

**Letter From The President
Dear Shareholder:**

We are pleased to present to you the financial condition of Mifflinburg Bancorp, Inc. and its subsidiaries through March 31, 2016.

Net income, as reported for the three months ended March 31, 2016 was \$1,049,000 compared to \$1,043,000 for the same period in 2015, a 0.6% increase. Earnings per share were \$1.06 compared to \$1.05 during the same period in 2015. Return on average assets and return on average equity were 1.08% and 9.94% for the three months ended March 31, 2016 compared to 1.12% and 10.49% for the corresponding period of 2015.

Net interest income for the three months ended March 31, 2016 was \$2,921,000 compared to \$2,820,000 for the same period in 2015, a 3.6% increase. Net interest margin decreased slightly from 3.22% to 3.19% for the corresponding periods of 2015 & 2016. The decrease in the net interest margin resulted from a decrease in yield on earning assets, offset by a decrease in cost of funds. Yield on earning assets decreased from 3.81% as of March 31, 2015 to 3.78% as of March 31, 2016. Cost of funds decreased from 0.73% as of March 31, 2015 to 0.72% as of March 31, 2016.

The provision for loan losses was funded \$75,000 year to date. The allowance for loan loss currently stands at 1.38% of gross loans as of March 31, 2016, compared to 1.37% of gross loans as of March 31, 2015.

Total non-operating income decreased 12.5% over the prior year primarily as result of a \$69,000 reduction in security gains. Total non-interest expense increased 2.1% over the prior year.

Total assets increased to \$387 million as of March 31, 2016 from \$377 million as of March 31, 2015, an increase of \$10 million, or 2.8%. The increase in total assets is the result of an increase in total loans of \$21 million, or 8.2%. To fund the loan growth, deposits increased \$21 million, or 7.6% and securities available for sale decreased \$8.8 million, or 11.8%.

Our solid foundation and outstanding performance are well known in the Susquehanna Valley. We continue to receive credit for our conservative practices, rational decisions and community support. We are a true community bank and strive to retain the trust of those we serve and interact with every day. We continue to capitalize on our strong reputation and basic banking strategies that will help us grow well into the future.

Sincerely,



Jeffrey J. Kapsar
President and CEO

**Mifflinburg Bancorp, Inc. & Subsidiary
Consolidated Balance Sheet**

(unaudited)

(In Thousands, Except Per Share Data)	March 31,	
	2016	2015
ASSETS		
Cash and due from banks	\$ 4,273	\$ 3,939
Federal funds sold	<u>1,047</u>	<u>-</u>
Total cash and cash equivalents	<u>5,320</u>	<u>3,939</u>
Interest-bearing deposits in banks	17,698	21,210
Securities available for sale	65,808	74,599
Loans held for sale	-	125
Loans	281,224	259,892
Allowance for loan losses	<u>(3,874)</u>	<u>(3,572)</u>
Loans, net	<u>277,350</u>	<u>256,320</u>
Premises and equipment	7,131	7,164
Accrued interest receivable	1,656	1,648
Cash surrender value of life insurance	10,220	9,940
Other real estate owned	-	-
Deferred income taxes	1,099	995
Other assets	<u>1,034</u>	<u>912</u>
TOTAL ASSETS	<u>\$387,316</u>	<u>\$376,852</u>
LIABILITIES		
Noninterest-bearing deposits	\$ 44,344	\$ 39,253
Interest bearing deposits	<u>254,517</u>	<u>238,620</u>
Total deposits	<u>298,861</u>	<u>277,873</u>
Securities sold under agreement to repurchase	5,553	5,811
Federal funds purchased	-	-
Short term borrowings	7,208	20,400
Federal Home Loan Bank advances	29,381	28,148
Accrued interest payable	433	403
Other liabilities	<u>3,259</u>	<u>3,626</u>
Total Liabilities	<u>344,695</u>	<u>336,261</u>
SHAREHOLDERS' EQUITY		
Common stock, par value \$1.00;		
Authorized 2,160,000 shares;		
Issued 1,080,000 shares; outstanding	1,080	1,080
Capital surplus	2,726	2,711
Retained earnings	41,823	39,682
Accumulated other comprehensive income	773	801
Less: Treasury Stock at cost, 91,903		
and 90,600 shares	<u>(3,781)</u>	<u>(3,683)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>42,621</u>	<u>40,591</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$387,316</u>	<u>\$376,852</u>

PERFORMANCE RATIOS:

Return on average assets	<u>1.08%</u>	<u>1.12%</u>
Return on average shareholders' equity	<u>9.94%</u>	<u>10.49%</u>

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

(unaudited)

(In Thousands, Except Per Share Data)	For The Three Months Ended March 31,	
	2016	2015
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	\$ 3,010	\$ 2,794
Interest-bearing deposits in bank	68	73
Federal funds sold	1	-
Securities:		
Taxable	91	110
Exempt from federal income tax	245	269
Dividends	<u>37</u>	<u>84</u>
Total interest and dividend income	<u>3,452</u>	<u>3,330</u>
INTEREST EXPENSE		
Deposits	393	379
Federal Home Loan Bank advances	135	125
Other borrowings	<u>3</u>	<u>6</u>
Total interest expense	<u>531</u>	<u>510</u>
NET INTEREST INCOME	2,921	2,820
PROVISION FOR LOAN LOSSES	<u>75</u>	<u>115</u>
Net interest income after provision for loan losses	<u>2,846</u>	<u>2,705</u>
NON-INTEREST INCOME:		
Service charges on deposit accounts	123	141
Gain on sale of loans	49	67
Trust department income	36	33
Investments product sales	24	15
Net securities gains	5	74
Earnings on cash surrender value of life insurance	92	88
Other	<u>166</u>	<u>148</u>
Total non-interest income	<u>495</u>	<u>566</u>
NON-INTEREST EXPENSE		
Salaries and employee benefits	1,151	1,123
Net occupancy and equipment expense	181	215
Data processing fees	108	98
State shares tax	95	78
FDIC insurance premiums	50	49
Other	<u>342</u>	<u>324</u>
Total non-interest expense	<u>1,927</u>	<u>1,887</u>
INCOME BEFORE INCOME TAX PROVISION	1,414	1,384
INCOME TAX PROVISION	<u>365</u>	<u>341</u>
NET INCOME	<u>\$ 1,049</u>	<u>\$ 1,043</u>
PER SHARE DATA:		
Earnings per share	<u>\$ 1.06</u>	<u>\$ 1.05</u>
Ordinary Dividend per share	<u>\$ -</u>	<u>\$ -</u>
Book Value per share	<u>\$ 43.13</u>	<u>\$ 41.03</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

Helen P. Strunk
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.

**March 31, 2016
QUARTERLY
REPORT**



MIFFLINBURG BANCORP, INC.

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