

**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, 2018.

Record third quarter net income, as reported for the nine months ended September 30, 2018 was \$3,925,000 compared to \$3,369,000 for the same period in 2017, a 16.5% increase. Earnings per share were \$2.10 compared to \$1.80 during the same period in 2017. Return on average assets and return on average equity were 1.21% and 12.20% for the nine months ended September 30, 2018 compared to 1.07% and 10.86% for the corresponding period of 2017.

Net interest income for the nine months ended September 30, 2018 was \$9,708,000 compared to \$9,218,000 for the same period in 2017, a 5.3% increase. Net interest margin increased from 3.08% to 3.15% 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 3.72% as of September 30, 2017 to 3.95% as of September 30, 2018. Cost of funds increased from 0.82% as of September 30, 2017 to 0.98% as of September 30, 2018. In addition, the increase in total net interest income is the result of a volume increase in loans, available-for-sale securities, and deposits.

The provision for loan losses was funded \$225,000 year to date. The allowance for loan loss currently stands at 1.31% and 1.33% of gross loans as of September 30, 2017 and 2018, respectively.

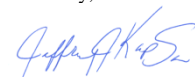
Total non-operating income increased 5.6% over the prior year. Total non-interest expense increased 5.6% over the prior year.

The income tax provision decreased significantly year-to-date through the third 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 \$452 million as of September 30, 2018 from \$426 million as of September 30, 2017, an increase of \$26.1 million, or 6.1%. 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 \$12.6 million, or 16.5%. To fund this asset growth, deposits increased \$12.9 million, or 3.9% and repurchase agreements increased \$10.5 million.

Our solid foundation and exceptional performance are well known in the communities we serve. The corporation continues to receive praise for its conservative practices, rational decisions, and outreach to the communities. We are a true community bank and strive to retain the trust of those we serve and interact with every day.

Sincerely,



Jeffrey J. Kapsar
President and CEO

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

(unaudited)

(In Thousands, Except Per Share Data)	September 30,	
	2018	2017
ASSETS		
Cash and due from banks	\$ 6,359	\$ 6,681
Federal funds sold	<u>10,202</u>	<u>1,407</u>
Total cash and cash equivalents	<u>16,561</u>	<u>8,088</u>
Interest-bearing deposits in banks	21,076	19,721
Equity securities with readily determinable fair value	466	-
Debt securities available for sale	88,792	76,199
Loans held for sale	-	247
Loans	306,925	304,649
Allowance for loan losses	<u>(4,074)</u>	<u>(3,988)</u>
Loans, net	<u>302,851</u>	<u>300,661</u>
Premises and equipment	8,235	7,248
Accrued interest receivable	1,402	1,451
Cash surrender value of life insurance	10,400	10,162
Deferred income taxes	1,237	1,181
Other assets	<u>1,072</u>	<u>1,011</u>
TOTAL ASSETS	<u>\$452,092</u>	<u>\$425,969</u>
LIABILITIES		
Noninterest-bearing deposits	\$ 55,593	\$ 50,341
Interest bearing deposits	<u>290,830</u>	<u>283,181</u>
Total deposits	<u>346,423</u>	<u>333,522</u>
Securities sold under agreement to repurchase	22,112	11,572
Short term borrowings	7,292	5,200
Federal Home Loan Bank advances	27,678	28,859
Accrued interest payable	538	429
Other liabilities	<u>3,982</u>	<u>3,705</u>
Total Liabilities	<u>408,025</u>	<u>383,287</u>
SHAREHOLDERS' EQUITY		
Common stock, par value \$1.00; Authorized 5,000,000 shares; Issued 2,160,000 shares; outstanding	1,080	1,080
Capital surplus	2,810	2,773
Retained earnings	48,408	45,491
Accumulated other comprehensive (loss) income	(1,128)	590
Less: Treasury Stock at cost, 287,498 and 293,498 shares	<u>(7,103)</u>	<u>(7,252)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>44,067</u>	<u>42,682</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$452,092</u>	<u>\$425,969</u>

PERFORMANCE RATIOS:

Return on average assets	<u>1.21%</u>	<u>1.07%</u>
Return on average shareholders' equity	<u>12.20%</u>	<u>10.86%</u>

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

(unaudited)

(In Thousands, Except Per Share Data)	For The Nine months Ended September 30,	
	2018	2017
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	\$ 10,416	\$ 9,671
Interest-bearing deposits in bank	277	263
Federal funds sold	51	16
Securities:		
Taxable	354	267
Exempt from federal income tax	938	793
Dividends	<u>126</u>	<u>132</u>
Total interest and dividend income	<u>12,162</u>	<u>11,142</u>
INTEREST EXPENSE		
Deposits	2,004	1,452
Federal Home Loan Bank advances	441	459
Other borrowings	<u>9</u>	<u>13</u>
Total interest expense	<u>2,454</u>	<u>1,924</u>
NET INTEREST INCOME	9,708	9,218
PROVISION FOR LOAN LOSSES	<u>225</u>	<u>175</u>
Net interest income after provision for loan losses	<u>9,483</u>	<u>9,043</u>
NON-INTEREST INCOME:		
Service charges on deposit accounts	410	388
Gain on sale of loans	229	170
Trust department income	106	106
Investments product sales	77	54
Net realized/unrealized securities gains	39	65
Earnings on cash surrender value of life insurance	204	261
Other	<u>547</u>	<u>483</u>
Total non-interest income	<u>1,612</u>	<u>1,527</u>
NON-INTEREST EXPENSE		
Salaries and employee benefits	3,850	3,623
Net occupancy and equipment expense	657	637
Data processing fees	378	350
State shares tax	253	267
FDIC insurance premiums	99	105
Other	<u>1,111</u>	<u>1,032</u>
Total non-interest expense	<u>6,348</u>	<u>6,014</u>
INCOME BEFORE INCOME TAX PROVISION	4,747	4,556
INCOME TAX PROVISION	<u>822</u>	<u>1,187</u>
NET INCOME	<u>\$ 3,925</u>	<u>\$ 3,369</u>

PER SHARE DATA:

(as adjusted for 2 for 1 stock split effective 7/31/2018)

Earnings per share	<u>\$ 2.10</u>	<u>\$ 1.80</u>
Ordinary Dividend per share	<u>\$ 0.47</u>	<u>\$ 0.435</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

**September 30, 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.