



Kenneth C. Klein



Wayne V. Zanetti

2014 – 1st Quarter

For the quarter ended March 31, 2014, the Company earned net income of \$1,312,000 or \$0.31 per share compared to \$905,000 or \$0.21 per share for the same quarter in 2013. The increase in quarterly net income was primarily due to a decrease in non-interest expense of \$395,000, a decrease in interest expense of \$143,000 and a decrease in the provision for loan losses of \$100,000, partially offset by an increase in income tax expense of \$222,000.

With no change in economic policy from the Federal Reserve, the interest rate environment has stabilized, albeit at very low historical levels. As a result, the Company's net interest income has leveled off and is nearly unchanged from the same period last year. On the positive side, a slightly better economy continued to improve conditions for many of our borrowers, which is reflected in our lower loan loss provisions and foreclosed real estate expenses. In addition, a rise in the stock market and interest rates prior to the end of 2013 lowered our pension expense by increasing pension assets and projected returns on those assets.

Locally, casino gambling is now in the forefront of planning for many Sullivan County businesses and communities. The possibility of a boost in the local economy is an exciting prospect. At Jeff Bank, we are prepared for the future regardless of where a casino is sited in the county, or if a casino is sited here at all. We have a strong capital structure, a long history of profitable operations and dedicated staff that is involved in civic and charitable organizations throughout Sullivan County. We also have the largest share of deposits in the county, a fact that we believe is reflective of our commitment to providing excellent service to our customers. We are the only local, community bank headquartered in Sullivan County and our twelve locations are strategically placed to serve our customer base efficiently and effectively.

As we move ahead, Jeff Bank will continue to adapt to changing economic and business conditions. We are in the process of creating a responsive website and will soon offer mobile banking to keep pace with technological advances. While we will seek to broaden our appeal to those who prefer alternate channels, we intend to maintain the physical branch presence that many of our customers still prefer. We look forward to another successful year with the support of our customers, shareholders, directors and employees who have 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)

	March 31, 2014	December 31, 2013
	(Unaudited)	(Unaudited)
ASSETS		
Cash and cash equivalents	\$ 43,370	\$ 19,895
Securities available for sale, at fair value	109,245	108,957
Securities held to maturity, estimated fair value of \$3,540 at March 31, 2014 and \$3,780 at December 31, 2013	3,352	3,612
Loans, net of allowance for loan losses of \$4,754 at March 31, 2014 and \$4,671 at December 31, 2013	267,296	269,131
Accrued interest receivable	2,216	1,911
Bank-owned life insurance	16,681	16,581
Foreclosed real estate	1,015	1,098
Premises and equipment, net	4,556	4,557
Restricted investments	674	674
Other assets	5,752	6,161
Total Assets	<u>\$ 454,157</u>	<u>\$ 432,577</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Demand deposits (non-interest bearing)	\$ 85,250	\$ 84,305
NOW and super NOW accounts	59,870	53,229
Savings and insured money market deposits	116,608	111,732
Time deposits	131,022	123,375
Total Deposits	392,750	372,641
Other liabilities	7,002	6,905
Total Liabilities	<u>399,752</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	50,201	49,440
Accumulated other comprehensive income	302	(311)
Total Stockholders' Equity	<u>54,405</u>	<u>53,031</u>
Total Liabilities and Stockholders' Equity	<u>\$ 454,157</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 March 31,	2014	2013
	(Unaudited)	(Unaudited)
INTEREST AND DIVIDEND INCOME		
Loan interest and fees	\$ 3,703	\$ 3,755
Securities:		
Taxable	245	227
Tax-exempt	598	571
Other interest and dividend income	12	16
Total Interest and Dividend Income	<u>4,558</u>	<u>4,569</u>
INTEREST EXPENSE		
Deposits	284	332
Federal Home Loan Bank borrowings	—	95
Total Interest Expense	<u>284</u>	<u>427</u>
Net interest income	4,274	4,142
Provision for loan losses	100	200
Net Interest Income after Provision for Loan Losses	<u>4,174</u>	<u>3,942</u>
NON-INTEREST INCOME		
Service charges	317	334
Fee income	266	244
Earnings on bank-owned life insurance	101	111
Other non-interest income	33	26
Total Non-Interest Income	<u>717</u>	<u>715</u>
NON-INTEREST EXPENSES		
Salaries and employee benefits	1,881	2,001
Occupancy and equipment expenses	469	512
Foreclosed real estate expense, net	23	146
Other non-interest expenses	847	956
Total Non-Interest Expenses	<u>3,220</u>	<u>3,615</u>
Income before income tax expense	1,671	1,042
Income tax expense	359	137
Net Income	<u>\$ 1,312</u>	<u>\$ 905</u>
Basic earnings per common share	<u>\$ 0.31</u>	<u>\$ 0.21</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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