

**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, 2011.

Net income, as reported, for the nine months ended September 30, 2011 was \$2,944,000 compared to \$2,747,000 for the same period in 2010, an increase of 7.2%. Earnings per share were \$2.95 compared to \$2.75 during the same period in 2010 for an increase of 7.3%. Return on average assets and return on average equity were 1.26% and 11.49% for the nine months ended September 30, 2011 compared to 1.24% and 11.21% for the corresponding period of 2010.

Net interest income for the nine months ended September 30, 2011 was \$7,585,000 compared to \$7,454,000 for the same period in 2010, an increase of 1.8%. Net interest margin decreased from 3.61% to 3.48% for the corresponding periods of 2010 and 2011. The decrease in the net interest margin resulted from a lower yield on earning assets, offset by a decreased cost of funds. Yield on earning assets decreased from 5.13% as of September 30, 2010 to 4.69% as of September 30, 2011. Cost of funds decreased from 1.76% as of September 30, 2010 to 1.42% as of September 30, 2011. The decrease in both the yield on earning assets and cost of funds is directly related to the historic low interest rate environment that we are currently in.

The provision for loan losses (expense) was funded a total of \$200,000 year to date due an increase in charge-offs relating to personal and real estate loans and concerns of a slowing local economy. The allowance for loan loss currently stands at 1.21% of gross loans as of September 30, 2011, compared to 1.27% of gross loans as of September 30, 2010.

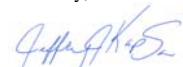
Total non-operating income increased \$43,000, or 2.9%. This increase is the direct result of realizing security gains through the first three quarters of the year.

Total non-interest expense decreased \$82,000, or 1.6%. This decrease is the result of expense control initiatives and by the FDIC insurance premiums decreasing \$59,000 due to the new assessment methodology that became effective June 30, 2011.

Total assets increased to a record of \$326 million as of September 30, 2011, an increase of 5.2% over the September 30, 2010 total of \$310 million. Increased total assets resulted from an increase in deposits of 6.9% and an increase in loans of 8.0%. Customers continue to seek the safety and soundness of our Bank in the current economic downturn.

Our asset quality remains sound, we are in a liquid position and we are well capitalized. Once again we are extremely pleased with our performance through the third quarter. The longer we remain in this extremely low interest rate environment the greater the pressure on our net interest margin. We continue to look for new sources of revenue and operating efficiencies in order to maintain our high level of profitability and better serve our customers.

Sincerely,



Jeffrey J. Kapsar
President and CEO

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

(unaudited)

(In Thousands, Except Per Share Data)	September 30, 2011	2010
ASSETS		
Cash and due from banks	\$ 4,829	\$ 3,509
Federal funds sold	<u>7,171</u>	<u>12,132</u>
Total cash and cash equivalents	<u>12,000</u>	<u>15,641</u>
Interest-bearing deposits in banks	24,981	10,180
Trading securities	-	250
Securities available for sale	69,602	79,135
Loans held for sale	1,000	648
Loans	202,588	187,614
Allowance for loan losses	<u>(2,443)</u>	<u>(2,389)</u>
Loans, net	<u>200,145</u>	<u>185,225</u>
Premises and equipment	6,675	6,988
Accrued interest receivable	1,241	1,344
Cash surrender value of life insurance	8,544	8,227
Other real estate owned	326	499
Deferred income taxes	327	183
Other assets	<u>1,345</u>	<u>1,618</u>
TOTAL ASSETS	<u>\$326,186</u>	<u>\$309,938</u>
LIABILITIES		
Noninterest-bearing deposits	\$ 31,786	\$ 25,918
Interest bearing deposits	<u>222,821</u>	<u>212,251</u>
Total deposits	<u>254,607</u>	<u>238,169</u>
Securities sold under agreement to repurchase	10,745	9,929
Short term borrowings	100	105
Federal Home Loan Bank advances	21,960	24,592
Accrued interest payable	594	675
Other liabilities	<u>2,875</u>	<u>2,705</u>
Total Liabilities	<u>290,881</u>	<u>276,175</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	2,674	2,674
Retained earnings	33,812	31,689
Accumulated other comprehensive income	1,131	1,376
Less: Treasury Stock at cost, 86,352 and 80,746 shares	<u>(3,392)</u>	<u>(3,056)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>35,305</u>	<u>33,763</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$326,186</u>	<u>\$309,938</u>
PERFORMANCE RATIOS:		
Return on average assets	<u>1.26%</u>	<u>1.24%</u>
Return on average shareholders' equity	<u>11.49%</u>	<u>11.21%</u>

