



Kenneth C. Klein



Wayne V. Zanetti

2013 - 3rd Quarter

For the quarter ended September 30, 2013, the Company earned net income of \$1,383,000 or \$0.33 per share compared to \$1,105,000 or \$0.26 per share for the same quarter in 2012. The increase in quarterly net income was primarily due to a decrease in the provision for loan losses of \$500,000, interest expense of \$172,000 and foreclosed real estate expense of \$213,000 partially offset by a decrease in interest and dividend income of \$369,000 and an increase in income tax expense of \$171,000.

For the nine months ended September 30, 2013, the Company earned net income of \$3,563,000 or \$0.84 per share compared to \$3,285,000 or \$0.78 per share for the same period in 2012. The increase in net income was primarily due to a decrease in the provision for loan losses of \$1,350,000, interest expense of \$575,000 and foreclosed real estate expense of \$355,000 partially offset by a decrease in interest and dividend income of \$1,536,000 and an increase in income tax expense of \$286,000.

The low interest rate environment continues to pressure net interest margins for banks and we are no exception. While we anticipated a reduction in net interest income this year, the Federal Reserve Bank's guarantee of low rates for an extended period of time caused lower than expected rates on new loans and investments. However, as we discussed after the last quarter, the loss of interest income has been offset by a substantial reduction in provisions for loan losses as we continue to see improvement in loan asset quality. In the current period, the Company also benefited from a large recovery on foreclosed real estate. As a result, we are somewhat over our budgeted profit goal for the end of this quarter and expect to realize our full year budgeted profit as well.

The past five years have been difficult for financial institutions and economic conditions in the near future will continue to present challenges to success. A recent article in the American Bankers Association magazine said that top banks stick to what they do best. At Jeff Bank, we have continued our conservative approach to doing business. We have not chased after volume at the expense of quality and long term profitability. We continually look for ways to boost efficiency and reduce expenses where possible. We strive to maintain our high standards of personalized customer service. We remain close to our local communities through corporate and employee involvement in civic, charitable and business organizations and events. We're sticking to what we do best and we agree that is the reason for our success so far in this very difficult economic time.

As we continue to celebrate the 100th anniversary of Jeff Bank, we appreciate the support of our customers, shareholders, directors and employees. With that support, we have thrived for a century and are now the only independent, community bank headquartered in Sullivan County. We look forward to continuing in that role, serving our customers and communities as a 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)

	September 30, 2013	December 31, 2012
	(Unaudited)	(Unaudited)
ASSETS		
Cash and cash equivalents	\$ 29,400	\$ 21,859
Securities available for sale, at fair value	107,085	105,121
Securities held to maturity, estimated fair value of \$3,822 at September 30, 2013 and \$4,891 at December 31, 2012	3,650	4,528
Loans, net of allowance for loan losses of \$4,657 at September 30, 2013 and \$5,035 at December 31, 2012	262,341	264,228
Accrued interest receivable	2,091	2,058
Bank-owned life insurance	16,469	16,128
Foreclosed real estate	2,274	1,339
Premises and equipment, net	4,666	5,072
Restricted investments	674	2,159
Other assets	6,959	6,596
Total Assets	<u>\$ 435,609</u>	<u>\$ 429,088</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Demand deposits (non-interest bearing)	\$ 93,491	\$ 76,285
NOW and super NOW accounts	48,681	41,291
Savings and insured money market deposits	108,952	103,709
Time deposits	123,364	137,488
Total Deposits	374,488	358,773
Federal Home Loan Bank borrowings	—	10,000
Other liabilities	9,923	9,124
Total Liabilities	<u>384,411</u>	<u>377,897</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	48,963	47,022
Accumulated other comprehensive income	(1,667)	267
Total Stockholders' Equity	<u>51,198</u>	<u>51,191</u>
Total Liabilities and Stockholders' Equity	<u>\$ 435,609</u>	<u>\$ 429,088</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,	2013	2012
	(Unaudited)	(Unaudited)
INTEREST AND DIVIDEND INCOME		
Loan interest and fees	\$ 3,718	\$ 4,036
Securities:		
Taxable	251	289
Tax-exempt	581	595
Interest bearing deposits	<u>18</u>	<u>17</u>
Total Interest and Dividend Income	4,568	4,937
INTEREST EXPENSE		
Deposits	318	412
Federal Home Loan Bank borrowings	<u>27</u>	<u>104</u>
Total Interest Expense	<u>344</u>	<u>516</u>
Net interest income	4,224	4,421
Provision for loan losses	<u>—</u>	<u>500</u>
Net Interest Income after Provision for Loan Losses	<u>4,224</u>	<u>3,921</u>
NON-INTEREST INCOME		
Service charges	336	346
Fee income	277	269
Earnings on bank-owned life insurance	116	112
Life insurance benefit	—	—
Net gain on sales of securities	4	(9)
Other non-interest income	<u>44</u>	<u>101</u>
Total Non-Interest Income	<u>776</u>	<u>819</u>
NON-INTEREST EXPENSES		
Salaries and employee benefits	2,047	1,938
Occupancy and equipment expenses	434	495
Foreclosed real estate expense, net	(85)	128
Other non-interest expenses	<u>816</u>	<u>840</u>
Total Non-Interest Expenses	<u>3,212</u>	<u>3,401</u>
Income before income tax expense	1,788	1,339
Income tax expense	<u>405</u>	<u>234</u>
Net Income	<u>\$ 1,383</u>	<u>\$ 1,105</u>
Basic earnings per common share	<u>\$ 0.33</u>	<u>\$ 0.26</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,	2013	2012
	(Unaudited)	(Unaudited)
INTEREST AND DIVIDEND INCOME		
Loan interest and fees	\$11,310	\$12,397
Securities:		
Taxable	708	1,005
Tax-exempt	1,736	1,905
Interest bearing deposits	<u>57</u>	<u>40</u>
Total Interest and Dividend Income	13,811	15,347
INTEREST EXPENSE		
Deposits	976	1,351
Federal Home Loan Bank borrowings	<u>179</u>	<u>379</u>
Total Interest Expense	<u>1,155</u>	<u>1,730</u>
Net interest income	12,656	13,617
Provision for loan losses	<u>200</u>	<u>1,550</u>
Net Interest Income after Provision for Loan Losses	<u>12,456</u>	<u>12,067</u>
NON-INTEREST INCOME		
Service charges	1,009	1,043
Fees income	792	771
Earnings on bank-owned life insurance	341	325
Life insurance benefit	—	93
Net gain on sales of securities	27	25
Other non-interest income	<u>129</u>	<u>192</u>
Total Non-Interest Income	<u>2,298</u>	<u>2,449</u>
NON-INTEREST EXPENSES		
Salaries and employee benefits	6,133	5,885
Occupancy and equipment expenses	1,404	1,509
Foreclosed real estate expense, net	191	546
Other non-interest expenses	<u>2,585</u>	<u>2,699</u>
Total Non-Interest Expenses	<u>10,313</u>	<u>10,639</u>
Income before income tax expense	4,441	3,877
Income tax expense	<u>878</u>	<u>592</u>
Net Income	<u>\$ 3,563</u>	<u>\$ 3,285</u>
Basic earnings per common share	<u>\$ 0.84</u>	<u>\$ 0.78</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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