



# 2024 *Annual Report*

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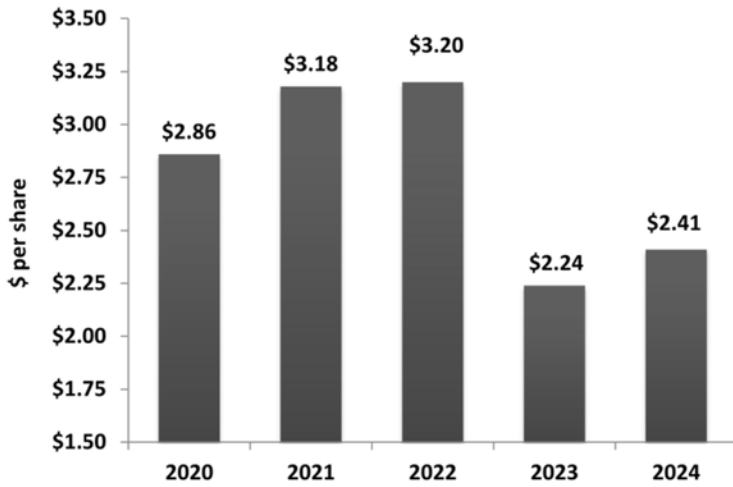
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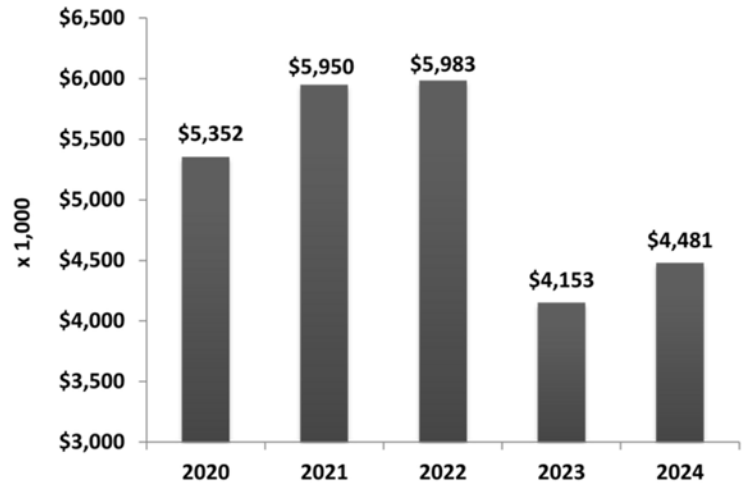
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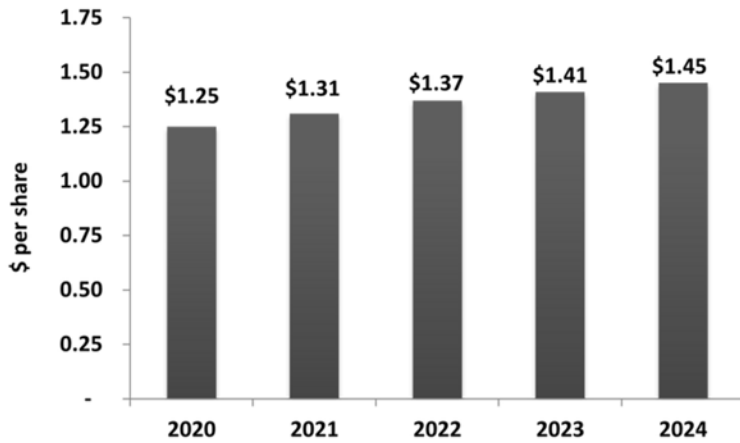
### EARNINGS PER SHARE



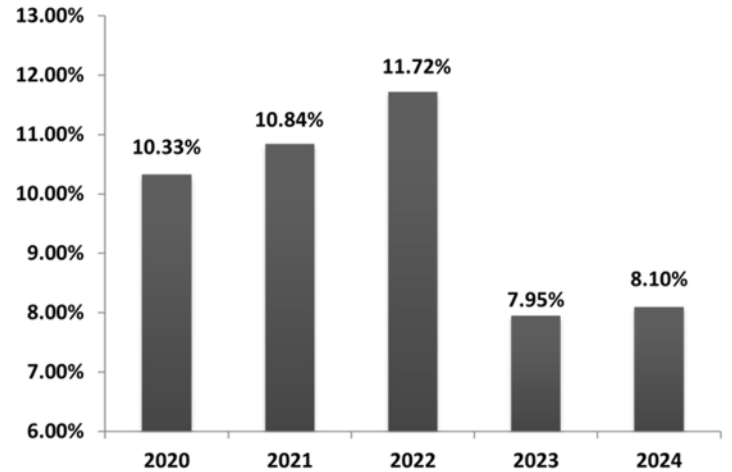
### NET INCOME



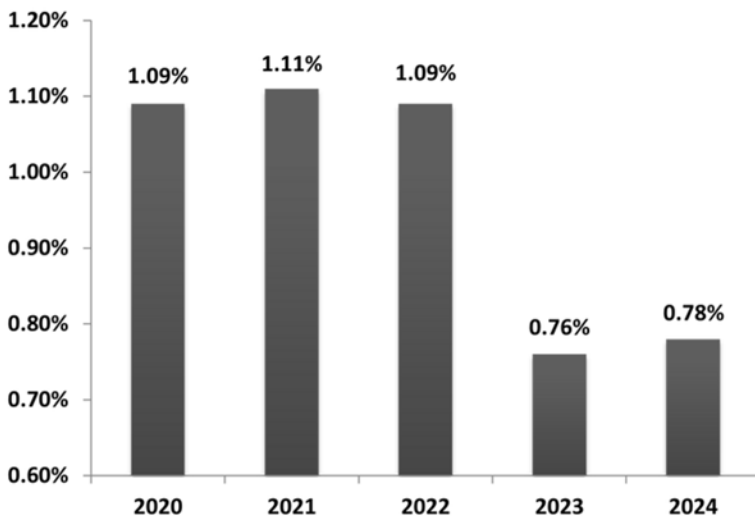
### DIVIDEND PAYOUT HISTORY



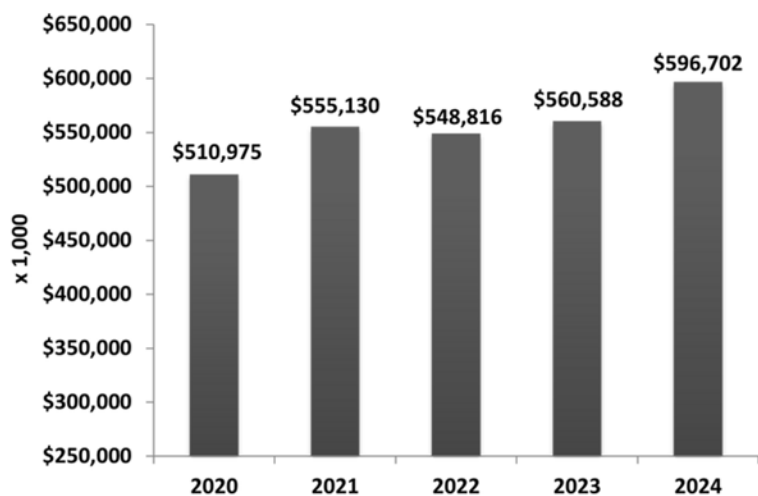
### RETURN ON AVERAGE EQUITY



### RETURN ON AVERAGE ASSETS



### TOTAL ASSETS





## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Mifflinburg Bancorp, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Mifflinburg Bancorp, Inc. and subsidiary (the Company) as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of this critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which it relates.

### Allowance for Credit Losses – Collectively Evaluated Loans

#### Description of the Matter

As further described in Note 1 (Description of Business and Summary of Significant Accounting Policies) to the financial statements, the allowance for credit losses on loans (ACL) is a valuation allowance that represents management's best

estimate of expected credit losses on loans measured at amortized cost considering available information relevant to assessing collectability over the loans' contractual terms. Loans which share common risk characteristics are pooled and collectively evaluated by the Company using historical data, as well as assessments of current conditions and reasonable and supportable forecasts of future conditions. The Company's ACL related to collectively evaluated loans represented \$4,359,285 of the total recorded ACL of \$4,379,096 as of December 31, 2024. The collectively evaluated ACL consists of quantitative and qualitative components.

Management utilized a discounted cash flow (DCF) model. The quantitative component consists of loss estimates derived from a combination of Loss Rate and Lifetime Probability of Default (PD)/Loss Given Default (LGD) Models. The Loss Rate model uses benchmark data to generate the expected loss rate for the loan pools. The PD/LGD model is a model that uses PD and LGD rates recognized over the life of loans in a pool historically. The PD and LGD benchmark data was used to generate the expected loss rate for certain pools of loans. This method was used when the loss driver method proved to provide insufficient loss rates. Benchmark prepayment and curtailment rates were also utilized in the model. Reasonable and supportable forecast data used in the DCF model is based on various forecast scenarios. This information is evaluated to determine the reasonable and supportable scenario. The model estimates consider large amounts of data in tabulating significant inputs to the calculations, including default, and loss given default, and require complex calculations as well as management judgment in the selection of appropriate inputs. In addition to the quantitative component, the collectively evaluated ACL also includes a qualitative component which aggregates management's assessment of available information relevant to assessing collectability that is not captured in the quantitative loss estimation process. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Management exercised significant judgment when estimating the ACL on collectively evaluated loans. We identified the estimation of the collectively evaluated ACL as a critical audit matter as auditing the collectively evaluated ACL involved especially complex and subjective auditor judgment in evaluating management's assessment of the inherently subjective estimates.

#### **How We Addressed the Matter in Our Audit**

The primary audit procedures we performed to address this critical audit matter included:

- Obtaining an understanding of the Company's process for determining its ACL on collectively evaluated loans, including the underlying methodology and significant inputs to the calculation.
- Substantively testing management's process for measuring the collectively evaluated ACL, including:
  - Evaluating the conceptual soundness of the methodology for determining the collectively evaluated ACL.
  - Testing significant inputs to the calculation, including the loss rates, prepayment rates, probability of default and loss given default, and the data on which those were based.
  - Evaluating the pool of collectively evaluated loans for completeness.
  - Evaluating management's determination of the qualitative adjustments, including evaluating data on which the qualitative adjustments were based as well as the relative magnitude of the adjustments.
  - Testing the mathematical accuracy of the ACL for collectively evaluated loans, including calculation of the underlying quantitative component as well as application of qualitative factors to the collectively evaluated loan balances.

*Grant, Hyde & Barbours, P.C.*

We have served as the Company's auditor since 2023.

