

**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, 2018.

Record second quarter net income, as reported for the six months ended June 30, 2018 was \$2,538,000 compared to \$2,207,000 for the same period in 2017, a 15.0% increase. Earnings per share were \$2.71 compared to \$2.36 during the same period in 2017. Return on average assets and return on average equity were 1.19% and 12.02% for the six months ended June 30, 2018 compared to 1.06% and 10.84% for the corresponding period of 2017.

Net interest income for the six months ended June 30, 2018 was \$6,370,000 compared to \$6,100,000 for the same period in 2017, a 4.4% increase. Net interest margin increased from 3.08% to 3.13% for the corresponding periods of 2017 & 2018. The increase in the net interest margin resulted from an increase yield on earning assets, offset by an increase in cost of funds. Yield on earning assets increased from 3.71% as of June 30, 2017 to 3.90% as of June 30, 2018. Cost of funds increased from 0.80% as of June 30, 2017 to 0.95% as of June 30, 2018. In addition, the increase in total net interest income is the result of the increase in the size of the balance sheet.

The provision for loan losses was funded \$150,000 year to date. The allowance for loan loss currently stands at 1.31% of gross loans as of June 30, 2017 and 2018, respectively.

Total non-operating income increased 2.5% over the prior year. Total non-interest expense increased 4.5% over the prior year.

The income tax provision decreased significantly through the second quarter as a result of the federal corporate income tax rate reduction from 34% to 21% that resulted from the Tax Cuts and Jobs Act.

Total assets increased to \$439 million as of June 30, 2018 from \$431 million as of June 30, 2017, an increase of \$7.5 million, or 1.8%. The increase in total assets is the result of an increase in total loans of \$1.9 million, or 0.6% and increase of securities of \$5.4 million, or 6.9%. To fund this asset growth, deposits increased \$11.8 million, or 3.6%, offset by short-term borrowings decreasing \$10.1 million.

By now you have received notice of the Corporation's 2 for 1 stock split. The Board of Directors is committed to enhancing shareholder value in our Company. As a result of the Board's action, the outstanding shares of the Company's common stock will increase from 936,251 to 1,872,502 shares outstanding effective July 12, 2018. We are able to declare this 2 for 1 stock split as a result of our continued profitability and financial strength.

Sincerely,



Jeffrey J. Kapsar  
President and CEO

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

(unaudited)

(In Thousands, Except Per Share Data)	June 30,	
	2018	2017
<b>ASSETS</b>		
Cash and due from banks	\$ 4,890	\$ 4,783
Federal funds sold	<u>4,519</u>	<u>5,614</u>
<b>Total cash and cash equivalents</b>	<u>9,409</u>	<u>10,397</u>
Interest-bearing deposits in banks	19,076	19,882
Equity securities with readily determinable fair value	716	-
Debt securities available for sale	84,000	78,559
Loans held for sale	289	-
Loans	307,651	305,758
Allowance for loan losses	<u>(4,040)</u>	<u>(4,015)</u>
<b>Loans, net</b>	<u>303,611</u>	<u>301,743</u>
Premises and equipment	7,442	7,342
Accrued interest receivable	1,312	1,348
Cash surrender value of life insurance	10,340	10,099
Deferred income taxes	1,157	1,170
Other assets	<u>1,602</u>	<u>877</u>
<b>TOTAL ASSETS</b>	<u>\$438,954</u>	<u>\$431,417</u>
<b>LIABILITIES</b>		
Noninterest-bearing deposits	\$ 60,088	\$ 54,754
Interest bearing deposits	<u>276,792</u>	<u>270,359</u>
<b>Total deposits</b>	<u>336,880</u>	<u>325,113</u>
Securities sold under agreement to repurchase	22,730	13,460
Short term borrowings	7,282	17,400
Federal Home Loan Bank advances	24,724	29,904
Accrued interest payable	525	461
Other liabilities	<u>3,902</u>	<u>3,532</u>
<b>Total Liabilities</b>	<u>396,043</u>	<u>389,870</u>
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, par value \$1.00; Authorized 5,000,000 shares; Issued 1,080,000 shares; outstanding	1,080	1,080
Capital surplus	2,810	2,773
Retained earnings	47,021	44,329
Accumulated other comprehensive (loss) income	(897)	617
Less: Treasury Stock at cost, 143,749 and 146,749 shares	<u>(7,103)</u>	<u>(7,252)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>42,911</u>	<u>41,547</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$438,954</u>	<u>\$431,417</u>

