Jeffersonville Bancorp


Kenneth C. Klein


Wayne V. Zanetti

2014 – 4th Quarter

For the quarter ended December 31, 2014, the Company earned net income of $3,088,000 or $0.73 per share compared to $1,057,000 or $0.25 per share for the same quarter in 2013. The increase 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 benefitted from a reduction in the provision for loan losses of $400,000 and a reduction in equipment expenses of $245,000, partially offset by an increase in foreclosed real estate expense of $339,000 and a decrease in total interest and dividend income of $173,000.

For the year ended December 31, 2014, the Company earned net income of $6,895,000 or $1.63 per share compared to $4,620,000 or $1.09 per share for the same period in 2013. The increase 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 benefitted from a reduction in interest expense of $341,000, a reduction in the provision for loan losses of $300,000, a reduction in equipment expenses of $211,000, and an increase in non-interest income of $131,000 partially offset by an increase in foreclosed real estate expense of $302,000, a decrease in total interest and dividend income of $294,000 and an increase in income tax expense of $198,000.

The Federal Reserve ended its third round of quantitative easing in October as expected. Despite mixed signals from domestic economic data and generally bad news from the European Union, including the start of quantitative easing by the European Central Bank which caused rates here and abroad to decline, the latest indications from the Federal Reserve are that they will stick to their plan to raise rates sometime in 2015. If they do, already pressured net interest rate margins will continue to erode as rate hikes in the shorter end of the yield curve will likely increase interest expense for financial institutions in the United States. With the ability to cut costs or increase fee income being limited, increasing loan production while maintaining prudent underwriting standards will be a critical factor affecting profitability going forward. At Jeff Bank, we believe our financial strength and robust capital position, combined with our unparalleled market position and our commitment to customer service excellence, will allow us to continue to outperform our peer averages in net interest margin, return on assets and return on equity.

As anticipated, after the November elections a decision was made by the New York State Gaming Facility Location Board to recommend a casino gambling license be granted to Montreign Resort Casino in the Town of Thompson near Monticello, New York. We are elated that the hard work of the various business, economic and governmental groups who campaigned for that project has been rewarded. We are excited about the much needed stimulus the construction and operation of the resort and complementary support businesses are expected to inject into our local economy. We are prepared, by virtue of our network of twelve locations, staffed by local, community minded employees, supported by ATM's, mobile, online and telephone banking, to be the bank of choice in Sullivan County to serve consumers and businesses of all types and sizes.

While change is coming to Sullivan County and Jeff Bank will endeavor to adapt and thrive as that change occurs, we remain committed to the stakeholders who have contributed to our success. We appreciate the support of our shareholders, customers and employees and look forward to remaining the only independent community bank headquartered in Sullivan County and the trusted tradition we have been since 1913.

Kenneth C. Klein
Chairman of the Board

Wayne V. Zanetti
President / Chief Executive Officer

Jeffersonville Bancorp and Subsidiary
Consolidated Balance Sheets
(In thousands, except share and per share data)

As of December 31,	2014	2013
ASSETS		
Cash and cash equivalents	$ 21,491	$ 19,895
Securities available for sale, at fair value	104,801	108,957
Securities held to maturity, estimated fair value of $7,489 at December 31, 2013 and $3,780 at December 31, 2013	7,208	3,612
Loans, net of allowance for loan losses of $4,353 at December 31, 2013 and $4,671 at December 31, 2013	273,338	269,131
Accrued interest receivable	1,877	1,911
Bank-owned life insurance	16,996	16,581
Foreclosed real estate	1,680	1,098
Premises and equipment, net	6,160	4,557
Restricted investments	568	674
Other assets	6,000	6,063
Total Assets	$ 440,119	$ 432,479
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Demand deposits (non-interest bearing)	$ 89,321	$ 84,305
NOW and super NOW accounts	52,628	53,229
Savings and insured money market deposits	120,406	111,732
Time deposits	114,136	123,375
Total Deposits	376,491	372,641
Other liabilities	7,593	6,807
Total Liabilities	384,084	379,448
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	54,091	49,440
Accumulated other comprehensive income (loss)	(1,958)	(311)
Total Stockholders' Equity	56,035	53,031
Total Liabilities and Stockholders' Equity	$ 440,119	$ 432,479

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,	2014	2013
INTEREST AND DIVIDEND INCOME		
Loan interest and fees	$ 14,896	$ 15,175
Securities:		
Taxable	985	944
Tax-exempt	2,299	2,347
Other interest and dividend income	61	69
Total Interest and Dividend Income	18,241	18,535
INTEREST EXPENSE		
Deposits	1,107	1,269
Federal Home Loan Bank borrowings	—	179
Total Interest Expense	1,107	1,448
Net interest income	17,134	17,087
Provision for loan losses	400	700
Net Interest Income after Provision for Loan Losses	16,734	16,387
NON-INTEREST INCOME		
Service charges	1,337	1,331
Fee income	1,144	1,062
Earnings on bank-owned life insurance	415	453
Net gain on sales of securities	65	23
Other non-interest income	204	166
Total Non-Interest Income	3,165	3,035
NON-INTEREST EXPENSES		
Salaries and employee benefits	4,972	8,234
Occupancy and equipment expenses	1,733	1,944
Advertising expense	—	199
Foreclosed real estate expense, net	454	152
Other non-interest expenses	3,248	3,216
Total Non-Interest Expenses	10,407	13,745
Income before income tax expense	9,492	5,677
Income tax expense	2,597	1,057
Net Income	$ 6,895	$ 4,620
Basic earnings per common share	$ 1.63	$ 1.09
Average common shares outstanding	4,235	4,235
Cash dividends declared per share	$ 0.52	$ 0.52