Winchester, Virginia  
March 14, 2025

# Mifflinburg Bancorp, Inc. and Subsidiary

## Consolidated Balance Sheets (in thousands, except share and per share data)

December 31,	2024	2023
<b>Assets</b>		
Cash and due from banks	\$ 4,580	\$ 10,087
Interest-bearing demand deposits	3,213	2,119
Federal funds sold	1,386	-
<b>Total cash and cash equivalents</b>	<b>9,179</b>	<b>12,206</b>
Interest-bearing time deposits	10,369	18,285
Debt securities available-for-sale, at fair value	116,053	118,439
Marketable equity securities, at fair value	268	322
Restricted investments in bank stock, at cost	2,300	1,085
Loans	436,339	387,924
Allowance for credit losses	(4,379)	(3,861)
<b>Net loans</b>	<b>431,960</b>	<b>384,063</b>
Premises and equipment, net	8,251	8,545
Accrued interest receivable	1,804	1,603
Other real estate owned	-	56
Bank owned life insurance	12,966	12,708
Net deferred tax asset	2,247	1,949
Other assets	1,305	1,327
<b>Total Assets</b>	<b>\$ 596,702</b>	<b>\$ 560,588</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing	\$ 69,746	\$ 74,979
Interest-bearing	419,783	397,758
<b>Total deposits</b>	<b>489,529</b>	<b>472,737</b>
Repurchase agreements	1,143	1,231
Federal funds purchased	-	435
Federal Reserve Bank borrowings	-	9,500
Federal Home Loan Bank advances	43,050	15,700
Accrued interest payable	1,736	1,374
Other liabilities	5,327	4,825
<b>Total Liabilities</b>	<b>540,785</b>	<b>505,802</b>
<b>Commitments and Contingencies</b>		
Redeemable Common Stock Held By Employee Stock Ownership Plan	1,877	1,764
<b>Stockholders' Equity</b>		
Common stock, par value \$1.00 per share; authorized 5,000,000 shares; issued 2,160,000 shares; outstanding 1,858,536 and 1,858,536 shares at December 31, 2024 and 2023, respectively	2,160	2,160
Capital surplus	1,899	1,899
Retained earnings	64,013	62,227
Accumulated other comprehensive loss	(4,424)	(3,769)
Treasury stock, at cost: 2024: 301,464 shares; 2023: 301,464 shares	(7,731)	(7,731)
<b>Total Stockholders' Equity</b>	<b>55,917</b>	<b>54,786</b>
Less maximum cash obligation to ESOP shares	1,877	1,764
<b>Total Stockholders' Equity Less Maximum Cash Obligations Related to ESOP Shares</b>	<b>54,040</b>	<b>53,022</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 596,702</b>	<b>\$ 560,588</b>

*See accompanying notes to consolidated financial statements.*

# Mifflinburg Bancorp, Inc. and Subsidiary

## Consolidated Statements of Income (in thousands, except per share data)

<i>Years Ended December 31,</i>	2024	2023
<b>Interest and Dividend Income</b>		
Interest and fees on loans	\$ 22,357	\$ 18,451
Interest-bearing deposits in banks	546	569
Federal funds sold	240	65
Securities:		
Taxable	1,963	1,377
Tax-exempt	1,209	1,235
Dividends	196	226
<b>Total Interest and Dividend Income</b>	<b>26,511</b>	<b>21,923</b>
<b>Interest Expense</b>		
Deposits	8,677	6,169
Federal Home Loan Bank advances	708	1,051
Other borrowings	452	246
<b>Total Interest Expense</b>	<b>9,837</b>	<b>7,466</b>
<b>Net Interest Income</b>	<b>16,674</b>	<b>14,457</b>
<b>Provision for (recovery of) credit losses</b>	<b>680</b>	<b>(237)</b>
<b>Net Interest Income after provision for (recovery of) credit losses</b>	<b>15,994</b>	<b>14,694</b>
<b>Noninterest Income</b>		
Service charges on deposit accounts	451	443
ATM fees and debit card income	762	745
Mortgage banking revenue	250	189
Commissions from investment product sales	83	95
Losses on sale of available-for-sale securities	-	(399)
Net marketable equity security losses	(55)	(78)
Earnings on bank owned life insurance	257	245
Other	222	195
<b>Total Noninterest Income</b>	<b>1,970</b>	<b>1,435</b>
<b>Noninterest Expense</b>		
Salaries and employee benefits	7,462	7,218
Net occupancy and equipment expense	1,160	1,167
Data processing fees	698	643
Pennsylvania shares tax	450	394
Professional fees	202	141
Advertising expense	122	157
FDIC deposit insurance	259	246
Merger expenses	537	-
Other	1,699	1,350
<b>Total Noninterest Expense</b>	<b>12,589</b>	<b>11,316</b>
<b>Income Before Income Taxes</b>	<b>5,375</b>	<b>4,813</b>
<b>Income Taxes</b>	<b>894</b>	<b>660</b>
<b>Net Income</b>	<b>\$ 4,481</b>	<b>\$ 4,153</b>
<b>Earnings Per Share</b>	<b>\$ 2.41</b>	<b>\$ 2.24</b>

See accompanying notes to consolidated financial statements.

**Mifflinburg Bancorp, Inc. and Subsidiary**  
**Consolidated Statements of Comprehensive Income**  
(in thousands)

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
<b>Net Income</b>	<b>\$ 4,481</b>	<b>\$ 4,153</b>
<b>Other Comprehensive (Loss) Income</b>		
Unrealized holding (losses) gains on debt securities available-for-sale, net of income taxes of (\$175) and \$824, respectively	(655)	3,102
Reclassification adjustment for losses on available-for-sale securities included in net income, net of income taxes of \$-0- and \$84, respectively	-	315
<b>Other comprehensive (loss) income</b>	<b>(655)</b>	<b>3,417</b>
<b>Total Comprehensive Income</b>	<b>\$ 3,826</b>	<b>\$ 7,570</b>

*See accompanying notes to consolidated financial statements.*

**Mifflinburg Bancorp, Inc. and Subsidiary**  
**Consolidated Statements of Changes in Stockholders' Equity**  
(in thousands, except share and per share data)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehen- sive (Loss)	Treasury Stock	Maximum Cash Obligation Related to ESOP Shares	Total
Balance, December 31, 2022	\$ 2,160	\$ 1,891	\$ 60,930	\$ (7,186)	\$ (7,825)	\$ (2,064)	\$ 47,906
Net income	-	-	4,153	-	-	-	4,153
Other comprehensive income	-	-	-	3,417	-	-	3,417
Change related to ESOP shares	-	-	-	-	-	300	300
Adoption of ASC 326 - Financial Instruments - credit losses, net of tax benefit	-	-	(241)	-	-	-	(241)
Sale of 3,666 shares of treasury stock	-	8	-	-	94	-	102
Cash dividends declared (\$1.41 per share)	-	-	(2,615)	-	-	-	(2,615)
Balance, December 31, 2023	\$ 2,160	\$ 1,899	\$ 62,227	\$ (3,769)	\$ (7,731)	\$ (1,764)	\$ 53,022
Net income	-	-	4,481	-	-	-	4,481
Other comprehensive loss	-	-	-	(655)	-	-	(655)
Change related to ESOP shares	-	-	-	-	-	(113)	(113)
Cash dividends declared (\$1.45 per share)	-	-	(2,695)	-	-	-	(2,695)
Balance, December 31, 2024	\$ 2,160	\$ 1,899	\$ 64,013	\$ (4,424)	\$ (7,731)	\$ (1,877)	\$ 54,040

*See accompanying notes to consolidated financial statements.*

# Mifflinburg Bancorp, Inc. and Subsidiary

## Consolidated Statements of Cash Flows (in thousands)

<i>Years Ended December 31,</i>	2024	2023
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 4,481	\$ 4,153
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	483	462
Net (accretion) amortization of discounts and premiums on securities	(290)	(144)
Deferred income tax (benefit) expense	(123)	18
Provision for (recovery of) credit losses	680	(226)
Increase in accrued interest receivable	(201)	(234)
Increase in accrued interest payable	362	1,080
Increase in cash surrender value of bank owned life insurance	(257)	(245)
Realized losses on sale of available-for-sale securities	-	399
Net marketable equity security losses	55	78
Origination of loans held for sale	(4,354)	(2,209)
Proceeds from loans sold	4,456	2,262
Gain on sale of loans	(102)	(53)
Loss (gain) on disposition of premises and equipment	4	(2)
Loss on sale of foreclosed real estate	6	-
Change in other assets and liabilities, net	409	445
<b>Net Cash Provided by Operating Activities</b>	<b>5,609</b>	<b>5,784</b>
<b>Cash Flows from Investing Activities</b>		
Debt securities available-for-sale:		
Purchases	(14,159)	(22,018)
Proceeds from paydowns, maturities and calls	16,006	29,295
Proceeds from sales	-	5,091
Net increase in loans	(48,465)	(19,112)
Decrease of interest-bearing time deposits	7,916	240
(Increase) decrease in restricted investments in bank stock	(1,215)	718
Proceeds from sale of premises and equipment	-	37
Proceeds from sale of foreclosed real estate	50	-
Purchase of bank owned life insurance	-	(1,100)
Purchases of premises and equipment	(193)	(218)
<b>Net Cash Used in Investing Activities</b>	<b>(40,060)</b>	<b>(7,067)</b>
<b>Cash Flows from Financing Activities</b>		
Increase in deposits	16,792	11,936
Proceeds from Federal Home Loan Bank advances	28,550	4,000
Repayment of Federal Home Loan Bank advances	(1,200)	(19,946)
(Repayment of) proceeds from Federal Reserve Bank borrowings	(9,500)	9,500
(Decrease) increase in Federal Funds purchased	(435)	435
Decrease in repurchase agreements	(88)	(463)
Sale of treasury stock	-	102
Dividends paid on common stock	(2,695)	(2,615)
<b>Net Cash Provided by Financing Activities</b>	<b>31,424</b>	<b>2,949</b>
Net (decrease) increase in cash and cash equivalents	(3,027)	1,666
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>12,206</b>	<b>10,540</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 9,179</b>	<b>\$ 12,206</b>
<b>Supplementary Cash Flows Information</b>		
Interest paid	\$ 9,475	\$ 6,386
Income taxes paid	\$ 945	\$ 780
<b>Supplementary Disclosure of Noncash Transactions</b>		
Other real estate acquired in settlement of loans	\$ -	\$ 56
Increase (decrease) in maximum cash obligation related to ESOP shares	\$ 113	\$ (300)

See accompanying notes to consolidated financial statements.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 1. Description of Business and Summary of Significant Accounting Policies

Mifflinburg Bancorp, Inc. (the Bancorp) is a Pennsylvania Corporation organized as the holding company of Mifflinburg Bank and Trust Company (the Bank). The Bank is a state chartered commercial bank located in Mifflinburg, Pennsylvania, whose principal sources of revenues are derived from its commercial, mortgage, residential real estate, and consumer loan financing as well as a variety of deposit services provided to customers serviced by its seven offices. Milestone Insurance Services, LLC (Milestone) was formed in 2003 and is a wholly owned subsidiary of the Bank. Milestone is licensed to sell title insurance. The Bancorp is supervised by the Board of Governors of the Federal Reserve System while the Bank is subject to regulation and supervision by the Federal Deposit Insurance Company and the Pennsylvania Department of Banking and Securities. A summary of significant accounting and reporting policies applied in the presentation of the accompanying consolidated financial statements follows.

#### *Basis of Presentation*

The accounting policies followed by the Bancorp and the Bank and the methods of applying these policies conform with accounting principles generally accepted in the United States of America (GAAP) and with general practices within the banking industry. Subsequent events have been considered through March 14, 2025.

#### *Accounting Standards Adopted in 2024*

In November 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.” The amendments in this ASU are intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. This ASU requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (CODM), an amount for other segment items by reportable segment and a description of its composition, all annual disclosures about a reportable segment profit or loss and assets currently required by FASB ASU Topic 280 in interim periods, and the title and position of the CODM and how the CODM uses the reported measures. Additionally, this ASU requires that at least one of the reported segment profit and loss measures should be the measure that is most consistent with the measurement principles used in an entity’s consolidated financial statements. Lastly, this ASU requires public business entities with a single reportable segment to provide all disclosures required by these amendments in this ASU and all existing segment disclosures in Topic 280. Adoption of this standard did not have a material impact on the Company’s financial statements.

#### *Segment Reporting*

The Company adopted Accounting Standards Update 2023-07 “Segment Reporting (Topic 280) - Improvement to Reportable Segment Disclosures” on January 1, 2024. The Company has determined that all of its banking divisions meet the aggregation criteria of ASC 280, Segment Reporting, as its current operating model is structured whereby all product offerings are managed through similar processes and platforms that are collectively reviewed by the Company’s Chief Financial Officer, who has been identified as the chief operating decision maker (“CODM”). The CODM regularly assesses performance of the aggregated single operating and reporting segment and decides how to allocate resources based on net income calculated on the same basis as is net income reported in the Company’s statements of income and other comprehensive income. The CODM is also regularly provided with expense information at a level consistent with that disclosed in the Company’s statements of income and other comprehensive income.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### *Use of Estimates*

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and require disclosure of contingent assets and liabilities as of the date of the consolidated balance sheets and revenues and expenses for the period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses.