**PERFORMANCE RATIOS:**

Return on average assets	<u>1.19%</u>	<u>1.06%</u>
Return on average shareholders' equity	<u>12.02%</u>	<u>10.84%</u>

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

(unaudited)

(In Thousands, Except Per Share Data)	For The Six Months Ended June 30,	
	2018	2017
<b>INTEREST AND DIVIDEND INCOME</b>		
Interest and fees on loans	\$ 6,798	\$ 6,364
Interest-bearing deposits in bank	184	175
Federal funds sold	21	9
Securities:		
Taxable	209	178
Exempt from federal income tax	630	522
Dividends	<u>85</u>	<u>83</u>
<b>Total interest and dividend income</b>	<u>7,927</u>	<u>7,331</u>
<b>INTEREST EXPENSE</b>		
Deposits	1,267	917
Federal Home Loan Bank advances	281	302
Other borrowings	<u>9</u>	<u>12</u>
<b>Total interest expense</b>	<u>1,557</u>	<u>1,231</u>
<b>NET INTEREST INCOME</b>	6,370	6,100
<b>PROVISION FOR LOAN LOSSES</b>	<u>150</u>	<u>125</u>
<b>Net interest income after provision for loan losses</b>	<u>6,220</u>	<u>5,975</u>
<b>NON-INTEREST INCOME:</b>		
Service charges on deposit accounts	267	259
Gain on sale of loans	142	110
Trust department income	70	68
Investments product sales	51	48
Net realized/unrealized securities gains	18	64
Earnings on cash surrender value of life insurance	144	174
Other	<u>385</u>	<u>328</u>
<b>Total non-interest income</b>	<u>1,077</u>	<u>1,051</u>
<b>NON-INTEREST EXPENSE</b>		
Salaries and employee benefits	2,553	2,397
Net occupancy and equipment expense	450	425
Data processing fees	246	229
State shares tax	170	179
FDIC insurance premiums	66	71
Other	<u>702</u>	<u>704</u>
<b>Total non-interest expense</b>	<u>4,187</u>	<u>4,005</u>
<b>INCOME BEFORE INCOME TAX PROVISION</b>	3,110	3,021
<b>INCOME TAX PROVISION</b>	<u>572</u>	<u>814</u>
<b>NET INCOME</b>	<u>\$ 2,538</u>	<u>\$ 2,207</u>

**PER SHARE DATA:**

Earnings per share	<u>\$ 2.71</u>	<u>\$ 2.36</u>
Ordinary Dividend per share	<u>\$ 0.94</u>	<u>\$ 0.87</u>

**BOARD OF DIRECTORS**

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

**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  
Executive Vice President and Chief Operating Officer  
Thomas C. Graver, Jr., CPA  
Executive 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  
Andrea L. Long  
Senior Vice President of Human Resources  
Kris A. Ruhl  
Vice President – Commercial Sales  
Bill K. Greis  
Vice President – Commercial Sales  
Patti J. Zimmerman  
Vice President of Trust Services  
Lori J. Betz  
Vice President – Deposit Operations  
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, 2018  
QUARTERLY  
REPORT**



**MIFFLINBURG BANCORP, INC.**

*Visit our website at [www.mbtc.com](http://www.mbtc.com)*

**Registrar and Transfer Agent:**  
Mifflinburg Bank & Trust Company  
250 E. Chestnut Street  
Mifflinburg, PA 17844

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.