

**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, 2017.

Net income, as reported for the six months ended June 30, 2017 was \$2,207,000 compared to \$2,155,000 for the same period in 2016, a 2.4% increase. Earnings per share were \$2.36 compared to \$2.18 during the same period in 2016. Return on average assets and return on average equity were 1.06% and 10.84% for the six months ended June 30, 2017 compared to 1.11% and 10.10% for the corresponding period of 2016.

Net interest income for the six months ended June 30, 2017 was \$6,100,000 compared to \$5,830,000 for the same period in 2016, a 4.6% increase. Net interest margin decreased slightly from 3.20% to 3.08% for the corresponding periods of 2016 & 2017. 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 3.78% as of June 30, 2016 to 3.71% as of June 30, 2017. Cost of funds increased from 0.75% as of June 30, 2016 to 0.80% as of June 30, 2017. 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 \$125,000 year to date. The allowance for loan loss currently stands at 1.31% of gross loans as of June 30, 2017, compared to 1.41% of gross loans as of June 30, 2016.

Total non-operating income increased 1.0% over the prior year primarily as a result of increases in service charges on deposits, and securities gains. Total non-interest expense increased 3.9% over the prior year.

Total assets increased to \$431 million as of June 30, 2017 from \$398 million as of June 30, 2016, an increase of \$33 million, or 8.3%. The increase in total assets is the result of an increase in total loans of \$23 million, or 8.2% and an increase of securities available for sale of \$15 million, or 23.9%. To fund the loan and security growth, deposits increased \$17 million, or 5.6% and short-term borrowings increased \$12 million.

We would like to welcome Robert Pierce as our newest Director. Mr. Pierce, a licensed CPA and resident of Mifflinburg, is the Chief Financial Officer of Baylor-Hamm Companies. He also volunteers his time as the Chair of the Evangelical Community Hospital Audit Committee and member of their Finance Committee. Mr. Pierce's 27 years of accounting experience will complement our Board bringing additional, independent financial expertise and enhance an already strong local presence and reputation.

Sincerely,



Jeffrey J. Kapsar
President and CEO

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

(In Thousands, Except Per Share Data)	June 30,	
	2017	2016
ASSETS		
Cash and due from banks	\$ 4,783	\$ 5,713
Federal funds sold	<u>5,614</u>	<u>10,489</u>
Total cash and cash equivalents	<u>10,397</u>	<u>16,202</u>
Interest-bearing deposits in banks	19,882	18,315
Securities available for sale	78,559	63,419
Loans held for sale	-	739
Loans	305,758	282,662
Allowance for loan losses	<u>(4,015)</u>	<u>(3,978)</u>
Loans, net	<u>301,743</u>	<u>278,684</u>
Premises and equipment	7,342	7,334
Accrued interest receivable	1,348	1,510
Cash surrender value of life insurance	10,099	10,286
Other real estate owned	-	41
Deferred income taxes	1,170	1,018
Other assets	<u>877</u>	<u>881</u>
TOTAL ASSETS	<u>\$431,417</u>	<u>\$398,429</u>
LIABILITIES		
Noninterest-bearing deposits	\$ 54,754	\$ 47,797
Interest bearing deposits	<u>270,359</u>	<u>260,195</u>
Total deposits	<u>325,113</u>	<u>307,992</u>
Securities sold under agreement to repurchase	13,460	5,502
Short term borrowings	17,400	5,208
Federal Home Loan Bank advances	29,904	31,381
Accrued interest payable	461	429
Other liabilities	<u>3,532</u>	<u>4,790</u>
Total Liabilities	<u>389,870</u>	<u>355,302</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	2,773	2,726
Retained earnings	44,329	42,088
Accumulated other comprehensive income	617	1,014
Less: Treasury Stock at cost, 146,749 and 91,903 shares	<u>(7,252)</u>	<u>(3,781)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>41,547</u>	<u>43,127</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$431,417</u>	<u>\$398,429</u>

PERFORMANCE RATIOS:

Return on average assets	<u>1.06%</u>	<u>1.11%</u>
Return on average shareholders' equity	<u>10.84%</u>	<u>10.10%</u>

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

(In Thousands, Except Per Share Data)	For The Six Months Ended June 30,	
	2017	2016
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	\$ 6,364	\$ 6,025
Interest-bearing deposits in bank	175	136
Federal funds sold	9	5
Securities:		
Taxable	178	178
Exempt from federal income tax	522	471
Dividends	<u>83</u>	<u>73</u>
Total interest and dividend income	<u>7,331</u>	<u>6,888</u>
INTEREST EXPENSE		
Deposits	917	790
Federal Home Loan Bank advances	302	266
Other borrowings	<u>12</u>	<u>2</u>
Total interest expense	<u>1,231</u>	<u>1,058</u>
NET INTEREST INCOME	6,100	5,830
PROVISION FOR LOAN LOSSES	<u>125</u>	<u>175</u>
Net interest income after provision for loan losses	<u>5,975</u>	<u>5,655</u>
NON-INTEREST INCOME:		
Service charges on deposit accounts	259	245
Gain on sale of loans	110	146
Trust department income	68	67
Investments product sales	48	57
Net securities gains	64	4
Earnings on cash surrender value of life insurance	174	184
Other	<u>328</u>	<u>338</u>
Total non-interest income	<u>1,051</u>	<u>1,041</u>
NON-INTEREST EXPENSE		
Salaries and employee benefits	2,397	2,307
Net occupancy and equipment expense	425	383
Data processing fees	229	213
State shares tax	179	179
FDIC insurance premiums	71	98
Other	<u>704</u>	<u>673</u>
Total non-interest expense	<u>4,005</u>	<u>3,853</u>
INCOME BEFORE INCOME TAX PROVISION	3,021	2,843
INCOME TAX PROVISION	<u>814</u>	<u>688</u>
NET INCOME	<u>\$ 2,207</u>	<u>\$ 2,155</u>

PER SHARE DATA:

Earnings per share	<u>\$ 2.36</u>	<u>\$ 2.18</u>
Ordinary Dividend per share	<u>\$ 0.87</u>	<u>\$ 0.85</u>

BOARD OF DIRECTORS

Thomas E. Boop, Chairman
Jeffrey J. Kapsar, President & CEO, Vice Chairman
Richard J. Drzewiecki
Robert C. Musser
Robert S. Pierce
Betsy K. Robertson
John R. Showers

DIRECTORS EMERITUS

John D. Griffith
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 J. Betz
Vice President – Deposit Operations
Justin B. Troup
Vice President – Commercial Services
Mandi L. Ruhl
Vice President – Branch Administration

OFFICES LOCATED AT:

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

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

New Berlin
7874 State Route 304
Phone: 570-966-5225

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

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

Downtown Lewisburg
500 Market Street
Phone: 570-523-5000

**June 30, 2017
QUARTERLY
REPORT**



MIFFLINBURG BANCORP, INC.

Visit our website at wwwmbtc.com

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.