### *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of the Bancorp and the Bank (including the accounts of Milestone), its wholly owned subsidiary (collectively, the Company). All significant intercompany balances and transactions have been eliminated. The entire business of the Company is managed as one operating segment. Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

### *Cash and Cash Equivalents*

For purposes of the consolidated statements of cash flows, the Company defines cash equivalents as cash and due from banks, interest-bearing demand deposits and federal funds sold. Federal funds are generally sold for one day periods.

### *Interest-Bearing Time Deposits*

Interest-bearing time deposits have original maturities in excess of one year and are carried at cost.

### *Debt Securities Available-For-Sale*

Debt securities classified as available-for-sale are carried at fair value with unrealized gains and losses net of the related tax effects reflected as a separate component of stockholders' equity. Securities classified as available-for-sale are those debt securities that the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Premium amortization and discount accretion are recorded using the interest method over each security's expected life.

Management evaluates all available-for-sale securities in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value and the entire loss is recorded in earnings.

If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specific to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any deficiency is recorded as an allowance for credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive (loss) income.

Changes in the allowance for credit loss are recorded as a provision for (or recovery of) credit losses in the Consolidated Statements of Income. Losses are charged against the allowance for credit loss when management believes an available-for-sale security is confirmed to be uncollectible or when either of

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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the criteria regarding intent or requirement to sell is met. At December 31, 2024, there was no allowance for credit loss related to the available-for-sale portfolio. Refer to Note 2 - Securities for further discussion.

Accrued interest receivable on available-for-sale securities totaled \$620,000 and \$628,000 at December 31, 2024 and December 31, 2023, respectively and is included in "Accrued Interest Receivable" on Consolidated Balance Sheets. Amount was excluded from the estimate of credit losses.

Realized gains and losses on sales of securities represent the differences between net proceeds and cost determined on the average cost method for equity securities and the specific identification method for all other securities.

### ***Marketable Equity Securities***

Marketable equity securities are carried at fair value with unrealized gains and losses included in net income.

### ***Restricted Investments in Bank Stock***

Restricted investments in bank stock represent required investments in the common stock of correspondent banks and consist of common stock of the Federal Home Loan Bank of Pittsburgh (FHLB) of \$2,255,000 and \$1,040,000 at December 31, 2024 and 2023, respectively, and other correspondent banks of \$45,000 at December 31, 2024 and 2023. As a member of the FHLB, the Bank is required to maintain an investment in FHLB stock based on mortgage loans, advances and other criteria. As no active market exists for this stock, it is carried at cost. All FHLB stock is pledged as collateral for FHLB advances. The Company evaluated its holding of FHLB stock for impairment and deemed the stock to not be impaired at December 31, 2024 and 2023. In making this determination, management concluded that recovery of total outstanding par value, which equals the carrying value, is expected. The decision was based upon review of financial information the FHLB has made publicly available.

### ***Mortgage Banking***

Mortgage loans originated and intended for sale in the secondary market at the time of origination are carried at the lower of aggregate cost or estimated fair value, as determined by aggregate outstanding commitments from investors or current investor yield requirements. All sales are made without recourse. Loans are generally sold with the mortgage servicing rights retained by the Company; the mortgage service rights are recognized as assets upon the sale. See further information for accounting for these assets under "Mortgage Servicing." Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold.

### ***Loans Receivable***

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for credit losses and any deferred fees or costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Company is generally amortizing these amounts over the contractual life of the loan.

The loans receivable portfolio is segmented into commercial and consumer loans. Commercial loans consist of the following classes: commercial (including commercial, agricultural and state and municipal), and commercial real estate (including commercial, construction and land development and farmland).

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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Consumer loans consist of the following classes: residential mortgage, home equity, consumer automobile and other consumer.

For all classes of loans receivable, the accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest is reversed against interest income. Interest received on nonaccrual loans is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months) and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

### *Allowance for credit losses on loans (ACLL)*

The allowance for credit losses (allowance) represents an amount which, in management's judgment is adequate to absorb the lifetime expected losses that may be sustained on outstanding loans at the balance sheet date based on the evaluation of the size and current risk characteristics of the loan portfolio, past events, current conditions, reasonable and supportable forecasts of future economic conditions, and prepayment experience. The allowance for credit losses is increased by the provision for credit losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for credit losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. Non-residential consumer loans are generally charged off no later than 120 days past due on a contractual basis, earlier in the event of bankruptcy, or if there is an amount deemed uncollectible. Because all identified losses are immediately charged off, no portion of the allowance is restricted to any individual loan or groups of loans, and the entire allowance is available to absorb any and all credit losses.

The allowance for credit losses on loans (ACLL) is a valuation account that is used to present the net amount expected to be collected on a loan. The ACLL is adjusted through provision for credit losses as a charge against, or credit to, earnings. Loans deemed to be uncollectible are charged against the ACLL, and any subsequent recoveries are credited to the allowance for credit losses (ACL). Management evaluates the ACL on a quarterly basis. When changes in the reserve are necessary, an adjustment is made.

Management utilizes a discounted cash flow (DCF) model to calculate the sum of expected losses via a gross loss rate and recovery rate assumption for pools of loans that share similar risk characteristics to determine its allowance for credit loss balance. The FDIC Call Report loan codes were utilized as the grouping mechanism. Management has elected to perform cash flow modeling without the present value component due to lack of loan loss history and simplification of the model.

Management uses relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts in calculating its ACL. Historical credit loss experience provides the basis for the estimation of expected credit losses.

The key inputs to the DCF model are loss rate, probability of default, loss given default, prepayment and curtailment rates, reasonable and supportable economic forecasts, and forecast reversion period.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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- Loss Rate - In order to incorporate economic factors into forecasting within the DCF model, management elected to use the Loss Driver method or benchmark data to generate the expected loss rate for the pools of loans. The Loss Driver method analyzes how one or more economic factors change the default rate using a statistical regression analysis. Management selected an economic factor (unemployment rate) that had a strong correlation to historical default rates.
- Probability of Default (PD) and Loss Given Default (LGD) benchmark data was used to generate the expected loss rate for certain pools of loans and leases. Management elected to use benchmark data to generate the PD/LGD rate inputs when the loss driver method proved to provide insufficient loss rates for certain loan call code segments. There were not strong correlations between losses and the economy for historical data or the peer group to provide sufficient enough loss observations to generate a reversion rate that accommodates an economic cycle.
- Prepayment & Curtailment Rates: Due to historical data constraints, management has elected to use peer benchmark prepayment rates in the DCF model for certain call codes. The benchmark data used for each loan segment is based on the corresponding call report code. If observations were insufficient for that specific call code, management elected to apply the rate from the higher-level call code or from a call code with similar prepayment/curtailment behavior. For example, if a benchmark prepayment rate was not sufficient enough for call code 1d, the prepayment rate of a call code 1 would be utilized instead.
- Reasonable and Supportable Forecasts - The forecast data used in the DCF model is obtained via a subscription to a widely recognized and relied upon company who publishes various forecast scenarios. Management evaluates the various scenarios to determine a reasonable and supportable scenario.
- Forecast Reversion Period - Management uses forecasts to predict how economic factors will perform and has determined to use a four-quarter forecast period as well as a four-quarter straight-line reversion period to series mean (also commonly referred to as the mean reversion period).

The allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are deemed likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments generally increase allowance levels and include adjustments for factors deemed relevant, including: the nature and volume of portfolio changes, including loan portfolio growth; concentrations of credit based on loan type (such as agricultural lending) or industry; the volume and severity of past due, nonaccrual or adversely classified loans; trends in real estate or other collateral values; lending policies and procedures, including changes in underwriting and collections practices and loan review function; credit review function; lending, credit and other relevant management experience and risk tolerance; external factors and economic conditions not already captured. Each qualitative factor is assigned a value to reflect improvement, no change, minor risk, moderate risk, or major risk conditions based on management's best judgment using relevant information available at the time of the evaluation. Management uses a variety of future looking forecasts along with current economic statistics from reputable sources to assign the qualitative factor based on set parameters. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance calculation.

Loans that do not share risk characteristics are evaluated on an individual basis. The Company designates individually evaluated loans on nonaccrual status as collateral dependent loans, as well as other loans that management of the Company designates as having higher risk and loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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determining the allowance for credit losses. Under CECL, for collateral dependent loans, the Company has adopted the practical expedient to measure the allowance for credit losses based on the fair value of collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

An unallocated component is maintained to cover uncertainties that could affect management's estimate of expected losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

The Company has elected to exclude accrued interest from the amortized cost basis in its determination of the allowance for credit losses for both loans, as well as elected the policy to write-off accrued interest receivable directly through the reversal of interest income. Accrued interest receivable totaled \$1,179,000 and \$967,000 at December 31, 2024 and 2023, respectively, and is included in "Accrued Interest Receivable" on the Company's Consolidated Balance Sheets

Commercial lending, including commercial real estate loans generally present a higher level of risk than residential mortgage loans. This greater risk is due to several factors, including the concentration of principal in a limited number of loans and borrowers, the effect of general economic conditions on income producing properties and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by commercial and industrial real estate is typically dependent upon the successful operation of the related real estate project or business. If the cash flow from the project is reduced, the borrower's ability to repay the loan may be impaired. Consumer loans may entail greater credit risk than do residential mortgage loans, particularly in the case of consumer loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles. Home equity loans also entail greater risk than residential mortgage loans due to being in a junior lien position. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans.

For commercial and residential loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values may be discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

In addition, Federal and State regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for credit losses and may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio, management believes the current level of the allowance for credit losses is adequate at December 31, 2024.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### ***Modifications***

In situations where a borrower is experiencing financial difficulty, management grants a concession to the borrower that it would not otherwise consider, and the modification results in a more than insignificant change in contractual cash flows, the related loan is subject to specific disclosure requirements. Management strives to identify borrowers in financial difficulty early and work with them to modify their loans to more affordable terms before their loans reach nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

### ***Allowance for Credit Losses - Unfunded Commitments***

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision for (or recovery of) credit losses in the Consolidated Statements of Income. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the CECL model using the same methodology as the loan portfolio, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The allowance for unfunded commitments is included in Other Liabilities on the Company's Consolidated Balance Sheets.

### ***Other Real Estate Owned***

Foreclosed assets held for sale consist of real estate acquired in settlement of foreclosed loans and is initially recorded at fair value less estimated costs to sell at the time of transfer from loans to foreclosed, establishing a new cost basis. Subsequent to the transfer, foreclosed assets are carried at the lower of the adjusted cost or fair value less costs to sell. Additional write-downs are charged against operating expenses. Costs related to the acquisition and holding of foreclosed assets are charged to operations when incurred. The fair value of real estate acquired through foreclosure is generally determined by reference to an outside appraisal. The Company did not hold any foreclosed assets as of December 31, 2024. The Company held foreclosed assets for sale of \$56,000 as of December 31, 2023.

### ***Premises and Equipment***

Premises and equipment are stated at cost less accumulated depreciation. Repairs and maintenance expenditures are expensed as incurred. The costs of major additions and improvements are capitalized. When premises or equipment are retired or sold, the remaining cost and accumulated depreciation are removed from the accounts and any gain or loss is credited or charged to income. Depreciation is computed using straight-line and accelerated methods over the estimated useful lives of the assets. Premises and equipment are reviewed by management at least annually for potential impairment and whenever events or circumstances indicate that carrying amounts may not be recoverable.

### ***Bank Owned Life Insurance***

The Company invests in bank owned life insurance (BOLI) as a source of funding for employee and director benefit expenses. BOLI involves the purchasing of life insurance by the Company on a chosen group of officers and directors. The Company is the owner and beneficiary of the policies. This life insurance investment is carried at the cash surrender value of the underlying policies. Income from the increase in

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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the cash surrender value of the policies is included with noninterest income on the Consolidated Statements of Income. The policies can be liquidated, if necessary, with tax costs associated. However, the Company intends to hold these policies and accordingly, the Company has not provided for deferred income taxes on the earnings from the increase in cash surrender value.

