



Kenneth C. Klein



George W. Kinne, Jr.

## 2016 – 1<sup>st</sup> Quarter

For the quarter ended March 31, 2016, the Company earned net income of \$1,473,000 or \$0.35 per share compared to \$1,176,000 or \$0.28 per share for the same quarter in 2015. The increase in quarterly net income was primarily due to a non-recurring life insurance benefit of \$247,000 and a decrease in non-interest expense of \$119,000, partially offset by a decrease in net interest income of \$62,000.

Despite the Federal Reserve increasing the federal funds rate at the end of 2015, interest rates remain at historic lows and continue to negatively impact our net interest income. With global interest rates at negative levels in some cases, these conditions could continue for significantly longer than anticipated. As net interest income is our industry's main source of revenue, the Company and most other financial institutions will be challenged to maintain or increase profitability levels. Our financial performance, which compares very favorably to our local peers, is the result of our commitment to controlled, profitable growth and our conservative approach to business. By focusing on our strength as a local, independent community bank providing excellent service to our customers and supporting our local communities, we expect to continue providing meaningful returns for our shareholders, stability for our employees and to support the communities in which we operate.

In March, we held our eighth annual bank-wide meeting, which featured the selection of a new tag line for Jeff Bank. Earlier in the year, employee teams presented their ideas to the Company's senior management team, which selected three finalists for presentation to and voting by the employees. The winning tag line was "Jeff Bank – Still Banking Strong!". The new tag line has been rolled out in advertising and promotional material, and has been well received. The meeting was well attended by the Board of Directors, who expressed their appreciation for the employee's commitment to the success of the Company and their involvement in civic and charitable organizations in our communities. Years of Service Awards, in the form of shares of Jeff Bank stock, were presented to 18 employees with years of service ranging from 5 to 30 years. We believe stock awards reinforce the employee's commitment to the Bank's profitability while recognizing their past contributions and loyalty.

In early March, we were saddened by the passing of our long time Board member and friend, John K. Gempler. John was only the third Secretary of the Board of Directors of Jeff Bank in its over 100 year history. We are grateful for John's tireless support and loyalty over his 38 year tenure. He will be sorely missed. Our sincerest sympathy is extended to the Gempler family.

At the beginning of the year, George Kinne, Jr. succeeded Wayne V. Zanetti as President and Chief Executive Officer of the Company. Mr. Kinne was also elected to the Company's Board of Directors. The transition to new leadership has been seamless as Mr. Zanetti remains on the Board of Directors where his experience and insights will continue to contribute to the success of the Company. We appreciate the support of our shareholders, employees and directors and look forward to continued success that will ensure we remain an independent, community bank and a valued member of the communities we serve.

A handwritten signature in orange ink that reads "K.C. Klein".

Kenneth C. Klein  
Chairman of the Board

A handwritten signature in orange ink that reads "George W. Kinne, Jr.".

George W. Kinne, Jr.  
President/Chief Executive Officer

**Jeffersonville Bancorp and Subsidiary**  
**Consolidated Balance Sheets**

(In thousands, except share and per share data)

	March 31, 2016	December 31, 2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 65,948	\$ 40,187
Securities available for sale, at fair value	95,034	95,064
Securities held to maturity, estimated fair value of \$22,311 at March 31, 2016 and \$20,148 at December 31, 2015	21,562	19,666
Loans, net of allowance for loan losses of \$4,004 at March 31, 2016 and \$4,075 at December 31, 2015	269,769	270,047
Accrued interest receivable	2,112	1,894
Bank-owned life insurance	17,505	17,401
Foreclosed real estate	1,156	1,381
Premises and equipment, net	7,546	6,908
Restricted investments	561	566
Other assets	4,431	6,552
Total Assets	<u>\$ 485,624</u>	<u>\$ 459,666</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities		
Deposits:		
Demand deposits (non-interest bearing)	\$ 102,225	\$ 101,918
NOW and super NOW accounts	78,592	58,938
Savings and insured money market deposits	132,979	125,743
Time deposits	106,421	106,724
Total Deposits	420,217	393,323
Other liabilities	5,370	7,484
Total Liabilities	<u>425,587</u>	<u>400,807</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	57,408	56,528
Accumulated other comprehensive loss	(1,273)	(1,571)
Total Stockholders' Equity	<u>60,037</u>	<u>58,859</u>
Total Liabilities and Stockholders' Equity	<u>\$ 485,624</u>	<u>\$ 459,666</u>

This does not represent complete financial statements. Complete financial statements may be found at [www.jeffbank.com](http://www.jeffbank.com)

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

<b>For the Three Months Ended March 31,</b>	<b>2016</b>	<b>2015</b>
<b>Interest and Dividend Income</b>		
Loan interest and fees	\$ 3,569	\$ 3,735
Securities:		
Taxable	225	216
Tax-exempt	601	567
Other interest and dividend income	47	11
Total Interest and Dividend Income	<u>4,442</u>	<u>4,529</u>
<b>Interest Expense on Deposits</b>		
	<u>234</u>	<u>259</u>
Net interest income	4,208	4,270
Provision for loan losses	<u>—</u>	<u>—</u>
Net Interest Income after Provision for Loan Losses	<u>4,208</u>	<u>4,270</u>
<b>Non-Interest Income</b>		
Service charges	310	319
Fee income	311	276
Earnings on bank-owned life insurance	352	104
Net gain on sales of securities	(1)	21
Other non-interest income	31	53
Total Non-Interest Income	<u>1,003</u>	<u>773</u>
<b>Non-Interest Expense</b>		
Salaries and employee benefits	2,028	2,114
Occupancy and equipment expenses	444	466
Foreclosed real estate expense, net	98	70
Other non-interest expenses	867	906
Total Non-Interest Expenses	<u>3,437</u>	<u>3,556</u>
Income before income tax expense	1,774	1,487
Income tax expense	301	311
Net Income	<u>\$ 1,473</u>	<u>\$ 1,176</u>
Basic earnings per common share	<u>\$ 0.35</u>	<u>\$ 0.28</u>
Average common shares outstanding	<u>4,235</u>	<u>4,235</u>
Cash dividends declared per share	<u>\$ 0.14</u>	<u>\$ 0.14</u>

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