

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

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

**Dear Shareholder:**

For the first six months of 2008 Mifflinburg Bancorp, Inc. and its subsidiaries have continued to perform at a high level in light of the current economic slowdown and the Federal Reserve Open Market Committee (FOMC) lowering the benchmark Federal Funds rate 2.25% from 4.25% as of December 31, 2007 to 2.00% as of June 30, 2008.

Net income, as reported, for the six months ended June 30, 2008 was \$1,710,000 as compared to \$1,603,000 for the same period in 2007, an increase of 6.7%. Annualized earnings per share were \$3.42 compared to \$3.20 during the same period in 2007 for a change of 6.9%. Return on average assets and return on average equity were 1.29% and 11.99% for the six months ended June 30, 2008 as compared to 1.28% and 12.09% for the corresponding period of 2007.

The net interest margin for six months ended June 30, 2008 was 3.55%, compared to 3.27% for the corresponding period of 2007. The increase in the net interest margin is a result of increasing our loan to deposit ratio and decreased cost of deposits as a result of significant reduction in rates through the Federal Reserve's actions. The loan to deposit ratio increased from 80.8% at June 30, 2007 to 81.3% at June 30, 2008.

Total assets of \$269 million as of June 30, 2008 have increased from the June 30, 2007 total of \$251 million, an increase of 7.3%. The increase in total assets is the result of an increase in loans of 4.1% and increase in deposits and Federal Home Loan Bank advances of 7.2%.

We would like to again emphasize that the national sub-prime mortgage crisis has not directly affected this institution. Our delinquency rate continues to remain stronger than state and national peers. Credit quality and strong underwriting standards on all our loans continues to be a high priority of management and the Board of Directors.

Thank you, our shareholders, for your continued support and loyalty over the many years.



Jeffrey J. Kapsar  
President and CEO

(In Thousands, Except Per Share Data)	June <u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and due from banks	\$ 6,443	\$ 3,701
Federal funds sold	<u>5,367</u>	<u>2,241</u>
<b>Total cash and cash equivalents</b>	<b>11,810</b>	<b>5,942</b>
Interest-bearing deposits in banks	2,673	949
Trading Securities	3,727	5,392
Securities available for sale	64,834	60,170
Loans held for sale	-	-
Loans	174,682	167,787
Allowance for loan losses	<u>(1,724)</u>	<u>(1,573)</u>
<b>Loans, net</b>	<b>172,958</b>	<b>166,214</b>
Premises and equipment	4,380	3,577
Accrued interest receivable	1,195	1,108
Cash surrender value of life insurance	6,622	6,371
Deferred income taxes	485	564
Other assets	<u>599</u>	<u>577</u>
<b>TOTAL ASSETS</b>	<b><u>\$269,283</u></b>	<b><u>\$250,864</u></b>
<b>LIABILITIES</b>		
Noninterest-bearing deposits	\$ 25,139	\$ 22,033
Interest bearing deposits	<u>189,708</u>	<u>185,540</u>
<b>Total deposits</b>	<b>214,847</b>	<b>207,573</b>
Short term borrowings	116	112
Federal Home Loan Bank advances	23,164	14,546
Accrued interest payable	927	779
Other liabilities	<u>2,155</u>	<u>1,515</u>
<b>Total liabilities</b>	<b>241,209</b>	<b>224,525</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, par value \$1.00; authorized 2,160,000 shares; issued 1,080,000 shares	1,080	1,080
Capital surplus	2,671	2,671
Retained earnings	27,035	25,533
Accumulated other comprehensive income (loss)	214	(19)
Less: Treasury Stock at cost, 78,150 and 78,150 shares	<u>(2,926)</u>	<u>(2,926)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b><u>28,074</u></b>	<b><u>26,339</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>\$269,283</u></b>	<b><u>\$250,864</u></b>
<b>PERFORMANCE RATIOS:</b>		
Return on average assets	<u>1.29%</u>	<u>1.28%</u>
Return on average shareholders' equity	<u>11.99%</u>	<u>12.09%</u>
Price/book value multiple	<u>1.71</u>	<u>1.75</u>
Price/earnings multiple	<u>14.03</u>	<u>14.28</u>

(In Thousands, Except Per Share Data)	For The Six Months Ended June 30,	
	<u>2008</u>	<u>2007</u>
<b>INTEREST AND DIVIDEND INCOME</b>		
Interest and fees on loans	\$ 5,749	\$ 5,594
Interest-bearing deposits in banks	38	9
Federal funds sold	16	35
Securities:		
Taxable	1,045	940
Exempt from federal income tax	592	626
Dividends	<u>46</u>	<u>55</u>
<b>Total interest and dividend income</b>	<b>7,486</b>	<b>7,259</b>
<b>INTEREST EXPENSE</b>		
Deposits	2,621	2,959
Federal Home Loan Bank advances	413	382
Other borrowings	<u>35</u>	<u>56</u>
<b>Total interest expense</b>	<b><u>3,069</u></b>	<b><u>3,397</u></b>
<b>NET INTEREST INCOME</b>	<b>4,417</b>	<b>3,862</b>
<b>PROVISION FOR LOAN LOSSES</b>		
<b>Net interest income after provision for loan losses</b>	<b><u>4,357</u></b>	<b><u>3,862</u></b>
<b>NON-INTEREST INCOME:</b>		
Service charges on deposit accounts	330	359
Gain on sale of loans	58	54
Trust department income	66	84
Gain on sale of other real estate owned	16	-
Investment product sales	40	29
Trading security gains (losses)	9	(22)
Net securities (losses) gains on sales	(29)	160
Earnings on cash surrender value of life insurance	147	137
Other	<u>188</u>	<u>165</u>
<b>Total non-interest income</b>	<b>825</b>	<b>966</b>
<b>NON-INTEREST EXPENSE</b>		
Salaries and employee benefits	1,826	1,643
Net occupancy and equipment expense	309	267
Data processing fees	121	128
State shares tax	145	142
Other	<u>578</u>	<u>535</u>
<b>Total non-interest expense</b>	<b><u>2,979</u></b>	<b><u>2,715</u></b>
<b>INCOME BEFORE INCOME TAX PROVISION</b>	<b>2,203</b>	<b>2,113</b>
<b>INCOME TAX PROVISION</b>	<b>493</b>	<b>510</b>
<b>NET INCOME</b>	<b><u>\$ 1,710</u></b>	<b><u>\$ 1,603</u></b>
<b>PER SHARE DATA</b>		
Earnings per share	\$ 1.71	\$ 1.60
Dividends per share	\$ 0.67	\$ 0.65
Book Value per share	\$ 28.02	\$ 26.29
Last internal stock trade per share	\$ 48.00	\$ 46.00