



Kenneth C. Klein



Wayne V. Zanetti

2014 – 3rd Quarter

For the quarter ended September 30, 2014, the Company earned net income of \$1,218,000 or \$0.29 per share compared to \$1,383,000 or \$0.33 per share for the same quarter in 2013. The decrease in quarterly net income was primarily due to a non-recurring recovery of \$422,000 realized in the third quarter of 2013 from the sale of foreclosed real estate. Excluding that recovery, quarterly net income benefitted from a reduction in foreclosed real estate expense of \$210,000 and a decrease in income tax expense of \$57,000, partially offset by an increase in the provision for loan losses of \$100,000.

Year to date net income as of September 30, 2014 was \$3,807,000 or \$0.90 per share compared to \$3,563,000 or \$0.84 per share for the same quarter in 2013. The increase in year to date net income was primarily due to a decrease of \$316,000 in total interest expense, and an \$118,000 decrease in other non-interest expense partially offset by a decrease in total interest and dividend income of \$121,000, an increase of \$100,000 in provision for loan losses, and an increase in income tax expense of \$170,000.

The Company previously announced that its wholly owned subsidiary, Jeff Bank, will eliminate its post retirement benefit plan. The Company estimates the change will result in additions to net income of approximately \$2.0mm in the fourth quarter of 2014.

Net interest rate margins continue to be pressured for all financial institutions due to the historically low interest rate environment that has existed since 2011. This low rate environment is persisting despite the Federal Reserve ending its third round of quantitative easing and indicating they will begin to raise rates sometime in 2015. The threat of a renewed recession in Europe, combined with continued global tensions in the Ukraine and the Middle East, have left many investors with no other choice than to seek U.S. treasury bonds as a safe haven. The resulting interest margin compression has left many financial institutions increasing their risk profiles to chase yields. While the Company is not immune to interest margin compression, our financial strength and robust capital position have allowed us to operate within our normal parameters. As a result, we are outperforming our peer average in net interest margin, return on assets and return on equity.

Sometime after the November elections, a decision is expected to be made regarding the placement of casino gambling licenses in New York State. While we are hopeful that both Sullivan County applicants will receive licenses and inject much needed stimulus into our local economy, we are prepared for any scenario that may develop. We believe our network of twelve locations, staffed by local, community minded employees, supported by ATM's, mobile, online and telephone banking, makes us the most convenient place to bank in Sullivan County. Our financial strength provides us with the flexibility to serve consumers and businesses of all types and sizes. With over one hundred years of operations and as the only local, community bank headquartered in Sullivan County, we are uniquely familiar with the needs and history of the people and communities we serve.

Jeff Bank has been an independent community bank and trusted Sullivan County tradition since 1913. That tradition would not be possible without the support of our stakeholders. We are grateful for that support, and look forward to fulfilling our mission of being the company of choice for our investors, customers and employees who value trust, integrity and respect.

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)

	September 30, 2014	December 31, 2013
	(Unaudited)	(Unaudited)
ASSETS		
Cash and cash equivalents	\$ 35,215	\$ 19,895
Securities available for sale, at fair value	106,084	108,957
Securities held to maturity, estimated fair value of \$6,304 at September 30, 2014 and \$3,780 at December 31, 2013	6,061	3,612
Loans, net of allowance for loan losses of \$4,821 at September 30, 2014 and \$4,671 at December 31, 2013	272,393	269,131
Accrued interest receivable	2,091	1,911
Bank-owned life insurance	16,894	16,581
Foreclosed real estate	1,395	1,098
Premises and equipment, net	6,041	4,557
Restricted investments	568	674
Other assets	5,421	6,161
Total Assets	<u>\$ 452,163</u>	<u>\$ 432,577</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Demand deposits (non-interest bearing)	\$ 94,956	\$ 84,305
NOW and super NOW accounts	57,295	53,229
Savings and insured money market deposits	122,171	111,732
Time deposits	113,927	123,375
Total Deposits	388,349	372,641
Other liabilities	7,227	6,905
Total Liabilities	<u>395,576</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	51,595	49,440
Accumulated other comprehensive income	1,090	(311)
Total Stockholders' Equity	<u>56,587</u>	<u>53,031</u>
Total Liabilities and Stockholders' Equity	<u>\$ 452,163</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 September 30,	2014	2013
	(Unaudited)	(Unaudited)
INTEREST AND DIVIDEND INCOME		
Loan interest and fees	\$ 3,755	\$ 3,718
Securities:		
Taxable	194	251
Tax-exempt	574	581
Other interest and dividend income	17	18
Total Interest and Dividend Income	<u>4,540</u>	<u>4,568</u>
INTEREST EXPENSE		
Deposits	278	317
Federal Home Loan Bank borrowings	—	27
Total Interest Expense	<u>278</u>	<u>344</u>
Net interest income	4,262	4,224
Provision for loan losses	100	—
Net Interest Income after Provision for Loan Losses	<u>4,162</u>	<u>4,224</u>
NON-INTEREST INCOME		
Service charges	358	336
Fee income	290	277
Earnings on bank-owned life insurance	104	116
Net security gains	—	4
Other non-interest income	67	43
Total Non-Interest Income	<u>819</u>	<u>776</u>
NON-INTEREST EXPENSES		
Salaries and employee benefits	2,000	2,047
Occupancy and equipment expenses	484	434
Foreclosed real estate expense (income), net	127	(85)
Other non-interest expenses	804	816
Total Non-Interest Expenses	<u>3,415</u>	<u>3,212</u>
Income before income tax expense	1,566	1,788
Income tax expense	348	405
Net Income	<u>\$ 1,218</u>	<u>\$ 1,383</u>
Basic earnings per common share	<u>\$ 0.29</u>	<u>\$ 0.33</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 Nine Months Ended September 30,	2014	2013
	(Unaudited)	(Unaudited)
INTEREST AND DIVIDEND INCOME		
Loan interest and fees	\$ 11,136	\$ 11,310
Securities:		
Taxable	778	708
Tax-exempt	1,727	1,736
Other interest and dividend income	49	57
Total Interest and Dividend Income	<u>13,690</u>	<u>13,811</u>
INTEREST EXPENSE		
Deposits	839	976
Federal Home Loan Bank borrowings	—	179
Total Interest Expense	<u>839</u>	<u>1,155</u>
Net interest income	12,851	12,656
Provision for loan losses	300	200
Net Interest Income after Provision for Loan Losses	<u>12,551</u>	<u>12,456</u>
NON-INTEREST INCOME		
Service charges	1,010	1,009
Fee income	847	792
Earnings on bank-owned life insurance	313	341
Net security gains	65	27
Other non-interest income	160	129
Total Non-Interest Income	<u>2,395</u>	<u>2,298</u>
NON-INTEREST EXPENSES		
Salaries and employee benefits	6,032	6,133
Occupancy and equipment expenses	1,438	1,404
Foreclosed real estate expense, net	154	191
Other non-interest expenses	2,467	2,585
Total Non-Interest Expenses	<u>10,091</u>	<u>10,313</u>
Income before income tax expense	4,855	4,441
Income tax expense	1,048	878
Net Income	<u>\$ 3,807</u>	<u>\$ 3,563</u>
Basic earnings per common share	<u>\$ 0.90</u>	<u>\$ 0.84</u>
Average common shares outstanding	<u>4,235</u>	<u>4,235</u>
Cash dividends declared per share	<u>\$ 0.39</u>	<u>\$ 0.39</u>

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