

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 2009.

Net income, as reported, for the nine months ended September 30, 2009 was \$3,039,000 as compared to \$2,537,000 for the same period in 2008, an increase of 19.8%. Earnings per share were \$3.04 compared to \$2.53 during the same period in 2008 for an increase of 20.2%. Return on average assets and return on average equity were 1.44% and 13.26% for the nine months ended September 30, 2009 as compared to 1.27% and 11.83% for the corresponding period in 2008.

The increase in net income is due to the following factors and events. Net interest income increased \$558,000, or 8.3%, as a result of the net interest margin increasing from 3.57% for the nine months ended September 30, 2008 to 3.69% for the nine months ended September 30, 2009. The increase in the net interest margin is a result of continued decreased cost of deposits as a result of significant reduction in rates through the Federal Reserve's actions. Cost of funds decreased from 2.62% for the period ended September 30, 2008 to 2.12% for the period ended September 30, 2009. The provision for loan losses (expense) was funded a total of \$409,000 year to date due to increased loan volume, an increase in charge-offs relating to personal loans and concerns of a slowing local economy. Non-interest income increased significantly from the prior year primarily the result of two factors. First, we had a gain of \$719,000 as a beneficiary on life insurance of a former bank officer. Second, gain on sale of loans to the secondary market increased \$285,000 as a result of the low mortgage interest rates. Non-interest expense increased \$923,000 over the prior year as a result of the following: Salaries, benefits, and occupancy expenses related to the addition of our New Berlin Branch, higher FDIC deposit premiums plus a special FDIC assessment, and payment of a life insurance claim involving our Trust Department.

Total assets of \$295 million as of September 30, 2009 have increased from the September 30, 2008 total of \$278 million, an increase of 5.9%. The increase in total assets is the result of an increase in loans of 6.0%, and an increase in deposits of 6.3%.

I am pleased to announce that we have officially moved our operations center and the Financial Services Group into the former John Wilcox Lanes building. Additionally, our Hummels Wharf office will be relocated to Shamokin Dam in January 2010. This move will allow us to expand the office services to include three drive-up lanes and a drive-up ATM, as well as maintaining our hospitable lobby services.

Our strategies have exceeded our expectations given these historic economic and political times. We will continue to look for ways to enhance your investment in Mifflinburg Bancorp while keeping our values and mission consistent with the success it has brought all of us.

Sincerely,



Jeffrey J. Kapsar
President & CEO

Mifflinburg Bancorp, Inc. & Subsidiary Consolidated Balance Sheet

(unaudited)

(In Thousands, Except Per Share Data)	September 30,	
	2009	2008
ASSETS		
Cash and due from banks	\$ 3,830	\$ 5,237
Federal funds sold	<u>14,690</u>	<u>6,798</u>
Total cash and cash equivalents	<u>18,520</u>	<u>12,035</u>
Interest-bearing deposits in banks	3,698	3,100
Trading securities	691	3,438
Securities available for sale	63,487	65,846
Loans held for sale	152	-
Loans	193,200	182,185
Allowance for loan losses	<u>(2,147)</u>	<u>(1,761)</u>
Loans, net	<u>191,053</u>	<u>180,424</u>
Premises and equipment	6,887	4,374
Accrued interest receivable	1,453	1,327
Cash surrender value of life insurance	7,786	6,687
Other real estate owned	348	-
Deferred income taxes	82	601
Other assets	<u>764</u>	<u>608</u>
TOTAL ASSETS	<u>\$294,921</u>	<u>\$278,440</u>
LIABILITIES		
Noninterest-bearing deposits	\$ 23,345	\$ 22,814
Interest bearing deposits	<u>201,278</u>	<u>188,502</u>
Total deposits	<u>224,623</u>	<u>211,316</u>
Securities sold under agreement to repurchase	9,499	10,510
Short term borrowings	116	118
Federal Home Loan Bank advances	24,881	24,662
Accrued interest payable	932	862
Other liabilities	<u>2,825</u>	<u>2,366</u>
Total Liabilities	<u>262,876</u>	<u>249,834</u>
SHAREHOLDERS' EQUITY		
Common stock, par value \$1.00;		
Authorized 2,160,000 shares;		
Issued 1,080,000 shares; outstanding		
2009-999,604; 2008-999,854	1,080	1,080
Capital surplus	2,671	2,671
Retained earnings	29,988	27,862
Accumulated other comprehensive income	1,340	14
Less: Treasury Stock at cost, 80,396		
and 80,146 shares	<u>(3,034)</u>	<u>(3,021)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>32,045</u>	<u>28,606</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$294,921</u>	<u>\$278,440</u>
PERFORMANCE RATIOS:		
Return on average assets	<u>1.44%</u>	<u>1.27%</u>
Return on average shareholders' equity	<u>13.26%</u>	<u>11.83%</u>

