

**Letter From The President
Dear Shareholder:**

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

Net income, as reported for the six months ended June 30, 2016 was \$2,155,000 compared to \$2,083,000 for the same period in 2015, a 3.5% increase. Earnings per share were \$2.18 compared to \$2.11 during the same period in 2015. Return on average assets and return on average equity were 1.11% and 10.10% for the six months ended June 30, 2016 compared to 1.11% and 10.36% for the corresponding period of 2015.

Net interest income for the six months ended June 30, 2016 was \$5,830,000 compared to \$5,642,000 for the same period in 2015, a 3.3% increase. Net interest margin decreased slightly from 3.21% to 3.20% for the corresponding periods of 2015 & 2016. The decrease in the net interest margin resulted from a decrease in yield on earning assets. Yield on earning assets decreased from 3.79% as of June 30, 2015 to 3.78% as of June 30, 2016. Cost of funds remained the same at 0.58% for both June 30, 2015 and June 30, 2016.

The provision for loan losses was funded \$175,000 year to date. The allowance for loan loss currently stands at 1.41% of gross loans as of June 30, 2016, compared to 1.35% of gross loans as of June 30, 2015.

Total non-operating income decreased 5.4% over the prior year primarily as result of a \$103,000 reduction in security gains. Total non-interest expense increased 2.5% over the prior year.

Total assets increased to \$398 million as of June 30, 2016 from \$383 million as of June 30, 2015, an increase of \$15 million, or 4.1%. The increase in total assets is the result of an increase in total loans of \$13 million, or 4.7%. To fund the loan growth, deposits increased \$22 million, or 7.6% and securities available for sale decreased \$7 million, or 10.1%.

The Mifflinburg Bank family was saddened by the loss of our former Bank President and Director Helen P. Strunk last month. She was an integral part of the bank for over 44 years. Her willingness to lend a hand to our customers, neighbors and the community will surely be missed.

We are always looking to expand our market presence and convenience for our customers through the most logical, efficient and simplest means. We recently updated our website to make navigation easier and we are in the process of introducing a new benefits package for our customers. These are just a couple initiatives to help set us apart from other financial institutions.

Sincerely,



Jeffrey J. Kapsar
President and CEO

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

(In Thousands, Except Per Share Data)	June 30,	
	2016	2015
ASSETS		
Cash and due from banks	\$ 5,713	\$ 4,747
Federal funds sold	<u>10,489</u>	<u>-</u>
Total cash and cash equivalents	<u>16,202</u>	<u>4,747</u>
Interest-bearing deposits in banks	18,315	20,276
Securities available for sale	63,419	70,575
Loans held for sale	739	107
Loans	282,662	270,058
Allowance for loan losses	<u>(3,978)</u>	<u>(3,649)</u>
Loans, net	<u>278,684</u>	<u>266,409</u>
Premises and equipment	7,334	7,089
Accrued interest receivable	1,510	1,640
Cash surrender value of life insurance	10,286	10,006
Other real estate owned	41	-
Deferred income taxes	1,018	1,259
Other assets	<u>881</u>	<u>811</u>
TOTAL ASSETS	<u>\$398,429</u>	<u>\$382,919</u>
LIABILITIES		
Noninterest-bearing deposits	\$ 47,797	\$ 43,233
Interest bearing deposits	<u>260,195</u>	<u>242,965</u>
Total deposits	<u>307,992</u>	<u>286,198</u>
Securities sold under agreement to repurchase	5,502	5,336
Federal funds purchased	-	5,584
Short term borrowings	5,208	14,000
Federal Home Loan Bank advances	31,381	28,087
Accrued interest payable	429	395
Other liabilities	<u>4,790</u>	<u>2,955</u>
Total Liabilities	<u>355,302</u>	<u>342,555</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	2,710
Retained earnings	42,088	39,931
Accumulated other comprehensive income	1,014	326
Less: Treasury Stock at cost, 91,903 and 90,600 shares	<u>(3,781)</u>	<u>(3,683)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>43,127</u>	<u>40,364</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$398,429</u>	<u>\$382,919</u>

PERFORMANCE RATIOS:

Return on average assets	<u>1.11%</u>	<u>1.11%</u>
Return on average shareholders' equity	<u>10.10%</u>	<u>10.36%</u>

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

(In Thousands, Except Per Share Data)	For The Six Months Ended June 30,	
	2016	2015
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	\$ 6,025	\$ 5,646
Interest-bearing deposits in bank	136	147
Federal funds sold	5	1
Securities:		
Taxable	178	212
Exempt from federal income tax	471	529
Dividends	<u>73</u>	<u>120</u>
Total interest and dividend income	<u>6,888</u>	<u>6,655</u>
INTEREST EXPENSE		
Deposits	790	755
Federal Home Loan Bank advances	266	248
Other borrowings	<u>2</u>	<u>10</u>
Total interest expense	<u>1,058</u>	<u>1,013</u>
NET INTEREST INCOME	5,830	5,642
PROVISION FOR LOAN LOSSES	<u>175</u>	<u>230</u>
Net interest income after provision for loan losses	<u>5,655</u>	<u>5,412</u>
NON-INTEREST INCOME:		
Service charges on deposit accounts	245	269
Gain on sale of loans	146	139
Trust department income	67	68
Investments product sales	57	29
Net securities gains	4	107
Earnings on cash surrender value of life insurance	184	177
Other	<u>338</u>	<u>312</u>
Total non-interest income	<u>1,041</u>	<u>1,101</u>
NON-INTEREST EXPENSE		
Salaries and employee benefits	2,307	2,220
Net occupancy and equipment expense	383	404
Data processing fees	213	208
State shares tax	179	156
FDIC insurance premiums	98	95
Other	<u>673</u>	<u>675</u>
Total non-interest expense	<u>3,853</u>	<u>3,758</u>
INCOME BEFORE INCOME TAX PROVISION	2,843	2,755
INCOME TAX PROVISION	<u>688</u>	<u>672</u>
NET INCOME	<u>\$ 2,155</u>	<u>\$ 2,083</u>

PER SHARE DATA:

Earnings per share	<u>\$ 2.18</u>	<u>\$ 2.11</u>
Ordinary Dividend per share	<u>\$ 0.85</u>	<u>\$ 0.80</u>
Book Value per share	<u>\$ 43.65</u>	<u>\$ 40.80</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.

June 30, 2016 QUARTERLY REPORT



MIFFLINBURG BANCORP, INC.

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