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

(unaudited)

(In Thousands, Except Per Share Data)	For The Nine Months Ended September 30, 2011		2010
INTEREST AND DIVIDEND INCOME			
Interest and fees on loans	\$ 8,418	\$ 8,696	
Interest-bearing deposits in bank	129	71	
Federal funds sold	5	20	
Securities:			
Taxable	868	1,046	
Exempt from federal income tax	748	717	
Dividends	<u>32</u>	<u>24</u>	
Total interest and dividend income	<u>10,200</u>	<u>10,574</u>	
INTEREST EXPENSE			
Deposits	2,090	2,500	
Federal Home Loan Bank advances	523	620	
Other borrowings	<u>2</u>	<u>-</u>	
Total interest expense	<u>2,615</u>	<u>3,120</u>	
NET INTEREST INCOME	7,585	7,454	
PROVISION FOR LOAN LOSSES	<u>200</u>	<u>150</u>	
Net interest income after provision for loan losses	<u>7,385</u>	<u>7,304</u>	
NON-INTEREST INCOME:			
Service charges on deposit accounts	459	452	
Gain on sale of loans	206	295	
Trust department income	112	92	
(Loss) gain on sale of other real estate owned	(3)	21	
Investments product sales	61	40	
Trading security losses	-	(7)	
Net securities gains	65	1	
Earnings on cash surrender value of life insurance	267	254	
Other	<u>373</u>	<u>349</u>	
Total non-interest income	<u>1,540</u>	<u>1,497</u>	
NON-INTEREST EXPENSE			
Salaries and employee benefits	2,980	2,962	
Net occupancy and equipment expense	586	627	
Data processing fees	225	205	
State shares tax	239	233	
FDIC insurance premiums	161	220	
Other	<u>930</u>	<u>956</u>	
Total non-interest expense	<u>5,121</u>	<u>5,203</u>	
INCOME BEFORE INCOME TAX PROVISION	3,804	3,598	
INCOME TAX PROVISION	<u>860</u>	<u>851</u>	
NET INCOME	<u>\$ 2,944</u>	<u>\$ 2,747</u>	
PER SHARE DATA:			
Earnings per share	<u>\$ 2.95</u>	<u>\$ 2.75</u>	
Dividends per share	<u>\$ 0.75</u>	<u>\$ 0.72</u>	
Book Value per share	<u>\$ 35.53</u>	<u>\$ 33.79</u>	

BOARD OF DIRECTORS

Thomas E. Boop, Chairman
Jeffery J. Kapsar, Vice Chairman
John D. Griffith
Robert C. Musser
W. Gale Reish
D. Roger Shuck
Robert E. Valentine

DIRECTORS EMERITUS

Helen P. Strunk
Robert K. Lynch

BANK OFFICERS

Jeffrey J. Kapsar
President and Chief Executive Officer
Jeffrey P. Reber
Executive Vice President
Thomas L. Eberhart
Senior Vice President and Chief Operating Officer
Garry R. Benfer
Senior Vice President of Loan Administration
Thomas C. Graver, Jr., CPA
Senior Vice President and Chief Financial Officer
Thomas E. Beck, CPA
Vice President Internal Audit & Compliance
Clifford E. Valentine
Vice President – Commercial Sales
Andrea L. Long
Director of Human Resources

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

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, 2011
QUARTERLY
REPORT**



MIFFLINBURG BANCORP, INC.

Member FDIC

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