The Company recognizes a liability for postretirement benefits provided through an endorsed split-dollar life insurance arrangement. The liability for post-retirement benefits under these arrangements was \$843,000 and \$838,000 at December 31, 2024 and 2023, respectively, and is included in Other Liabilities on the Consolidated Balance Sheets. Expense in the years ended December 31, 2024 and 2023 was \$5,000 and \$123,000, respectively.

### ***Mortgage Servicing***

The Company retains the servicing rights on certain mortgage loans sold to the FHLB and Fannie Mae and receives mortgage banking fee income based upon the principal balance outstanding. The mortgage servicing rights recorded as an asset are not material. Total loans serviced for the FHLB and Fannie Mae amounted to \$54,863,000 and \$55,080,000 at December 31, 2024 and 2023, respectively. These mortgage loans sold and serviced by the Company are not reflected in the Company's Consolidated Balance Sheets.

### ***Revenue Recognition***

The Company earns income from various sources, including loans, investment securities, bank-owned life insurance, deposit accounts and sales of assets.

Interest income on loans is accrued on the unpaid principal balance and recorded daily. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method. Other loan fees, including late charges, are recognized as they occur.

Interest income on debt securities is recognized on the accrual basis. Purchase premiums and discounts are recognized using the interest method over the term of the securities. Dividends on equity securities are recorded when declared.

Service charges on deposit accounts include maintenance and analysis fees and overdraft fees. Automated teller machine (ATM) fees and debit card income include fees for withdrawals by our deposit customers from other bank ATMs and interchange fees related to the acceptance and settlement of debit card transactions. Revenue is recognized when the Company's performance obligation is completed which is generally monthly for account services or when a transaction has occurred.

Commissions from investment product sales are received from third parties based on the sale of the third party's investment and insurance products to the Company's customers. The Company's performance obligation is complete when the sale occurs.

Earnings on bank-owned life insurance policies represent the increase in the cash surrender value of these policies as well as any gains resulting from settlement of the policies.

Other income includes other fees and revenue, which are generally transactional in nature and are recorded as they occur.

Gains or losses on sales of assets are generally recognized when the asset has been legally transferred to the buyer and the Company has no continuing involvement with the asset. The Company does not generally finance the sale.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### *Transfers of Financial Assets*

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

### *Advertising*

Advertising costs are expensed as incurred.

### *Income Taxes*

Current income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in certain deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company accounts for uncertain tax positions if it is more-likely-than-not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more-likely-than-not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment.

The Company recognizes interest and penalties on income taxes as a component of income tax expense. There were none during the years ended December 31, 2024 and 2023.

### *Earnings Per Share*

The Company does not have any common stock equivalents and, therefore, presents only basic earnings per share, which represents net income divided by the weighted average shares outstanding during the period. The weighted average shares outstanding during 2024 and 2023 were 1,858,500 and 1,854,900, respectively. ESOP shares are considered outstanding for this calculation unless unearned.

### *Treasury Stock*

The acquisition of treasury stock is recorded under the cost method. The subsequent disposition or sale of the treasury stock is recorded using the average cost method.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### ***Off-Balance Sheet Financial Instruments***

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded on the consolidated balance sheets as they are funded.

### ***Comprehensive Income (Loss)***

GAAP requires that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on debt securities available-for-sale, are reported as a separate component of the equity section of the balance sheet, such items, along with net income are components of comprehensive income (loss) and reflected in the consolidated statements of comprehensive income (loss).

The only other comprehensive income item that the Company presently has is unrealized gains or losses on debt securities available-for-sale.

### ***Common stock held by ESOP***

The Company classifies equity securities as temporary equity if those securities are redeemable at the option of the holder or upon the occurrence of an event not solely within the issuer control. Thus, shares of common stock held by an ESOP, whether non-leveraged or leveraged, that are redeemable at the option of the participant must be classified within temporary equity and classified as Redeemable Common Stock Held By Employee Stock Ownership Plan. Changes in the value of the redeemable ESOP shares are recognized in the Maximum Cash Obligation Related to ESOP shares as a component of stockholders' equity.

The Company's maximum cash obligations related to these shares is classified outside stockholders' equity because the shares are not readily traded and could be put to the Company for cash.

### ***Loss Contingency***

Loss contingencies, including claims and legal actions arising in the ordinary course of business are recorded as liabilities when the likelihood of loss is probable and reasonably estimated. Management does not believe there are such matters that will have a material effect on the consolidated financial statements.

### ***Recent Accounting Pronouncements***

In December 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The amendments in this ASU require an entity to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, which is greater than five percent of the amount computed by multiplying pretax income by the entity's applicable statutory rate, on an annual basis. Additionally, the amendments in this ASU require an entity to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions that are equal to or greater than five percent of total income taxes paid (net of refunds received). Lastly, the amendments in this ASU require an entity to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. This ASU is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied on a

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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prospective basis; however, retrospective application is permitted. The Company does not expect the adoption of ASU 2024-09 to have a material impact on its consolidated financial statements.

In November 2024, the Financial Accounting Standards Board (FASB) issued ASU 2024-03, “Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses.” ASU 2024-03 requires public companies to disclose, in the notes to the financial statements, specific information about certain costs and expenses at each interim and annual reporting period. This includes disclosing amounts related to employee compensation, depreciation, and intangible asset amortization. In addition, public companies will need to provide qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. ASU 2024-03 is effective for public business entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Implementation of ASU 2024-03 may be applied prospectively or retrospectively. The Company does not expect the adoption of ASU 2024-03 to have a material impact on its consolidated financial statements.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### 2. Securities

The amortized cost and fair value of debt securities available-for-sale are as follows at December 31 (in thousands):

	2024				2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	\$ 2,194	\$ 9	\$ (1)	\$ 2,202	\$ 3,414	\$ 36	\$ (9)	\$ 3,441
U.S. government agencies	25,865	11	(427)	25,449	22,682	62	(632)	22,112
Taxable state and Municipal	6,142	-	(511)	5,631	7,930	-	(742)	7,188
Tax exempt state and municipal	55,696	3	(3,903)	51,796	58,750	26	(2,608)	56,168
U.S. government sponsored enterprise mortgage-backed	27,723	31	(656)	27,098	25,377	142	(700)	24,819
Corporate	4,034	-	(157)	3,877	5,057	-	(346)	4,711
Total debt securities available-for-sale	\$ 121,654	\$ 54	\$ (5,655)	\$ 116,053	\$ 123,210	\$ 266	\$ (5,037)	\$ 118,439

The amortized cost and estimated fair value of debt securities available-for-sale at December 31, 2024, by expected maturity for mortgage-backed securities and debt securities with call features and by contractual maturity for all other securities, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties (in thousands).

	Amortized Cost	Fair Value
Due in one year or less	\$ 13,688	\$ 13,571
Due after one year through five years	72,281	70,083
Due after five years through ten years	31,219	28,539
Due after ten years	4,466	3,860
Total	\$ 121,654	\$ 116,053

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

The following table shows the Company's debt securities available-for-sale gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31 (in thousands):

<i>December 31, 2024</i>	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury	\$ -	\$ -	\$ 248	\$ 1	\$ 248	\$ 1
U.S. government agencies	11,650	235	10,169	192	21,819	427
Taxable state and municipal	-	-	5,631	511	5,631	511
Tax-exempt state and municipal	6,646	96	43,673	3,807	50,319	3,903
U.S. government sponsored enterprise mortgage-backed	11,450	140	9,492	516	20,942	656
Corporate	498	-	3,379	157	3,877	157
<b>Total debt securities available-for-sale</b>	<b>\$ 30,244</b>	<b>\$ 471</b>	<b>\$ 72,592</b>	<b>\$ 5,184</b>	<b>\$ 102,836</b>	<b>\$ 5,655</b>

<i>December 31, 2023</i>	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury	\$ 1,232	\$ 4	\$ 245	\$ 5	\$ 1,477	\$ 9
U.S. government agencies	896	1	16,527	631	17,423	632
Taxable state and municipal	470	30	6,719	712	7,189	742
Tax-exempt state and municipal	3,389	42	44,786	2,566	48,175	2,608
U.S. government sponsored enterprise mortgage-backed	3,201	17	9,884	683	13,085	700
Corporate	-	-	4,711	346	4,711	346
<b>Total debt securities available-for-sale</b>	<b>\$ 9,188</b>	<b>\$ 94</b>	<b>\$ 82,872</b>	<b>\$ 4,943</b>	<b>\$ 92,060</b>	<b>\$ 5,037</b>

At December 31, 2024, the \$471,000 unrealized loss (less than 12 months) was attributed to 42 different securities. The \$5,184,000 unrealized loss (12 months or more) was attributed to 192 securities. At December 31, 2023, the \$94,000 unrealized loss (less than 12 months) was attributed to 24 different securities. The \$4,943,000 unrealized loss (12 months or more) was attributed to 194 securities. None of the unrealized losses are individually significant. Management believes, based upon an evaluation of the issuers of the debt securities, that the unrealized losses on debt securities were the result of fluctuations in market interest rates subsequent to purchase and not a result of credit risk. Management has the intent and ability to hold investments and does not believe it will have to sell the securities until the earlier of maturity or market price recovery.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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The Company considers payment history, risk ratings from external parties, financial statements for municipal and corporate securities, public statements from issuers and other available credible published sources in evaluating credit risk. No credit risk was found and no Allowance for Credit Loss on securities available for sale was recorded as of December 31, 2024 and December 31, 2023. The unrealized losses are attributed to noncredit-related factors, including changes in interest rates and other market conditions.

The Company did not sell or recognize any gain or loss for any securities for the year-ended December 31, 2024. During the twelve months ended December 31, 2023, the Company sold available-for-sale securities with a total par value of \$5.5 million resulting in a gross pre-tax loss of \$399,000.

Securities with a carrying value of \$73,585,000 and \$85,485,000 at December 31, 2024 and 2023, respectively, were pledged to secure public deposits and for other purposes as required by law.

As of December 31, 2024 and December 31, 2023, the Company had \$268,000 and \$322,000, respectively, in marketable equity securities recorded at fair value. The following is a summary of unrealized and realized gains and losses recognized in net income on marketable equity securities during the twelve months ended December 31, 2024 and 2023 (in thousands):

	2024	2023
Net change in the unrealized gains and losses recognized during the period on marketable equity securities	\$ (55)	\$ (78)
Add: Net realized gains recognized on marketable equity securities sold during the period	-	-
Net losses recognized in net income during the period on marketable equity securities still held at the reporting date	\$ (55)	\$ (78)

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### 3. Loans

Major categories of loans are summarized as follows as of December 31 (in thousands):

	2024	2023
Commercial	\$ 87,990	\$ 73,142
Commercial real estate	212,595	182,463
Residential mortgage	121,345	118,934
Home equity	7,186	5,800
Consumer, automobile	6,516	6,546
Consumer, other	1,526	1,787
	437,158	388,672
Less: net deferred loan fees	(819)	(748)
Total loans net of deferred loan fees	436,339	387,924
Less: allowance for credit losses	(4,379)	(3,861)
<b>Net Loans</b>	<b>\$ 431,960</b>	<b>\$ 384,063</b>

In the normal course of business, loans are extended to directors, executive officers, and their affiliates.

A summary of loan activity for those directors, executive officers, and their affiliates is as follows (in thousands):

December 31, 2023	New Loans	Repayments	December 31, 2024
\$ 3,574	\$ 2,898	\$ (910)	\$ 5,562

December 31, 2022	New Loans	Repayments	December 31, 2023
\$ 3,854	\$ 94	\$ (374)	\$ 3,574

The Company grants commercial, residential, and personal loans to customers primarily in Union, Centre, and Snyder Counties, Pennsylvania. Although the Company has a diversified loan portfolio, a significant portion of its debtors' ability to honor their contracts is dependent on the economic conditions within this region. Additionally, approximately 15% and 16% of the Company's loans at December 31, 2024 and 2023, respectively, are to individuals and corporations in the agricultural business.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 4. Allowance for Credit Losses

Refer to Note 1 for information on evaluation of collectively and individually evaluated loans and policies regarding non-accrual, past due status and charge-off loans.

