

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, 2018.

Record first quarter net income, as reported for the three months ended March 31, 2018 was \$1,220,000 compared to \$1,111,000 for the same period in 2017, a 9.8% increase. Earnings per share were \$1.30 compared to \$1.18 during the same period in 2017. Return on average assets and return on average equity were 1.15% and 11.72% for the three months ended March 31, 2018 compared to 1.08% and 11.14% for the corresponding period of 2017.

Net interest income for the three months ended March 31, 2018 was \$3,114,000 compared to \$3,029,000 for the same period in 2017, a 2.8% increase. Net interest margin decreased from 3.11% to 3.10% for the corresponding periods of 2017 & 2018. The slight decrease in the net interest margin resulted from an increase in cost of funds, offset by an increase in yield on earning assets. Cost of funds increased from 0.77% as of March 31, 2017 to 0.93% as of March 31, 2018. Yield on earning assets increased from 3.70% as of March 31, 2017 to 3.86% as of March 31, 2018. 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 \$75,000 year to date. The allowance for loan loss currently stands at 1.31% of gross loans as of March 31, 2017 and 2018, respectively.

Total non-operating income decreased 24% over the prior year primarily as result of adopting ASU 2016-01, Recognition and Measurement of Financial Assets and Liabilities, which resulted in the recognition of \$170,000 of unrealized losses on equity securities through earnings. Total non-interest expense increased 3.1% over the prior year.

The income tax provision decreased significantly in the first quarter as result of federal corporate income tax rate reduction from 34% to 21% that became effective January 1, 2018.

Total assets increased to \$432 million as of March 31, 2018 from \$423 million as of March 31, 2017, an increase of \$9.4 million, or 2.2%. The increase in total assets is the result of an increase in total loans of \$2.3 million, or 0.8% and increase of securities of \$6.0 million, or 8.1%. To fund this asset growth, deposits increased \$16.2 million, or 5.1%, offset by short-term borrowings decreasing \$9.8 million.

We anticipate continued uncertainty with regard to regulation, accounting standards and federal law. As we adjust to new policies and procedures our focus will always be on sound and innovative financial management benefiting our customers, communities and shareholders.

Sincerely,



Jeffrey J. Kapsar
 President and CEO

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

(In Thousands, Except Per Share Data)	March 31,	
	2018	2017
ASSETS		
Cash and due from banks	\$ 4,771	\$ 6,856
Federal funds sold	<u>3,738</u>	<u>-</u>
Total cash and cash equivalents	<u>8,509</u>	<u>6,856</u>
Interest-bearing deposits in banks	18,720	19,738
Equity securities with readily determinable fair value	2,911	-
Debt securities available for sale	77,779	74,672
Loans held for sale	471	-
Loans	306,283	304,001
Allowance for loan losses	<u>(4,021)</u>	<u>(3,991)</u>
Loans, net	<u>302,262</u>	<u>300,010</u>
Premises and equipment	7,415	7,379
Accrued interest receivable	1,150	1,036
Cash surrender value of life insurance	10,282	10,039
Other real estate owned	48	-
Deferred income taxes	1,063	1,442
Other assets	<u>1,445</u>	<u>1,495</u>
TOTAL ASSETS	<u>\$432,055</u>	<u>\$422,667</u>
LIABILITIES		
Noninterest-bearing deposits	\$ 55,474	\$ 52,647
Interest bearing deposits	<u>279,585</u>	<u>266,181</u>
Total deposits	<u>335,059</u>	<u>318,828</u>
Securities sold under agreement to repurchase	16,741	5,460
Federal funds purchased	-	6,618
Short term borrowings	8,792	18,608
Federal Home Loan Bank advances	24,769	27,948
Accrued interest payable	545	454
Other liabilities	<u>3,730</u>	<u>3,889</u>
Total Liabilities	<u>389,636</u>	<u>381,805</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	2,810	2,773
Retained earnings	46,583	44,045
Accumulated other comprehensive (loss) income	(951)	216
Less: Treasury Stock at cost, 143,749 and 146,749 shares	<u>(7,103)</u>	<u>(7,252)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>42,419</u>	<u>40,862</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$432,055</u>	<u>\$422,667</u>

PERFORMANCE RATIOS:

Return on average assets	<u>1.15%</u>	<u>1.08%</u>
Return on average shareholders' equity	<u>11.72%</u>	<u>11.14%</u>

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

(In Thousands, Except Per Share Data)	For The Three Months Ended	
	March 31,	
	2018	2017
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	\$ 3,330	\$ 3,126
Interest-bearing deposits in bank	93	87
Federal funds sold	6	-
Securities:		
Taxable	92	95
Exempt from federal income tax	313	258
Dividends	<u>46</u>	<u>41</u>
Total interest and dividend income	<u>3,880</u>	<u>3,607</u>
INTEREST EXPENSE		
Deposits	620	440
Federal Home Loan Bank advances	141	130
Other borrowings	<u>5</u>	<u>8</u>
Total interest expense	<u>766</u>	<u>578</u>
NET INTEREST INCOME	3,114	3,029
PROVISION FOR LOAN LOSSES	<u>75</u>	<u>75</u>
Net interest income after provision for loan losses	<u>3,039</u>	<u>2,954</u>
NON-INTEREST INCOME:		
Service charges on deposit accounts	135	131
Gain on sale of loans	62	59
Trust department income	39	36
Unrealized holding loss on equity securities	(170)	-
Investments product sales	25	32
Net securities gains	96	41
Earnings on cash surrender value of life insurance	85	90
Other	<u>145</u>	<u>160</u>
Total non-interest income	<u>417</u>	<u>549</u>
NON-INTEREST EXPENSE		
Salaries and employee benefits	1,230	1,172
Net occupancy and equipment expense	221	209
Data processing fees	119	116
State shares tax	88	91
FDIC insurance premiums	34	37
Other	<u>344</u>	<u>349</u>
Total non-interest expense	<u>2,036</u>	<u>1,974</u>
INCOME BEFORE INCOME TAX PROVISION	1,420	1,529
INCOME TAX PROVISION	<u>200</u>	<u>418</u>
NET INCOME	<u>\$ 1,220</u>	<u>\$ 1,111</u>

PER SHARE DATA:

Earnings per share	<u>\$ 1.30</u>	<u>\$ 1.18</u>
Ordinary Dividend per share	<u>\$ -</u>	<u>\$ -</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
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
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

**March 31, 2018
QUARTERLY
REPORT**



MIFFLINBURG BANCORP, INC.

Visit our website at 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.