



Kenneth C. Klein



Wayne V. Zanetti

2014 – 2nd Quarter

For the quarter ended June 30, 2014, the Company earned net income of \$1,277,000 or \$0.30 per share compared to \$1,275,000 or \$0.30 per share for the same quarter in 2013. The increase in quarterly net income was primarily due to a decrease of \$126,000 in foreclosed real estate expense, partially offset by an increase of \$100,000 in the provision for loan losses.

Year to date net income as of June 30 2014 was \$2,589,000 or \$0.61 per share compared to \$2,180,000 or \$0.51 per share for the same period in 2013. The increase in year to date net income was primarily due to a decrease of \$249,000 in total interest expense, a decrease of \$249,000 in the foreclosed real estate expense and a \$107,000 decrease in other non-interest expense partially offset by an increase in income tax expense of \$227,000.

While the Federal Reserve has signaled that the U.S. economy is improving enough to consider increasing interest rates sometime in 2015, global tensions in the Ukraine, Gaza and Iraq have led investors to seek U.S. treasury bonds as a safe haven. This flight to safety has driven interest rates back to very low historical levels. Though we and most other financial institutions are experiencing interest margin compression, the Company's decrease in interest income has been outpaced by a reduction in interest expense, resulting in a slight increase in net interest income. Also, credit quality continues to improve overall and as a result our loan loss provision has remained stable and foreclosed real estate expenses are lower compared to the same period last year. The Company's ongoing efforts to control non-interest expenses have also contributed to improved results.

Casino gambling continues to spark interest in Sullivan County. However, with only two applications filed here and the possibility of an Orange County casino, the impact of casino development on our local economy is uncertain. At Jeff Bank, we are poised to take advantage of any opportunities provided by new businesses that may locate here. Our strategic locations, strong capital position, and dedicated, professional staff provide us with the resources and flexibility to respond to business and economic conditions as they evolve. We will be rolling out our mobile banking application in the near future and a re-designed website by the end of the year to retain our valued relationships and attract new customers.

Jeff Bank's position as the only local, community bank headquartered in Sullivan County has been accomplished through a conservative approach to business that has served us well in a challenging operating climate over the past six years. With the support of our customers, shareholders, directors and employees, we will continue to provide the personalized, local banking service that has made Jeff Bank a trusted, Sullivan County tradition since 1913.

A handwritten signature in orange ink, appearing to read "K. Klein".

Kenneth C. Klein
Chairman of the Board

A handwritten signature in orange ink, appearing to read "W. Zanetti".

Wayne V. Zanetti
President / Chief Executive Officer

Jeffersonville Bancorp and Subsidiary
Consolidated Balance Sheets

(In thousands, except share and per share data)

	June 30, 2014	December 31, 2013
	(Unaudited)	(Unaudited)
ASSETS		
Cash and cash equivalents	\$ 41,209	\$ 19,895
Securities available for sale, at fair value	109,456	108,957
Securities held to maturity, estimated fair value of \$3,243 at June 30, 2014 and \$3,780 at December 31, 2013	3,005	3,612
Loans, net of allowance for loan losses of \$4,885 at June 30, 2014 and \$4,671 at December 31, 2013	267,799	269,131
Accrued interest receivable	1,882	1,911
Bank-owned life insurance	16,789	16,581
Foreclosed real estate	1,305	1,098
Premises and equipment, net	4,468	4,557
Restricted investments	687	674
Other assets	5,088	6,161
Total Assets	<u>\$ 451,688</u>	<u>\$ 432,577</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Demand deposits (non-interest bearing)	\$ 93,284	\$ 84,305
NOW and super NOW accounts	55,775	53,229
Savings and insured money market deposits	114,902	111,732
Time deposits	124,975	123,375
Total Deposits	388,936	372,641
Other liabilities	6,556	6,905
Total Liabilities	<u>395,492</u>	<u>379,546</u>
Stockholders' equity		
Series A preferred stock, no par value; 2,000,000 shares authorized, none issued	—	—
Common stock, \$0.50 par value; 11,250,000 shares authorized, 4,767,786 shares issued with 4,234,505 outstanding	2,384	2,384
Paid-in capital	6,483	6,483
Treasury stock, at cost; 533,281 shares	(4,965)	(4,965)
Retained earnings	50,903	49,440
Accumulated other comprehensive income	1,391	(311)
Total Stockholders' Equity	<u>56,196</u>	<u>53,031</u>
Total Liabilities and Stockholders' Equity	<u>\$ 451,688</u>	<u>\$ 432,577</u>