#### Credit Quality Indicators

A Loan Risk Rating Grading System has been developed and is being utilized to categorize loans with similar characteristics. There are six (6) "Pass" Ratings and the standard "Classified" Watchlist Ratings. The loans are assessed based upon the information in the Loan Committee Package and a lender identified score. Further, any reassessment would be performed when the annual loan review is performed or when the loan account exhibits signs of financial difficulty or improvement. The definition of each Loan Risk Rating is outlined below:

**Pass (Grades 1-6)** - These loans are to customers with credit quality ranging from an acceptable to very high quality and are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral.

**Special Mention (Grade 7)** - This loan grade is in accordance with regulatory guidance and includes loans where a potential weakness or risk exists, which could cause a more serious problem if not corrected.

**Substandard (Grade 8)** - This loan grade is in accordance with regulatory guidance and includes loans that have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

**Doubtful (Grade 9)** - This loan grade is in accordance with regulatory guidance and includes loans that have all the weaknesses inherent in a substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances.

**Loss (Grade 10)** - This loan grade is in accordance with regulatory guidance and includes loans that are considered uncollectible, or of such value that continuance as an asset is not warranted.

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay the loan as agreed, the Company's loan rating process includes several layers of internal and external oversight. The Company's loan officers are responsible for the timely and accurate risk rating of the loans in each of their portfolios at origination and on an ongoing basis under the supervision of management. All commercial, agricultural and state and political relationships over \$500,000 are reviewed annually to ensure the appropriateness of the loan grade. In addition, the Company engages an external consultant on an annual basis to: 1) review a minimum of 50% of the dollar volume of the commercial and agricultural loan portfolios, including 2) review of a sample of existing or new credit relationships with aggregate commitments greater than or equal to \$1.0 million, 3) review a sample of loan relationships which are over 90 days past due, or classified Special Mention, Substandard, Doubtful, or Loss, 4) review a sample of borrowings extended to directors or executive officers, including any new borrowings made in the last year, and 5) review of other loans which management may deem appropriate.

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Company's internal risk rating system as of December 31 (in thousands):

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2024	Term Loans by Year of Origination							Total
	2024	2023	2022	2021	2020	Prior	Revolving	
<b>Commercial</b>								
Pass	\$ 6,909	\$ 4,500	\$ 6,221	\$ 14,788	\$ 3,968	\$ 4,812	\$ 45,006	\$ 86,204
Special Mention	55	381	-	-	451	-	899	1,786
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
<b>Commercial - Total</b>	<b>6,964</b>	<b>4,881</b>	<b>6,221</b>	<b>14,788</b>	<b>4,419</b>	<b>4,812</b>	<b>45,905</b>	<b>87,990</b>
Current Year Gross Charge-Offs	-	-	-	-	-	-	-	-
<b>Commercial Real Estate</b>								
Pass	44,433	35,523	26,801	34,436	16,420	46,684	56	204,353
Special Mention	240	289	573	-	-	2,677	-	3,779
Substandard	-	-	-	4,449	-	14	-	4,463
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
<b>Commercial Real Estate - Total</b>	<b>44,673</b>	<b>35,812</b>	<b>27,374</b>	<b>38,885</b>	<b>16,420</b>	<b>49,375</b>	<b>56</b>	<b>212,595</b>
Current Year Gross Charge-Offs	-	-	-	-	-	-	-	-
<b>Residential Mortgage</b>								
Pass	14,439	14,932	15,320	19,923	18,859	35,550	128	119,151
Special Mention	453	277	-	364	-	624	-	1,718
Substandard	-	-	-	-	-	476	-	476
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
<b>Residential Mortgage - Total</b>	<b>14,892</b>	<b>15,209</b>	<b>15,320</b>	<b>20,287</b>	<b>18,859</b>	<b>36,650</b>	<b>128</b>	<b>121,345</b>
Current Year Gross Charge-Offs	-	-	-	-	-	-	-	-
<b>Home Equity</b>								
Pass	109	-	-	-	-	369	6,708	7,186
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
<b>Home Equity - Total</b>	<b>109</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>369</b>	<b>6,708</b>	<b>7,186</b>
Current Year Gross Charge-Offs	-	-	-	-	-	-	-	-
<b>Consumer - Other</b>								
Pass	707	445	200	31	7	5	109	1,504
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	22	-	-	-	-	-	22
Loss	-	-	-	-	-	-	-	-
<b>Consumer - Other - Total</b>	<b>707</b>	<b>467</b>	<b>200</b>	<b>31</b>	<b>7</b>	<b>5</b>	<b>109</b>	<b>1,526</b>
Current Year Gross Charge-Offs	10	-	-	-	-	-	-	10
<b>Consumer - Auto</b>								
Pass	2,574	2,113	1,138	367	130	155	-	6,477
Special Mention	8	5	15	-	-	-	-	28
Substandard	-	-	-	8	-	3	-	11
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
<b>Consumer - Auto - Total</b>	<b>2,582</b>	<b>2,118</b>	<b>1,153</b>	<b>375</b>	<b>130</b>	<b>158</b>	<b>-</b>	<b>6,516</b>
Current Year Gross Charge-Offs	13	26	-	13	-	-	-	52
<b>Overall - Total</b>	<b>\$ 69,927</b>	<b>\$ 58,487</b>	<b>\$ 50,268</b>	<b>\$ 74,366</b>	<b>\$ 39,835</b>	<b>\$ 91,369</b>	<b>\$ 52,906</b>	<b>\$ 437,158</b>

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2023	Term Loans by Year of Origination							Total
	2023	2022	2021	2020	2019	Prior	Revolving	
<b>Commercial</b>								
Pass	\$ 6,157	\$ 7,297	\$ 17,490	\$ 5,420	\$ 776	\$ 5,893	\$ 28,723	\$ 71,756
Special Mention	126	-	-	-	-	40	500	666
Substandard	-	-	-	3	-	3	714	720
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
<b>Commercial - Total</b>	<b>6,283</b>	<b>7,297</b>	<b>17,490</b>	<b>5,423</b>	<b>776</b>	<b>5,936</b>	<b>29,937</b>	<b>73,142</b>
Current Year Gross Charge-Offs	-	-	-	5	-	-	-	5
<b>Commercial Real Estate</b>								
Pass	34,733	30,180	38,454	17,501	10,937	42,686	200	174,691
Special Mention	-	584	-	-	2,396	-	-	2,980
Substandard	-	-	4,480	-	-	312	-	4,792
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
<b>Commercial Real Estate - Total</b>	<b>34,733</b>	<b>30,764</b>	<b>42,934</b>	<b>17,501</b>	<b>13,333</b>	<b>42,998</b>	<b>200</b>	<b>182,463</b>
Current Year Gross Charge-Offs	-	-	-	-	-	-	-	-
<b>Residential Mortgage</b>								
Pass	17,408	17,121	22,705	20,784	9,739	29,982	-	117,739
Special Mention	-	27	105	-	181	384	-	697
Substandard	-	-	-	-	-	498	-	498
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
<b>Residential Mortgage - Total</b>	<b>17,408</b>	<b>17,148</b>	<b>22,810</b>	<b>20,784</b>	<b>9,920</b>	<b>30,864</b>	<b>-</b>	<b>118,934</b>
Current Year Gross Charge-Offs	-	-	-	-	-	-	-	-
<b>Home Equity</b>								
Pass	-	-	-	-	-	400	5,400	5,800
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
<b>Home Equity - Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>400</b>	<b>5,400</b>	<b>5,800</b>
Current Year Gross Charge-Offs	-	-	-	-	-	-	-	-
<b>Consumer - Other</b>								
Pass	871	459	163	37	27	2	204	1,763
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	24	-	-	-	-	-	-	24
Loss	-	-	-	-	-	-	-	-
<b>Consumer - Other - Total</b>	<b>895</b>	<b>459</b>	<b>163</b>	<b>37</b>	<b>27</b>	<b>2</b>	<b>204</b>	<b>1,787</b>
Current Year Gross Charge-Offs	-	-	-	-	2	2	-	4
<b>Consumer - Auto</b>								
Pass	2,982	1,813	780	321	553	58	-	6,507
Special Mention	7	-	16	-	-	5	-	28
Substandard	-	-	5	-	6	-	-	11
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
<b>Consumer - Auto - Total</b>	<b>2,989</b>	<b>1,813</b>	<b>801</b>	<b>321</b>	<b>559</b>	<b>63</b>	<b>-</b>	<b>6,546</b>
Current Year Gross Charge-Offs	-	1	5	2	-	4	-	12
<b>Overall - Total</b>	<b>\$ 62,308</b>	<b>\$ 57,481</b>	<b>\$ 84,198</b>	<b>\$ 44,066</b>	<b>\$ 24,615</b>	<b>\$ 80,263</b>	<b>\$ 35,741</b>	<b>\$ 388,672</b>

There were no revolving to term loans as of December 31, 2024 and December 31, 2023.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by past due and nonaccrual status as of December 31 (in thousands):

<i>December 31, 2024</i>	30-89 Days Past Due	Greater than 90 Days and Accruing	Non- accrual	Total Past Due and Non- accrual	Current	Total Loans Receivable
Commercial	\$ 18	\$ -	\$ -	\$ 18	\$ 87,972	\$ 87,990
Commercial real estate	-	-	-	-	212,595	212,595
Residential mortgage	282	-	420	702	120,643	121,345
Home equity	-	-	-	-	7,186	7,186
Consumer, automobile	121	-	18	139	6,377	6,516
Consumer, other	2	-	-	2	1,524	1,526
<b>Total</b>	<b>\$ 423</b>	<b>\$ -</b>	<b>\$ 438</b>	<b>\$ 861</b>	<b>\$ 436,297</b>	<b>\$ 437,158</b>

<i>December 31, 2023</i>	30-89 Days Past Due	Greater than 90 Days and Accruing	Non- accrual	Total Past Due and Non- accrual	Current	Total Loans Receivable
Commercial	\$ 81	\$ -	\$ 3	\$ 84	\$ 73,058	\$ 73,142
Commercial real estate	-	-	-	-	182,463	182,463
Residential mortgage	446	-	285	731	118,203	118,934
Home equity	83	-	-	83	5,717	5,800
Consumer, automobile	85	-	5	90	6,456	6,546
Consumer, other	9	-	-	9	1,778	1,787
<b>Total</b>	<b>\$ 704</b>	<b>\$ -</b>	<b>\$ 293</b>	<b>\$ 997</b>	<b>\$ 387,675</b>	<b>\$ 388,672</b>

The following tables present nonaccrual loans, by loan class, as of December 31, 2024 and 2023 (in thousands):

<i>December 31, 2024</i>	Nonaccruals with No Allowance for Credit Losses	Nonaccruals with an Allowance for Credit Losses
Commercial	\$ -	\$ -
Commercial real estate	-	-
Residential mortgage	420	-
Home equity	-	-
Consumer, automobile	18	-
Consumer, other	-	-
<b>Total</b>	<b>\$ 438</b>	<b>\$ -</b>

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

<i>December 31, 2023</i>	Nonaccruals with No Allowance for Credit Losses	Nonaccruals with an Allowance for Credit Losses
Commercial	\$ 3	\$ -
Commercial real estate	-	-
Residential mortgage	285	-
Home equity	-	-
Consumer, automobile	5	-
Consumer, other	-	-
<b>Total</b>	<b>\$ 293</b>	<b>\$ -</b>

The following tables summarize the activity in the allowance for credit losses by loan class for the years ended December 31, 2024 and 2023 and information in regard to the allowance for credit losses and the recorded investment in loans receivable by loan class as of December 31, 2024 and 2023 (in thousands):

