



Kenneth C. Klein



George W. Kinne, Jr.

2015 – 4th Quarter

For the quarter ended December 31, 2015, the Company earned net income of \$1,171,000 or \$0.28 per share compared to \$3,188,000 or \$0.75 per share for the same quarter in 2014. The decrease in quarterly net income was primarily due to a non-recurring decrease in employee benefits expense of \$3,347,000 realized in the fourth quarter of 2014 from the elimination of the Bank's post retirement benefit plan, partially offset by corresponding income tax expense of \$1,342,000. Excluding that event, quarterly net income decreased by \$12,000 due to an increase in occupancy expense of \$212,000 and an increase in other non-interest expense of \$74,000 partially offset by a reduction in foreclosed real estate expense of \$362,000.

For the year ended December 31, 2015, the Company earned net income of \$4,708,000 or \$1.11 per share compared to \$6,995,000 or \$1.65 per share for the same period in 2014. The decrease in net income was primarily due to the non-recurring decrease in employee benefits expense of \$3,347,000 realized in the fourth quarter of 2014 from the elimination of the Bank's post retirement benefit plan, partially offset by corresponding income tax expense of \$1,342,000. Excluding that event, net income decreased by \$282,000 due to an increase in salary expense of \$408,000 and occupancy expense of \$302,000, partially offset by a decrease in the provision for loan loss of \$300,000 and foreclosed real estate expense of \$133,000.

Despite mixed signals from domestic economic data and generally bad news from the European Union, China and emerging markets, the Federal Reserve raised the federal funds rate by .25% in December. The bond markets had largely factored in this increase, but the stock market has seen a decline of roughly ten percent since the beginning of the year. While the stock market's woes were impacted by trouble in China, a dramatic decrease in the price of oil, and other global factors, the increase in interest rates certainly compounded volatility. The impact on financial institution profits remains to be seen. The Treasury yield curve has flattened, with short term rates rising but long term rates remaining stable or decreasing. Net interest rate margins have been compressed for some time. Though smaller financial institutions will likely resist raising rates in the short term, the large banks have new liquidity requirements taking effect that may force them to raise rates in order to attract deposits. The impact of this dynamic will depend on the extent to which the larger banks will go to attract deposits and on the smaller banks ability to retain their deposit base. At Jeff Bank, we believe our strong liquidity position, financial strength and robust capital position, combined with our commitment to customer service excellence, puts us in a favorable position relative to our peers.

Also in December, the Montreign Resort Casino in the Town of Thompson near Monticello, New York was granted a gaming license by the State of New York. While work had already begun on the site, the granting of the license has stimulated prospects for economic and employment growth. We are excited about our market area in Sullivan County realizing the long awaited revitalization of its local economy.

Commencing January 1, 2016, we experienced a change in President and CEO with the retirement of Wayne V. Zanetti who had served in the role for the past seven years. Mr. Zanetti was an exceptional leader and will continue to serve as a director of Jeffersonville Bancorp and Jeff Bank. Transition of the President and CEO role to George W. Kinne Jr. has been a smooth one with significant planning for the succession. He was also appointed as a member of the board of directors of Jeffersonville Bancorp and Jeff Bank effective January 1, 2016. Mr. Kinne previously served as Executive Vice President and Senior Loan Officer.

Jeff Bank has been an independent community bank headquartered in Sullivan County for over 100 years. We are committed to remaining independent and appreciate the support of our shareholders, customers and employees as we look forward to continued success in the years ahead.

Handwritten signature of George W. Kinne, Jr. in orange ink.

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

Handwritten signature of Kenneth C. Klein in orange ink.

Kenneth C. Klein
Chairman of the Board

Jeffersonville Bancorp and Subsidiary
Consolidated Balance Sheets

(In thousands, except share and per share data)

As of December 31,	2015	2014
ASSETS		
Cash and cash equivalents	\$ 40,187	\$ 21,491
Securities available for sale, at fair value	95,064	104,801
Securities held to maturity, estimated fair value of \$20,148 at December 31, 2015 and \$7,489 at December 31, 2014	19,666	7,208
Loans, net of allowance for loan losses of \$4,075 at December 31, 2015 and \$4,353 at December 31, 2014	270,047	273,338
Accrued interest receivable	1,894	1,877
Bank-owned life insurance	17,401	16,996
Foreclosed real estate	1,381	1,680
Premises and equipment, net	6,908	6,160
Restricted investments	566	568
Other assets	6,552	6,100
Total Assets	<u>\$ 459,666</u>	<u>\$ 440,219</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Demand deposits (non-interest bearing)	\$ 101,918	\$ 89,321
NOW and super NOW accounts	58,938	52,628
Savings and insured money market deposits	125,743	120,406
Time deposits	106,724	114,136
Total Deposits	393,323	376,491
Other liabilities	7,484	7,593
Total Liabilities	<u>400,807</u>	<u>384,084</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	56,528	54,191
Accumulated other comprehensive loss	(1,571)	(1,958)
Total Stockholders' Equity	<u>58,859</u>	<u>56,135</u>
Total Liabilities and Stockholders' Equity	<u>\$ 459,666</u>	<u>\$ 440,219</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 Years Ended December 31,	2015	2014
INTEREST AND DIVIDEND INCOME		
Loan interest and fees	\$ 14,738	\$ 14,896
Securities:		
Taxable	876	985
Tax-exempt	2,377	2,299
Other interest and dividend income	84	61
Total Interest and Dividend Income	<u>18,075</u>	<u>18,241</u>
INTEREST EXPENSE		
Deposits	<u>992</u>	<u>1,107</u>
Net interest income	17,083	17,134
Provision for loan losses	<u>100</u>	<u>400</u>
Net Interest Income after Provision for Loan Losses	<u>16,983</u>	<u>16,734</u>
NON-INTEREST INCOME		
Service charges	1,309	1,337
Fee income	1,273	1,144
Earnings on bank-owned life insurance	405	415
Net gain on sales of securities	23	65
Other non-interest income	<u>208</u>	<u>204</u>
Total Non-Interest Income	<u>3,218</u>	<u>3,165</u>
NON-INTEREST EXPENSES		
Salaries and employee benefits	8,727	8,319
Post-retirement plan termination	—	(3,347)
Occupancy and equipment expenses	2,035	1,733
Advertising expense	126	150
Foreclosed real estate expense, net	321	454
Other non-interest expenses	<u>3,139</u>	<u>3,098</u>
Total Non-Interest Expenses	<u>14,348</u>	<u>10,407</u>
Income before income tax expense	5,853	9,492
Income tax expense	<u>1,145</u>	<u>2,497</u>
Net Income	<u>\$ 4,708</u>	<u>\$ 6,995</u>
Basic earnings per common share	<u>\$ 1.11</u>	<u>\$ 1.65</u>
Average common shares outstanding	<u>4,235</u>	<u>4,235</u>
Cash dividends declared per share	<u>\$ 0.56</u>	<u>\$ 0.53</u>

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