMANCE RATIOS:

Return on average assets	<u>1.10%</u>	<u>1.08%</u>
Return on average shareholders' equity	<u>10.00%</u>	<u>10.06%</u>

**Mifflinburg Bancorp, Inc. & Subsidiary
Consolidated Statements of Income
(unaudited)**

(In Thousands, Except Per Share Data)	For The Nine Months Ended September 30,	
	2016	2015
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	\$ 9,056	\$ 8,566
Interest-bearing deposits in bank	219	219
Federal funds sold	15	1
Securities:		
Taxable	264	308
Exempt from federal income tax	698	782
Dividends	<u>109</u>	<u>161</u>
Total interest and dividend income	<u>10,361</u>	<u>10,037</u>
INTEREST EXPENSE		
Deposits	1,214	1,123
Federal Home Loan Bank advances	397	375
Other borrowings	<u>2</u>	<u>13</u>
Total interest expense	<u>1,613</u>	<u>1,511</u>
NET INTEREST INCOME	8,748	8,526
PROVISION FOR LOAN LOSSES	<u>275</u>	<u>355</u>
Net interest income after provision for loan losses	<u>8,473</u>	<u>8,171</u>
NON-INTEREST INCOME:		
Service charges on deposit accounts	378	417
Gain on sale of loans	214	196
Trust department income	120	99
Investments product sales	92	49
Net securities gains	26	44
Earnings on cash surrender value of life insurance	282	267
Other	<u>514</u>	<u>482</u>
Total non-interest income	<u>1,626</u>	<u>1,554</u>
NON-INTEREST EXPENSE		
Salaries and employee benefits	3,449	3,349
Net occupancy and equipment expense	576	594
Data processing fees	324	320
State shares tax	259	233
FDIC insurance premiums	147	143
Other	<u>1,058</u>	<u>1,032</u>
Total non-interest expense	<u>5,813</u>	<u>5,671</u>
INCOME BEFORE INCOME TAX PROVISION	4,286	4,054
INCOME TAX PROVISION	<u>1,053</u>	<u>989</u>
NET INCOME	<u>\$ 3,233</u>	<u>\$ 3,065</u>
<u>PER SHARE DATA:</u>		
Earnings per share	<u>\$ 3.27</u>	<u>\$ 3.10</u>
Ordinary Dividend per share	<u>\$ 0.85</u>	<u>\$ 0.80</u>
Book Value per share	<u>\$ 44.55</u>	<u>\$ 41.93</u>

BOARD OF DIRECTORS

Thomas E. Boop, Chairman
Jeffery J. Kapsar, President & CEO, Vice Chairman
Richard J. Drzewiecki
John D. Griffith
Robert C. Musser
Betsy K. Robertson
John R. Showers

DIRECTORS EMERITUS

Robert K. Lynch
W. Gale Reish
D. Roger Shuck
Robert E. Valentine

BANK OFFICERS

Jeffrey J. Kapsar
President and Chief Executive Officer
Thomas L. Eberhart
Senior Vice President and Chief Operating Officer
Thomas C. Graver, Jr., CPA
Senior Vice President and Chief Financial Officer
Garry R. Benfer
Senior Vice President of Loan Administration
Thomas E. Beck, CPA
Senior Vice President Internal Audit & Compliance
Kris A. Ruhl
Vice President – Commercial Sales
Andrea L. Long
Vice President of Human Resources
Patti J. Zimmerman
Vice President of Trust Services
Lori Betz
Vice President – Deposit Operations

OFFICES LOCATED AT:

Mifflinburg

250 E. Chestnut Street
Phone: 570-966-1041

Lewisburg

1110 N. Fairground Rd.
Phone: 570-523-1144

Millhiem

Rt. 45 P.O. Box 438
Phone: 814-349-2426

Shamokin Dam

2894 N. Susquehanna Trail
Phone: 570-743-6282

New Berlin

214 Vine Street
Phone: 570-966-5225

Downtown Lewisburg

500 Market Street
Phone: 570-523-5000

Registrar and Transfer Agent:

Mifflinburg Bank & Trust Company
250 E. Chestnut Street
Mifflinburg, PA 17844

Mifflinburg Bancorp, Inc. company common stock is traded under the symbol MIFF.PK

Mifflinburg Bancorp, Inc. is a bank holding company organized under the Pennsylvania Business Corporation Laws on February 3, 1986.

The assets are primarily those of its wholly owned subsidiary, Mifflinburg Bank & Trust Company, established in 1872.

**September 30, 2016
QUARTERLY
REPORT**



MIFFLINBURG BANCORP, INC.

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