<i>December 31, 2024</i>	Beginning Balance	Charge-offs	Recoveries	Provisions (Credits)	Ending Balance
Commercial	\$ 793	\$ -	\$ 2	\$ 212	\$ 1,007
Commercial real estate	1,741	-	-	625	2,366
Residential mortgage	792	-	-	31	823
Home equity	60	-	-	23	83
Consumer, automobile	85	(52)	9	40	82
Consumer, other	44	(10)	-	(16)	18
Unallocated	346	-	-	(346)	-
<b>Total</b>	<b>\$ 3,861</b>	<b>\$ (62)</b>	<b>\$ 11</b>	<b>\$ 569</b>	<b>\$ 4,379</b>

<i>December 31, 2023</i>	Beginning Balance	Adjustments to allowance for adoption of ASC 326	Charge-offs	Recoveries	Provision (Credits)	Ending Balance
Commercial	\$ 834	\$ 251	\$ (5)	\$ 10	\$ (297)	\$ 793
Commercial real estate	1,629	355	-	-	(243)	1,741
Residential mortgage	1,145	(326)	-	-	(27)	792
Home equity	69	14	-	-	(23)	60
Consumer, automobile	118	(37)	(12)	13	3	85
Consumer, other	27	6	(4)	-	15	44
Unallocated	236	(236)	-	-	346	346
<b>Total</b>	<b>\$ 4,058</b>	<b>\$ 27</b>	<b>\$ (21)</b>	<b>\$ 23</b>	<b>\$ (226)</b>	<b>\$ 3,861</b>

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

	Allowance for Credit Losses			Loans Receivable		
	Ending Balance December 31, 2024			Ending Balance December 31, 2024		
	Individually Evaluated	Collectively Evaluated	Total	Individually Evaluated	Collectively Evaluated	Total
Commercial	\$ 17	\$ 990	\$ 1,007	\$ 964	\$ 87,026	\$ 87,990
Commercial real estate	-	2,366	2,366	289	212,306	212,595
Residential mortgage	3	820	823	852	120,493	121,345
Home equity	-	83	83	-	7,186	7,186
Consumer, automobile	-	82	82	-	6,516	6,516
Consumer, other	-	18	18	-	1,526	1,526
<b>Total</b>	<b>\$ 20</b>	<b>\$ 4,359</b>	<b>\$ 4,379</b>	<b>\$ 2,105</b>	<b>\$ 435,053</b>	<b>\$ 437,158</b>

	Allowance for Credit Losses			Loans Receivable		
	Ending Balance December 31, 2023			Ending Balance December 31, 2023		
	Individually Evaluated	Collectively Evaluated	Total	Individually Evaluated	Collectively Evaluated	Total
Commercial	\$ -	\$ 793	\$ 793	\$ 126	\$ 73,016	\$ 73,142
Commercial real estate	-	1,741	1,741	4,755	177,708	182,463
Residential mortgage	5	787	792	498	118,436	118,934
Home equity	-	60	60	-	5,800	5,800
Consumer, automobile	-	85	85	-	6,546	6,546
Consumer, other	24	20	44	24	1,763	1,787
Unallocated	-	346	346	-	-	-
<b>Total</b>	<b>\$ 29</b>	<b>\$ 3,832</b>	<b>\$ 3,861</b>	<b>\$ 5,403</b>	<b>\$ 383,269</b>	<b>\$ 388,672</b>

The Company has certain loans for which repayment is dependent upon the operation or sale of collateral when the borrower is experiencing financial difficulty. Under ASU 2016-13, for collateral dependent loans, the Company has adopted the practical expedient to measure the allowance for credit losses based on the fair value of the collateral. The allowance for credit losses is calculated on an individual loan basis on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required. The following table details the amortized costs of the collateral dependent loans as of December 31, 2024 and 2023 (in thousands):

<i>December 31, 2024</i>	Real Estate Collateral	Other Collateral	Total
Commercial	\$ 97	\$ -	\$ 97
Commercial real estate	-	-	-
Residential mortgage	590	-	590
Home equity	-	-	-
Consumer, automobile	-	-	-
Consumer, other	-	-	-
<b>Total</b>	<b>\$ 687</b>	<b>\$ -</b>	<b>\$ 687</b>

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

<i>December 31, 2023</i>	Real Estate Collateral	Other Collateral	Total
Commercial	\$ 126	\$ -	\$ 126
Commercial real estate	4,755	-	4,755
Residential mortgage	498	-	498
Home equity	-	-	-
Consumer, automobile	-	-	-
Consumer, other	-	-	-
<b>Total</b>	<b>\$ 5,379</b>	<b>\$ -</b>	<b>\$ 5,379</b>

From time to time, loans to borrowers experiencing financial difficulty may be modified. Generally, the modifications we grant are extensions of terms, deferrals of payments for an extended period or interest rate reductions. Occasionally, we may modify a loan by providing principal forgiveness. In some cases, we will modify a loan by providing multiple types, or combinations, of concessions.

The following tables present the amortized cost basis of loans at December 31, 2024 and December 31, 2023 that were both experiencing financial difficulty and modified during the year ended December 31, 2024 and 2023. The percentage of amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each financing receivable is also presented below (in thousands):

<i>December 31, 2024</i>	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Payment Delay	Total	% of Total Class of Financing Receivable
Commercial	\$ -	\$ -	\$ 97	\$ -	\$ 866	\$ 963	1.1%
Commercial real estate	-	-	-	-	290	290	0.1%
Residential mortgage	-	-	170	-	262	432	0.4%
Home equity	-	-	-	-	-	-	0.0%
Consumer, automobile	-	-	-	-	-	-	0.0%
Consumer, other	-	-	-	-	-	-	0.0%
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 267</b>	<b>\$ -</b>	<b>\$ 1,418</b>	<b>\$ 1,685</b>	<b>0.4%</b>

There were no commitments to lend additional funds under these modifications as of December 31, 2024.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

December 31, 2023	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Payment Delay	Total	% of Total Class of Financing Receivable
Commercial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Commercial real estate	-	-	126	-	-	126	0.1%
Residential mortgage	-	-	-	-	-	-	0.0%
Home equity	-	-	-	-	-	-	0.0%
Consumer, automobile	-	-	-	-	-	-	0.0%
Consumer, other	-	-	-	24	-	24	1.3%
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>126</b>	<b>\$ 24</b>	<b>\$ -</b>	<b>\$ 150</b>	<b>0.0%</b>

There were no commitments to lend additional funds under these modifications as of December 31, 2023.

The ACLL incorporates an estimate of lifetime expected credit losses and is recorded on each loan upon origination or acquisition. The assessment of whether a borrower is experiencing financial difficulty is made at the time of the modification. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the ACLL because of the measurement methodologies used to estimate the allowance, a change to the ACLL is generally not recorded upon modification. When principal forgiveness is granted, the amortized cost basis of the loan is written off against the ACLL.

The financial effect of the modifications made to borrowers experiencing financial difficulty was that seven loans, four Commercial, one Commercial Real Estate, and two Residential Mortgage, belonging to one customer were granted an eight-month payment deferment and term extension. One Commercial loan had a term extension of 12 months. One Residential Mortgage loan had a term extension of 30 years due to two loans being consolidated, for the year ended December 31, 2024.

No loans have defaulted that were modified during the years ended December 31, 2024 and 2023.

All loans that were modified for the years ended December 31, 2024 and 2023 payment status is current.

At December 31, 2024 there was one residential loan in the amount of \$75,000 in the process of foreclosure. At December 31, 2023 there was one residential loan in the amount of \$56,000 held in foreclosed status. At December 31, 2023 there was one residential loan in the amount of \$79,000 in the process of foreclosure.

### Unfunded Commitments

The Company maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

this extension of credit is not unconditionally cancellable by the Company. The allowance for off-balance sheet credit exposures is adjusted as a provision for (or recovery of) credit losses and is included in provision for (recovery of) credit losses in the Consolidated Statements of Income. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for loan credit losses. The allowance for credit losses for unfunded loan commitments of \$377,000 and \$266,000 at December 31, 2024 and December 31, 2023, respectively, is separately classified within Other Liabilities on the Consolidated Balance Sheets. The following tables present the balance and activity in the allowance for credit losses for unfunded loan commitments for the years-ended December 31, 2024 and 2023 (in thousands):

	Allowance for Credit Losses Unfunded Commitments	
Beginning balance, December 31, 2023	\$	266
Provision for credit losses		111
Ending balance, December 31, 2024	\$	377

	Allowance for Credit Losses Unfunded Commitments	
Beginning balance, December 31, 2022	\$	-
Adjustments to allowance for unfunded commitments for adoption of ASC 326		277
Provision for (recovery of) credit losses		(11)
Ending balance, December 31, 2023	\$	266

## 5. Premises and Equipment

Major classifications of premises and equipment are summarized as follows at December 31 (in thousands):

<i>December 31,</i>	2024		2023	
Land	\$	2,476	\$	2,476
Construction in progress		-		7
Buildings		10,177		10,121
Furniture and fixtures		4,387		4,272
Automobiles		160		162
Total		17,200		17,038
Less accumulated depreciation		(8,949)		(8,493)
Net	\$	8,251	\$	8,545

Depreciation expense for the years ended December 31, 2024 and 2023 amounted to \$483,000 and \$462,000, respectively.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 6. Deposits

Aggregate time deposits in denominations of \$250,000 or more were \$39,503,000 and \$37,239,000 at December 31, 2024 and 2023, respectively.

A summary of the maturity of time deposits as of December 31, 2024 is as follows (in thousands):

*Year Ending December 31,*

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2025	\$	89,429
2026		28,058
2027		3,389
2028		1,049
2029		305
<hr/>		
Total	\$	122,230

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At December 31, 2024 and 2023, deposits from related parties totaled \$2,281,000 and \$1,570,000, respectively.

The Company had no customers with aggregate deposit accounts totaling five percent or greater of total deposits as of December 31, 2024. The company had one customer with aggregate deposit accounts totaling \$25,535,000, or 5.40%, of total deposits as of December 31, 2023.

The Company obtains certain deposits through the efforts of third-party broker. Brokered deposits totaled \$6.27 million at December 31, 2024 and December 31, 2023, and were included primarily in time deposits on the Company's Consolidated Balance Sheets.

### 7. Securities Sold Under Agreements to Repurchase

The Company enters into agreements under which it sells securities subject to an obligation to repurchase the same or similar securities. Under these arrangements, the Company may transfer legal control over the assets but still retain effective control through an agreement that entitles and obligates the Company to repurchase the assets.

As a result, these repurchase agreements are accounted for as collateralized financing agreements (i.e., secured borrowings) and not as a sale and subsequent repurchase of securities. The obligation to repurchase the securities is reflected as a liability in the Company's Consolidated Balance Sheets, while the securities underlying the repurchase agreements remain in the respective investment securities asset accounts. In other words, there is no offsetting or netting of the investment securities assets with the repurchase agreement liabilities.

The following table presents the liabilities subject to an enforceable master netting arrangement or repurchase agreements as of December 31, 2024 and 2023 (dollars in thousands):

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

	Gross Amounts Not Offset in the Balance Sheets					
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheets	Net Amounts of Liabilities Presented in the Balance Sheets	Financial Instruments	Cash Collateral Pledged	Net Amount
<i>December 31, 2024</i>						
Repurchase agreements:						
Commercial customers <sup>(a)</sup>	\$ 1,143	\$ -	\$ 1,143	\$ 1,143	\$ -	\$ -

	Gross Amounts Not Offset in the Balance Sheets					
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheets	Net Amounts of Liabilities Presented in the Balance Sheets	Financial Instruments	Cash Collateral Pledged	Net Amount
<i>December 31, 2023</i>						
Repurchase agreements:						
Commercial customers <sup>(a)</sup>	\$ 1,231	\$ -	\$ 1,231	\$ 1,231	\$ -	\$ -

<sup>(a)</sup> As of December 31, 2024 and 2023, the fair value of securities pledged in connection with repurchase agreements was \$1,154,000 and \$1,364,000, respectively.