This does not represent complete financial statements. Complete financial statements may be found at www.jeffbank.com

Jeffersonville Bancorp and Subsidiary
Consolidated Statements of Income
(In thousands, except per share data)

For the Three Months Ended June 30,	2014	2013
	(Unaudited)	(Unaudited)
INTEREST AND DIVIDEND INCOME		
Loan interest and fees	\$ 3,678	\$ 3,837
Securities:		
Taxable	338	230
Tax-exempt	556	584
Other interest and dividend income	20	23
Total Interest and Dividend Income	<u>4,592</u>	<u>4,674</u>
INTEREST EXPENSE		
Deposits	278	327
Federal Home Loan Bank borrowings	—	57
Total Interest Expense	<u>278</u>	<u>384</u>
Net interest income	4,314	4,290
Provision for loan losses	100	—
Net Interest Income after Provision for Loan Losses	<u>4,214</u>	<u>4,290</u>
NON-INTEREST INCOME		
Service charges	336	340
Fee income	291	271
Earnings on bank-owned life insurance	108	114
Net security gains	64	23
Other non-interest income	60	59
Total Non-Interest Income	<u>859</u>	<u>807</u>
NON-INTEREST EXPENSES		
Salaries and employee benefits	2,151	2,085
Occupancy and equipment expenses	485	458
Foreclosed real estate expense, net	4	130
Other non-interest expenses	815	813
Total Non-Interest Expenses	<u>3,455</u>	<u>3,486</u>
Income before income tax expense	1,618	1,611
Income tax expense	341	336
Net Income	<u>\$ 1,277</u>	<u>\$ 1,275</u>
Basic earnings per common share	<u>\$ 0.30</u>	<u>\$ 0.30</u>
Average common shares outstanding	<u>4,235</u>	<u>4,235</u>
Cash dividends declared per share	<u>\$ 0.13</u>	<u>\$ 0.13</u>

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Jeffersonville Bancorp and Subsidiary
Consolidated Statements of Income
(In thousands, except per share data)

For the Six Months Ended June 30,	2014	2013
	(Unaudited)	(Unaudited)
INTEREST AND DIVIDEND INCOME		
Loan interest and fees	\$ 7,381	\$ 7,592
Securities:		
Taxable	584	457
Tax-exempt	1,153	1,155
Other interest and dividend income	32	39
Total Interest and Dividend Income	<u>9,150</u>	<u>9,243</u>
INTEREST EXPENSE		
Deposits	562	659
Federal Home Loan Bank borrowings	—	152
Total Interest Expense	<u>562</u>	<u>811</u>
Net interest income	8,588	8,432
Provision for loan losses	200	200
Net Interest Income after Provision for Loan Losses	<u>8,388</u>	<u>8,232</u>
NON-INTEREST INCOME		
Service charges	653	674
Fee income	557	515
Earnings on bank-owned life insurance	209	225
Net security gains	64	23
Other non-interest income	93	85
Total Non-Interest Income	<u>1,576</u>	<u>1,522</u>
NON-INTEREST EXPENSES		
Salaries and employee benefits	4,032	4,086
Occupancy and equipment expenses	954	970
Foreclosed real estate expense, net	27	276
Other non-interest expenses	1,662	1,769
Total Non-Interest Expenses	<u>6,675</u>	<u>7,101</u>
Income before income tax expense	3,289	2,653
Income tax expense	700	473
Net Income	<u>\$ 2,589</u>	<u>\$ 2,180</u>
Basic earnings per common share	<u>\$ 0.61</u>	<u>\$ 0.51</u>
Average common shares outstanding	<u>4,235</u>	<u>4,235</u>
Cash dividends declared per share	<u>\$ 0.26</u>	<u>\$ 0.26</u>

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