Mifflinburg Bancorp, Inc. & Subsidiary Consolidated Statements of Income

(unaudited)

(In Thousands, Except Per Share Data)	For The Nine Months Ended	
	September 30,	2008
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	\$ 8,872	\$ 8,674
Interest-bearing deposits in bank	54	59
Federal funds sold	19	45
Securities:		
Taxable	1,353	1,531
Exempt from federal income tax	803	880
Dividends	<u>25</u>	<u>69</u>
Total interest and dividend income	<u>11,126</u>	<u>11,258</u>
INTEREST EXPENSE		
Deposits	3,119	3,844
Federal Home Loan Bank advances	717	647
Other borrowings	<u>1</u>	<u>36</u>
Total interest expense	<u>3,837</u>	<u>4,527</u>
NET INTEREST INCOME	<u>7,289</u>	<u>6,731</u>
PROVISION FOR LOAN LOSSES	<u>409</u>	<u>120</u>
Net interest income after provision for loan losses	<u>6,880</u>	<u>6,611</u>
NON-INTEREST INCOME:		
Service charges on deposit accounts	471	500
Gain on sale of loans	365	80
Trust department income	78	100
Gain on sale of other real estate owned	-	16
Investments product sales	52	49
Trading security gains	5	7
Net securities gains (losses)	7	(93)
Earnings on cash surrender value of life insurance	225	223
Gain on life insurance proceeds	719	-
Other	<u>328</u>	<u>287</u>
Total non-interest income	<u>2,250</u>	<u>1,169</u>
NON-INTEREST EXPENSE		
Salaries and employee benefits	2,938	2,823
Net occupancy and equipment expense	527	471
Data processing fees	184	182
State shares tax	224	216
FDIC insurance premiums	241	21
Other	<u>1,364</u>	<u>842</u>
Total non-interest expense	<u>5,478</u>	<u>4,555</u>
INCOME BEFORE INCOME TAX PROVISION	<u>3,652</u>	<u>3,225</u>
INCOME TAX PROVISION	<u>613</u>	<u>688</u>
NET INCOME	<u>\$ 3,039</u>	<u>\$ 2,537</u>
PER SHARE DATA:		
Earnings per share	<u>\$ 3.04</u>	<u>\$ 2.53</u>
Dividends per share	<u>\$ 0.69</u>	<u>\$ 0.67</u>
Book Value per share	<u>\$ 32.06</u>	<u>\$ 28.61</u>

BOARD OF DIRECTORS

Wayne A. Bromfield, Chairman
Thomas E. Boop, Vice Chairman
Jeffery J. Kapsar, President & CEO
John D. Griffith
Robert K. Lynch
Robert C. Musser
W. Gale Reish
D. Roger Shuck
Robert E. Valentine

DIRECTORS EMERITUS

Helen P. Strunk
David W. Diehl

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

Selinsgrove

1969 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, 2009
QUARTERLY
REPORT**



MIFFLINBURG BANCORP, INC.
Member FDIC

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