### 8. Federal Funds Purchased

The Company maintains a federal funds borrowing agreement with Atlantic Community Bankers Bank with an available borrowing capacity of \$8 million. Fed funds outstanding amounted to \$0- and \$435,000 as of December 31, 2024 and 2023, respectively. This agreement is subject to annual renewal, incurs no service charges, and is unsecured.

### 9. Borrowings

The Company maintains a borrowing agreement with the FHLB of Pittsburgh with an available funding capacity of approximately \$140 million as of December 31, 2024. This agreement is subject to annual renewal, incurs no service charges, and is secured by FHLB stock and a blanket security agreement on outstanding residential mortgage loans.

Federal Home Loan Bank advances consist of separate loans with the FHLB of Pittsburgh as of December 31 as follows (dollars in thousands):

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

	2024		2023	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
FHLB fixed-rate advances maturing:				
2024	\$ -	- %	\$ 1,200	1.28 %
2025	37,550	4.40	9,500	3.54
2026	4,500	4.02	4,000	3.91
2027	500	1.19	500	1.19
2028	500	1.22	500	1.22
<b>Total</b>	<b>\$ 43,050</b>		<b>\$ 15,700</b>	

On March 12, 2023, the Federal Reserve Bank of Philadelphia (“Reserve Bank”) made available the Bank Term Funding Program (“BTFP”), which enhances the ability of banks to borrow against the par value of certain high-quality, unencumbered investments. On December 21, 2023, the Company obtained a \$9.5 million BTFP advance to secure lower funding costs relative to Federal Funds purchased. The BTFP advance had a term of one year, with an interest rate of 4.88%, and could be prepaid without penalty prior to maturity. At December 31, 2023, the Company had pledged as collateral for the BTFP advance investment securities with a par value and fair value of \$9.8 million and \$9.2 million, respectively. The BTFP advance was paid off on December 20, 2024. BTFP loans outstanding amounted to \$0- and \$9,500,000 as of December 31, 2024 and 2023, respectively.

### 10. Income Taxes

The provision for income taxes consists of the following (in thousands):

<i>Year Ended December 31,</i>	2024	2023
Current tax expense	\$ 1,017	\$ 642
Deferred tax (benefit) expense	(123)	18
<b>Total Provision</b>	<b>\$ 894</b>	<b>\$ 660</b>

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

The tax effects of deductible and taxable temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31 are as follows (in thousands):

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Deferred tax assets:		
Allowance for credit losses	\$ 999	\$ 867
Deferred compensation	520	519
Net unrealized losses on securities	1,193	1,007
<b>Total</b>	<b>2,712</b>	<b>2,393</b>
Deferred tax liabilities:		
Premises and equipment	176	196
Deferred loan origination costs	92	88
Other	197	160
<b>Total</b>	<b>465</b>	<b>444</b>
<b>Net Deferred Tax Asset</b>	<b>\$ 2,247</b>	<b>\$ 1,949</b>

A reconciliation between the expected statutory income tax rate of 21% for the years ended December 31, 2024 and 2023, respectively, and the effective income tax rate on income before income taxes is as follows (dollars in thousands):

	<b>2024</b>		<b>2023</b>	
	Amount	Percentage	Amount	Percentage
Provision at statutory rate	\$ 1,129	21.0 %	\$ 1,011	21.0 %
Tax-exempt interest	(342)	(6.4)	(350)	(7.3)
Nondeductible interest expense	66	1.2	46	1.0
Bank owned life insurance	(54)	(1.0)	(52)	(1.1)
Nondeductible merger expenses	113	2.1	-	-
Other, net	(18)	(0.3)	5	0.1
<b>Applicable Income Taxes and Effective Rates</b>	<b>\$ 894</b>	<b>16.6 %</b>	<b>\$ 660</b>	<b>13.7 %</b>

## 11. Benefits Plans

### *Section 401(k) Plan*

The Company sponsors a contributory defined contribution Section 401(k) plan covering substantially all employees who have completed one year of service, have worked 1,000 hours and have attained age twenty-one. The plan permits employees to make pretax contributions which are matched by the Company up to four percent of the employee's compensation. The Company's contributions were \$174,000 and \$160,000 in 2024 and 2023, respectively. Contributions made by the Company vest immediately.

The Company has a profit-sharing employer contribution component to the 401(k) Plan. The profit-sharing employer contribution is made at the discretion of management and the Board of Directors

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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based upon current year earnings. The Company's contributions were \$177,000 and \$96,000 in 2024 and 2023, respectively. Contributions made by the Company vest ratably beginning after the second year of service and are fully vested after an employee completes six years of service.

### ***Employee Stock Ownership Plan***

The Company sponsors an Employee Stock Ownership Plan (ESOP) covering substantially all employees who have completed one year of service, have worked 1,000 hours and have attained age twenty-one. Contributions to the plan are permitted based upon management's discretion. The Company's contributions were \$131,000 and \$206,000 in 2024 and 2023, respectively. Contributions made by the Company vest ratably beginning after the second year of service and are fully vested after an employee completes six years of service. The number of shares held by the plan were 75,080 at December 31, 2024 and 2023. All shares are allocated to participants.

In the event a terminated plan participant desires to sell his or her shares of the Company stock, or for certain employees who elect to diversify their account balances, the Company may be required to purchase the shares from the participant at their fair value. To the extent that shares of common stock held by the ESOP are not readily traded, a sponsor must reflect the maximum cash obligation related to those securities outside of stockholders' equity.

As of December 31, 2024 and 2023, the shares held by the ESOP, fair value and maximum cash obligation were as follows:

<i>Year Ended December 31,</i>	<b>2024</b>	<b>2023</b>
Shares held by the ESOP	<b>75,080</b>	75,080
Fair value per share	<b>\$ 25.00</b>	\$ 23.50
Maximum cash obligation	<b>\$ 1,877,000</b>	\$ 1,764,000

### ***Deferred Directors' Compensation***

The Company maintains deferred compensation plans with directors through which the payments of the directors' fees are deferred. The future liability of these agreements, which is payable in ten annual installments, was financed through the purchase of life insurance contracts.

The present value of the future liability of the plans at December 31, 2024 and 2023 was \$890,000 and \$908,000, respectively, and is included in Other Liabilities in the consolidated balance sheets. The related expenses amounted to \$89,000 and \$81,000 for 2024 and 2023, respectively.

### ***Supplemental Retirement Plans***

The Company has an unfunded, non-qualified supplemental executive retirement plan (SERP) for certain key executives. The SERP is designed to provide certain executives, upon attaining age 65, with projected annual distributions. The liability of the SERP at December 31, 2024 and 2023 was \$1,521,000 and \$1,503,000, respectively, and is included in Other Liabilities in the consolidated balance sheets. The related expense amounted to \$90,000 and \$168,000 for the years ended December 31, 2024 and 2023, respectively. The Company offsets the cost of these plans through the purchase of bank-owned life insurance as noted below.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### *Bank Owned Life Insurance*

The Company holds bank-owned life insurance (BOLI) with a cash value of \$12,966,000 and \$12,708,000 at December 31, 2024 and 2023, respectively. No additional split-dollar life insurance policies were added during the year-ended December 31, 2024. Three additional split-dollar life insurance policies with an initial cash outlay of \$1.1 million were added during the year-ended December 31, 2023. The Plan provides that the Company and the officers and directors share in the rights to the death benefits of bank owned split-dollar life insurance policies (the "BOLI Policies") and provides for additional compensation to the officers and directors, equal to any income tax consequences related to the Supplemental Plan until retirement. The amount of the BOLI Policies has been calculated so that the projected increases in their cash surrender value will substantially offset the Company's expense related to the Supplemental Retirement Plans. In addition, the BOLI Policies are intended to provide the directors with \$100,000 of supplemental life insurance and the executive officers with supplemental life insurance equal to three times salary. Neither the insurance company nor the Company has guaranteed any minimum cash value.

## **12. Regulatory Matters**

### *Cash and Due from Banks*

Deposits with correspondent financial institutions are insured up to \$250,000 per institution. The Company maintains cash and cash equivalents with certain correspondent financial institutions in excess of the insured amount.

### *Regulatory Capital Requirements*

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the following table) of total capital, Tier 1 capital (as defined in the regulations) and common equity Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. A capital conservation buffer of 2.50 percent, comprised of common equity Tier I capital, is also established above the regulatory minimum capital requirements and must be maintained to avoid limitations on capital distributions.

The Bank has elected the community bank leverage ratio framework. This framework simplifies the regulatory capital requirements by requiring the Bank meet only the Tier 1 capital to average assets (leverage) ratio. The Bank must only maintain a leverage ratio greater than the 9 percent required minimum to be considered well capitalized under this framework. The Bank can opt out of the new framework and return to the risk-weighting framework at any time.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

Management believes, as of December 31, 2024, that the Bank meets all capital adequacy requirements to which they are subject. As of December 31, 2024, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum ratios as set forth in the following tables. There are no conditions or events since that notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios are as follows as of December 31, 2024 and 2023 (dollar in thousands):

<i>December 31, 2024</i>	Actual		To be Well Capitalized under Prompt Corrective Action Provisions (CBLR)	
	Amount	Ratio	Amount	Ratio
Tier 1 (Core) Capital to average total assets Bank	\$ 57,520	9.67%	\$ 53,531	9.00%

<i>December 31, 2023</i>	Actual		To be Well Capitalized under Prompt Corrective Action Provisions (CBLR)	
	Amount	Ratio	Amount	Ratio
Tier 1 (Core) Capital to average total assets Bank	\$ 55,730	10.09%	\$ 49,724	9.00%

The Federal Reserve Bank has established capital guidelines for bank holding companies. These guidelines allow small bank holding companies, as defined, an exemption from regulatory capital requirements. The Bancorp meets the eligibility criteria and is exempt from regulatory capital requirements.

### **Dividends**

Banking regulations limit the amount of dividends that may be paid by the Bank to the Company without prior regulatory approval and are subject to the minimum capital ratio requirements noted above.

### **13. Commitments and Standby Letters of Credit**

In the normal course of business, the Company makes various commitments which are not reflected in the accompanying consolidated financial statements. The Company offers such products to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve to varying degrees elements of credit, interest rate, or liquidity risk in excess of the amount recognized in the consolidated balance sheet.

The Company's maximum exposure to credit loss from nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual amount of these instruments. The Company uses the same credit policies in

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

making commitments and conditional obligations as it does for on-balance-sheet instruments. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company on extension of credit is based on management's credit assessment of the counterparty.

Financial instruments whose contract amounts represent credit risk at December 31 are as follows (in thousands):

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Commitments to extend credit	\$ 134,373	\$ 77,158
Standby letters of credit	995	698

Commitments to extend credit are legally binding agreements to lend to customers as long as there are no violations of the agreements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of fees. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future liquidity requirements.

Outstanding letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next twelve months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Company requires collateral supporting these letters of credit as deemed necessary. The current amount of the liability as of December 31, 2024 and 2023 for guarantees under standby letters of credit is not material.

