



Kenneth C. Klein



Wayne V. Zanetti

2013 - 2nd Quarter

For the quarter ended June 30, 2013, the Company earned net income of \$1,275,000 or \$0.30 per share compared to \$1,115,000 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 \$450,000, interest expense of \$192,000 and non-interest expense of \$85,000 partially offset by a decrease in interest and dividend income of \$472,000 and an increase in income tax expense of \$122,000.

For the six months ended June 30, 2013, the Company earned net income of \$2,180,000 or \$0.51 per share compared to \$2,180,000 or \$0.51 per share for the same period in 2012. While the results were the same for the two periods, interest and dividend income decreased \$1,167,000, non-interest income decreased \$108,000 and income taxes increased by \$115,000. These decreases were offset by decreases in the provision for loan losses of \$850,000, interest expense of \$403,000 and non-interest expense of \$137,000. The decrease in total non-interest income includes a non-recurring, tax-free life insurance benefit of \$93,000 which was recorded in the first quarter of 2012.

The Company's performance this year is a result of the same factors affecting most financial institutions. The Federal Reserve Bank's continued policy of a near zero interest rate target has put downward pressure on interest rates for both loans and investments. The loss of interest income has partially been offset by lower deposit and borrowing interest expenses but, at current low levels, these expenses have less room for further improvement. While low interest rates are negatively impacting net interest income, they have helped the economy to stabilize, and we have seen improvement in loan asset quality. As a result, the large provisions for loan losses we made over the past four years have been sufficient to maintain an adequate allowance for loan losses and we have been able to reduce provisions this year to partially compensate for the decline in net interest income. The Company expects the current trend to continue for the balance of the year.

In June, the Chairman of the Federal Reserve made comments about economic policy that created substantial volatility in the investing environment. Interest rates for investments longer than three years rose dramatically. From their May lows, the 5 and 10 year treasury rates jumped by 146% and 65%, respectively. Many financial institutions saw their investment portfolios drop in value from a substantial unrealized gain to an unrealized loss. As interest income is our industry's main source of revenue, the recent volatility is a reminder of the need to be conservative in our approach to doing business. The initiatives we took last year to deregister from the SEC and convert from a national to a state charter have proven to be well timed and we continue to look for ways to boost efficiency and reduce expenses where possible.

Jeff Bank is in a strong position to weather volatile economic conditions. We have more than twice the capital required to be considered well capitalized by our regulators. We have a long tradition of stable operations and profitability. We are the only independent, community bank headquartered in Sullivan County. We at Jeff Bank appreciate the support of our customers, shareholders, directors and employees, as we look forward to remaining the trusted, Sullivan County tradition we have been for the past 100 years.

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)

	June 30, 2013	December 31, 2012
	(Unaudited)	(Unaudited)
ASSETS		
Cash and cash equivalents	\$ 43,916	\$ 21,859
Securities available for sale, at fair value	108,782	105,121
Securities held to maturity, estimated fair value of \$4,442 at June 30, 2013 and \$4,891 at December 31, 2012	4,169	4,528
Loans, net of allowance for loan losses of \$4,809 at June 30, 2013 and \$5,035 at December 31, 2012	263,627	264,228
Accrued interest receivable	2,013	2,058
Bank-owned life insurance	16,353	16,128
Foreclosed real estate	1,313	1,339
Premises and equipment, net	4,778	5,072
Restricted investments	899	2,159
Other assets	6,794	6,596
Total Assets	<u>\$ 452,644</u>	<u>\$ 429,088</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Demand deposits (non-interest bearing)	\$ 92,873	\$ 76,285
NOW and super NOW accounts	49,800	41,291
Savings and insured money market deposits	112,728	103,709
Time deposits	132,454	137,488
Total Deposits	387,855	358,773
Federal Home Loan Bank borrowings	5,000	10,000
Other liabilities	9,340	9,124
Total Liabilities	<u>402,195</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	48,101	47,022
Accumulated other comprehensive income	(1,554)	267
Total Stockholders' Equity	<u>50,449</u>	<u>51,191</u>
Total Liabilities and Stockholders' Equity	<u>\$ 452,644</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 June 30,	2013	2012
	(Unaudited)	(Unaudited)
INTEREST AND DIVIDEND INCOME		
Loan interest and fees	\$ 3,837	\$ 4,081
Securities:		
Taxable	230	381
Tax-exempt	584	669
Interest bearing deposits	<u>23</u>	<u>15</u>
Total Interest and Dividend Income	4,674	5,146
INTEREST EXPENSE		
Deposits	327	451
Federal Home Loan Bank borrowings	<u>57</u>	<u>125</u>
Total Interest Expense	<u>384</u>	<u>576</u>
Net interest income	4,290	4,570
Provision for loan losses	<u>—</u>	<u>450</u>
Net Interest Income after Provision for Loan Losses	<u>4,290</u>	<u>4,120</u>
NON-INTEREST INCOME		
Service charges	340	352
Fee income	271	259
Earnings on bank-owned life insurance	114	106
Net gain on sales of securities	23	1
Other non-interest income	<u>59</u>	<u>62</u>
Total Non-Interest Income	<u>807</u>	<u>780</u>
NON-INTEREST EXPENSES		
Salaries and employee benefits	2,085	1,952
Occupancy and equipment expenses	458	518
Foreclosed real estate expense, net	130	278
Other non-interest expenses	<u>813</u>	<u>823</u>
Total Non-Interest Expenses	<u>3,486</u>	<u>3,571</u>
Income before income tax expense	1,611	1,329
Income tax expense	<u>336</u>	<u>214</u>
Net Income	<u>\$ 1,275</u>	<u>\$ 1,115</u>
Basic earnings per common share	<u>\$ 0.30</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 Six Months Ended June 30,	2013	2012
	(Unaudited)	(Unaudited)
INTEREST AND DIVIDEND INCOME		
Loan interest and fees	\$ 7,592	\$ 8,361
Securities:		
Taxable	457	716
Tax-exempt	1,155	1,310
Interest bearing deposits	<u>39</u>	<u>23</u>
Total Interest and Dividend Income	9,243	10,410
INTEREST EXPENSE		
Deposits	659	939
Federal Home Loan Bank borrowings	<u>152</u>	<u>275</u>
Total Interest Expense	<u>811</u>	<u>1,214</u>
Net interest income	8,432	9,196
Provision for loan losses	<u>200</u>	<u>1,050</u>
Net Interest Income after Provision for Loan Losses	<u>8,232</u>	<u>8,146</u>
NON-INTEREST INCOME		
Service charges	674	697
Fee income	515	502
Earnings on bank-owned life insurance	225	213
Life insurance benefit	—	93
Net gain on sales of securities	23	34
Other non-interest income	<u>85</u>	<u>91</u>
Total Non-Interest Income	<u>1,522</u>	<u>1,630</u>
NON-INTEREST EXPENSES		
Salaries and employee benefits	4,086	3,947
Occupancy and equipment expenses	970	1,014
Foreclosed real estate expense, net	276	418
Other non-interest expenses	<u>1,769</u>	<u>1,859</u>
Total Non-Interest Expenses	<u>7,101</u>	<u>7,238</u>
Income before income tax expense	2,653	2,538
Income tax expense	<u>473</u>	<u>358</u>
Net Income	<u>\$ 2,180</u>	<u>\$ 2,180</u>
Basic earnings per common share	<u>\$ 0.51</u>	<u>\$ 0.51</u>
Average common shares outstanding	<u>4,235</u>	<u>4,235</u>
Cash dividends declared per share	<u>\$ 0.26</u>	<u>\$ 0.26</u>

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