### 14. Parent Company Statements

The following is condensed financial information for the Bancorp on a parent company only basis (in thousands):

#### Condensed Balance Sheets

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 2,130	\$ 2,095
Investment in subsidiary	53,109	51,983
Debt securities available-for-sale	363	351
Marketable equity securities	268	322
Other assets	47	35
<b>Total Assets</b>	<b>\$ 55,917</b>	<b>\$ 54,786</b>
<b>Liabilities and Stockholders' Equity:</b>		
Redeemable Common Stock Held by ESOP	1,877	1,764
<b>Total Stockholders' Equity</b>	<b>55,917</b>	<b>54,786</b>
Less maximum cash obligation to ESOP shares	1,877	1,764
<b>Total Stockholders' equity Less Maximum Cash Obligation Related to ESOP Shares</b>	<b>\$ 54,040</b>	<b>\$ 53,022</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 55,917</b>	<b>\$ 54,786</b>

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Condensed Income Statements

<i>December 31,</i>	2024	2023
Income:		
Equity in undistributed earnings of subsidiary	\$ 1,790	\$ 1,557
Dividends from subsidiary	2,695	2,615
Dividend income	102	109
Net marketable equity security losses	(55)	(78)
<b>Total Income</b>	<b>4,532</b>	<b>4,203</b>
Operating expenses	67	66
Income before income taxes	4,465	4,137
Income tax benefit	(16)	(16)
<b>Net Income</b>	<b>\$ 4,481</b>	<b>\$ 4,153</b>

### Condensed Statements of Cash Flows

<i>December 31,</i>	2024	2023
Cash Flows From Operating Activities:		
Net income	\$ 4,481	\$ 4,153
Equity in undistributed earnings of subsidiary	(1,790)	(1,557)
Net marketable equity security losses	55	78
Other, net	(16)	(16)
<b>Net Cash Provided By Operating Activities</b>	<b>2,730</b>	<b>2,658</b>
Cash Flows From Investing Activities:		
Proceeds from maturities of available-for-sale securities	-	486
<b>Net Cash Provided By Investing Activities</b>	<b>-</b>	<b>486</b>
Cash Flows From Financing Activities:		
Sale of treasury stock	-	102
Dividends paid	(2,695)	(2,615)
<b>Net Cash Used In Financing Activities</b>	<b>(2,695)</b>	<b>(2,513)</b>
Net Increase in Cash and Cash Equivalents	35	631
Cash and Cash Equivalents, Beginning of Year	2,095	1,464
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2,130</b>	<b>\$ 2,095</b>

## 15. Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value measurements and disclosure topic specifies a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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market assumptions. U.S. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

### ***Fair Value Hierarchy***

U.S. GAAP establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of the three levels. These levels are:

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

### **Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The following describes the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements:

#### ***Securities Available for Sale & Equity Securities***

Debt securities available for sale and equity securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data (Level 2). If the inputs used to provide the evaluation for certain securities are unobservable and/or there is little, if any, market activity then the security would fall to the lowest level of the hierarchy (Level 3).

The Company's investment portfolio is valued using fair value measurements that are considered to be Level 1 or Level 2. The Bank has contracted with a securities portfolio accounting service provider for valuation of its securities portfolio. Most security types are priced using the vendor's internally developed pricing software, however, subscription pricing services may be used to supplement the internal pricing system. The software uses the discounted cash flow analysis based on the net

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

present value of a security's projected cash flow to arrive at fair market value. Generally, the methodology involves market quotes, current yields, proprietary models, as well as extensive quality control programs. Valuations for direct obligations of the U.S. Treasury, exchange listed stock and preferred stock are obtained from on-line real-time databases.

The vendor utilizes proprietary valuation matrices for valuing all municipal securities. The initial curves for determining the price, movement, and yield relationships within the municipal matrices are derived from industry benchmark curves or sourced from a municipal trading desk. The securities are further broken down according to issuer, credit support, state of issuance and rating to incorporate additional spreads to the industry benchmark curves.

The following table presents the balances of financial assets measured at fair value on a recurring basis(in thousands):

<i>December 31, 2024</i>	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Debt securities available-for-sale:</b>				
U.S. Treasury	\$ 2,202	\$ 2,202	\$ -	\$ -
U.S. government agencies	25,449	-	25,449	-
Taxable state and municipal	5,631	-	5,631	-
Tax-exempt state and municipal	51,796	-	51,796	-
U.S. government sponsored enterprise mortgage-backed	27,098	-	27,098	-
Corporate	3,877	-	3,877	-
<b>Total Debt Securities Available- for-Sale</b>	<b>\$ 116,053</b>	<b>\$ 2,202</b>	<b>\$ 113,851</b>	<b>\$ -</b>
<b>Marketable equity securities</b>	<b>\$ 268</b>	<b>\$ 268</b>	<b>\$ -</b>	<b>\$ -</b>

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

<i>December 31, 2023</i>	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Debt securities available-for-sale:</b>				
U.S. Treasury	\$ 3,441	\$ 3,441	\$ -	\$ -
U.S. government agencies	22,112	-	22,112	-
Taxable state and municipal	7,188	-	7,188	-
Tax-exempt state and municipal	56,168	-	56,168	-
U.S. government sponsored enterprise mortgage-backed	24,819	-	24,819	-
Corporate	4,711	-	4,711	-
<b>Total Debt Securities Available- for-Sale</b>	<b>\$ 118,439</b>	<b>\$ 3,441</b>	<b>\$ 114,998</b>	<b>\$ -</b>
<b>Marketable equity</b>	<b>\$ 322</b>	<b>\$ 322</b>	<b>\$ -</b>	<b>\$ -</b>

### Assets Measured at Fair Value on a Non-recurring Basis

Certain assets are measured at fair value on a nonrecurring basis in accordance with generally accepted accounting principles. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

### Collateral Dependent Loans with an ACL

In accordance with ASC 326, we may determine that an individual loan exhibits unique risk characteristics which differentiate it from other loans within our loan pools. In such cases, the loans are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation. Specific allocations of the ACL are determined by analyzing the borrower's ability to repay amounts owed, collateral deficiencies, the relative risk grade of the loan and economic conditions affecting the borrower's industry, among other things. A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. In such cases, expected credit losses are based on the fair value of the collateral at the measurement date, adjusted for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. We reevaluate the fair value of collateral supporting collateral dependent loans on a quarterly basis. The fair value of real estate collateral supporting collateral dependent loans is evaluated by appraisal services using a methodology that is consistent with the Uniform Standards of Professional Appraisal Practice. The bank held no collateral dependent loans with an allowance at December 31, 2024.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Other Real Estate Owned

Other real estate owned (OREO) is measured at fair value less costs to sell. Valuation of OREO is determined using current appraisals from independent parties, a Level 2 input. If current appraisals cannot be obtained, or if declines in value are identified after a recent appraisal is received, appraisal values may be discounted, resulting in a Level 3 estimate. If the Company markets the property with a realtor, estimated selling costs reduce the fair value, resulting in a valuation based on Level 3 inputs. Fair value adjustments are recorded in the period incurred and expensed against current earnings. The Bank held no OREO at December 31, 2024.

The following table presents the Company's assets that were measured at fair value on a nonrecurring basis as of December 31, 2023 (dollars in thousands).

<i>December 31, 2023</i>	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral Dependent, net	\$ 208	\$ -	\$ 208	\$ -
OREO	\$ 56	\$ -	\$ -	\$ 56

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis and for which Level 3 inputs were utilized to determine fair value at December 31, 2023 (in thousands):

<i>December 31, 2023</i>	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Collateral Dependent, net	\$ 208	Appraisal of collateral	Appraisal adjustments Liquidation expenses	20% (20)% 10%
OREO	\$ 56	Appraisal of collateral	Appraisal adjustments	(10)% 49% (49)%

The Company had no financial liabilities measured at fair value on a nonrecurring basis as of December 31, 2024 or 2023.

The following information should not be interpreted as an estimate of the fair value of the entire Company since the fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful.

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

The estimated fair values (in thousands) of the Company's financial instruments were as follows at December 31, 2024 and 2023.

<i>December 31, 2024</i>	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$ 9,179	\$ 9,179	\$ 9,179	\$ -	\$ -
Interest-bearing time deposits	10,369	10,355	-	10,355	-
Debt securities available-for-sale	116,053	116,053	2,202	113,851	-
Marketable equity securities	268	268	268	-	-
Restricted investments in bank stock	2,300	2,300	-	2,300	-
Net loans	431,960	426,034	-	-	426,034
Accrued interest receivable	1,804	1,804	-	1,804	-
Bank owned life insurance	12,966	12,966	-	12,966	-
Financial liabilities:					
Deposits	489,529	489,001	-	489,001	-
Repurchase agreements	1,143	1,143	-	1,143	-
FHLB advances	43,050	42,839	-	42,839	-
Accrued interest payable	1,736	1,736	-	1,736	-
<i>December 31, 2023</i>	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$ 12,206	\$ 12,206	\$ 12,206	\$ -	\$ -
Interest-bearing time deposits	18,285	18,043	-	18,043	-
Debt securities available-for-sale	118,439	118,439	3,441	114,998	-
Marketable equity securities	322	322	322	-	-
Restricted investments in bank stock	1,085	1,085	-	1,085	-
Net loans	384,063	362,724	-	-	362,724
Accrued interest receivable	1,603	1,603	-	1,603	-
Bank owned life insurance	12,708	12,708	-	12,708	-
Financial liabilities:					
Deposits	472,737	471,334	-	471,334	-
Repurchase agreements	1,231	1,231	-	1,231	-
Federal funds purchased	435	435	-	435	-
FHLB advances	15,700	15,383	-	15,383	-
Federal Reserve Bank borrowings	9,500	9,500	-	9,500	-
Accrued interest payable	1,374	1,374	-	1,374	-

### 16. Proposed Acquisition of Northumberland Bancorp

On September 25, 2024, Mifflinburg Bancorp, Inc. and Northumberland Bancorp jointly announced the signing of a definitive merger agreement to combine the two companies in a strategic merger of equals. The Merger Agreement has been unanimously approved by the board of directors of both parties and provides that, upon the terms and subject to the conditions set forth therein, Northumberland Bancorp will merge with and into Mifflinburg Bancorp, Inc. ("Mifflinburg") and Northumberland's subsidiary bank, The Northumberland National Bank ("Norry Bank") will merge with and into Mifflinburg Bank and Trust Company ("Mifflinburg Bank"), Mifflinburg's banking

# Mifflinburg Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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subsidiary. Expected closing date is in the second quarter of 2025. In connection with the closing, Mifflinburg Bancorp, Inc. will be renamed Steele Bancorp, Inc. Mifflinburg Bank will be rebranded to a more suitable name, more reflective of the combined financial institution, and jointly determined by the parties.

Upon the terms and subject to the conditions set forth in the Merger Agreement, Northumberland Bancorp shareholders will receive a fixed exchange ratio of 1.1850 shares of Mifflinburg for each Northumberland share they own. The transaction is expected to qualify as a tax-free reorganization (except to the extent of cash received for fractional shares).



# Year in Review



## Our Officers

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**JEFFREY J. KAPSAR**  
PRESIDENT & CHIEF EXECUTIVE OFFICER

**THOMAS C. GRAVER, JR., CPA**  
SR. EXECUTIVE VP & CHIEF FINANCIAL  
OFFICER

**THOMAS L. EBERHART**  
EXECUTIVE VP & CHIEF OPERATING OFFICER

**THOMAS E. BECK, CPA**  
SR. VP & CHIEF RISK OFFICER

**THOMAS R. CRISSINGER, JR.**  
SR. VP & SR. LOAN OFFICER

**MANDI L. RUHL**  
SR. VP OF RETAIL BANKING

**LISA K. ERICKSON**  
SR. VP OF HUMAN RESOURCES

**BRIAN NEITZ**  
VP & CREDIT MANAGER

## Our Directors

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**RICHARD J. DRZEWIECKI**  
CHAIR

**JEFFREY J. KAPSAR**  
VICE CHAIR

**JOHN R. SHOWERS**  
SECRETARY

**ROBERT C. MUSSER**

**ROBERT S. PIERCE**

**BETSY R. ROBERTSON**

**BRADLEY E. MOYER**

## Director Emeritus

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**ROBERT K. LYNCH**

**D. ROGER SHUCK**

**ROBERT E. VALENTINE**

**W. GALE REISH**

**JOHN D. GRIFFITH**

**THOMAS E. BOOP**

## Our Locations

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**MIFFLINBURG**  
250 EAST CHESTNUT STREET

**LEWISBURG**  
1110 NORTH FAIRGROUND ROAD

**MILLHEIM**  
4978 PENNS VALLEY ROAD

**DOWNTOWN LEWISBURG**  
500 MARKET STREET

**SELINGROVE**  
901 US-522

**SHAMOKIN DAM**  
2894 NORTH SUSQUEHANNA TRAIL

**MILTON**  
415 MAHONING STREET

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