



Kenneth C. Klein



George W. Kinne, Jr.

2017 – 3rd Quarter

For the quarter ended September 30, 2017, the Company earned net income of \$1,343,000 or \$0.32 per share compared to \$1,304,000 or \$0.31 per share for the same quarter in 2016. The increase in quarterly net income was primarily due to an increase in interest income of \$27,000, a decrease of \$30,000 in interest expense, and a decrease in other non-interest expense of \$136,000, partially offset by an increase in income tax expense of \$80,000.

Year to date net income as of September 30, 2017 was \$4,039,000 or \$0.95 per share compared to \$4,092,000 or \$0.97 per share for the same quarter in 2016. The decrease in year to date net income was primarily due to an increased in salary and employee benefit expense of \$392,000, an increase in occupancy expense of \$139,000, and a non-recurring life insurance benefit of \$247,000 received in 2016, partially offset by an increase in interest income of \$463,000, a decrease of \$85,000 in interest expense, a decrease in the provision for loan losses of \$350,000 and an increase in income tax expense of \$181,000.

In October, the Federal Reserve began to slow its reinvestment of maturing bonds to reduce the size of its \$4.2 trillion balance sheet. In November, the President announced his pick to be Chair of the Federal Open Market Committee, the body that determines monetary policy, when Janet Yellen's term expires in February. The replacement, Jerome Powell, is said to have a philosophy similar to Yellen's, which should mean that the Fed will continue to slowly increase the federal funds rate that mainly impacts the short end of the yield curve. In December, the Fed is widely expected to increase the federal funds rate by .25%. While rate increases tend to benefit financial institutions, the yield curve has remained very flat, with the difference between 1-year and 10-year interest rates further eroding to 1.02% as of the end of September. Since financial institutions profit from the spread between short-term deposit rates and long-term rates on loans and securities, if the Fed's actions fail to steepen the yield curve, net interest margins will continue to be challenged. Though the Company's net interest margin is nearly identical to this period last year, net interest income is up on higher earnings assets and a lack of upward pressure on deposit expense. Until the impact of Federal Reserve monetary policy on the yield curve unfolds, how long this will last is uncertain.

Regulatory focus has alternated between concerns about interest rate risk and liquidity. We continue to outperform our peers in profitability metrics such as return on assets, return on equity, net interest margin and overhead efficiency while maintaining a favorable interest rate risk profile. The Company also maintains a high degree of liquidity which provides flexibility to adapt to whatever economic and regulatory scenarios occur. As we have been for many years, the Company remains very well capitalized by regulatory standards.

The recently released FDIC Summary of Deposits showed that as of June 30, 2017, Jeff Bank continues to maintain a market share in excess of 30% in Sullivan County. That level of success demonstrates the tremendous support we receive from our local communities. We truly appreciate the loyalty of our customers, employees and stockholders as we strive to remain an independent community bank as we have been for over 100 years.

A handwritten signature in orange ink that reads "K.C. Klein".

Kenneth C. Klein
Chairman of the Board

A handwritten signature in orange ink that reads "George W. Kinne, Jr.".

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

Jeffersonville Bancorp and Subsidiary
Consolidated Balance Sheets

(In thousands, except share and per share data)

	September 30, 2017	December 31, 2016
Cash and cash equivalents	\$ 77,950	\$ 45,684
Securities available for sale, at fair value	82,752	90,073
Securities held to maturity, fair value of \$31,047 at September 30, 2017 and \$28,492 at December 31, 2016	30,611	28,730
Loans, net of allowance for loan losses of \$3,536 at September 30, 2017 and \$3,692 at December 31, 2016	275,336	286,165
Accrued interest receivable	1,765	1,800
Bank-owned life insurance	17,417	16,817
Foreclosed real estate	903	988
Premises and equipment, net	7,681	7,898
Restricted investments	338	559
Other assets	4,471	5,057
Total Assets	<u>\$ 499,224</u>	<u>\$ 483,771</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Demand deposits (non-interest bearing)	\$ 115,778	\$ 108,392
NOW and super NOW accounts	75,889	74,327
Savings and insured money market deposits	145,697	136,070
Time deposits	92,942	98,638
Total Deposits	430,306	417,427
Other liabilities	5,711	5,795
Total Liabilities	<u>436,017</u>	<u>423,222</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	61,533	59,275
Accumulated other comprehensive loss	(2,228)	(2,628)
Total Stockholders' Equity	<u>63,207</u>	<u>60,549</u>
Total Liabilities and Stockholders' Equity	<u>\$ 499,224</u>	<u>\$ 483,771</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,	2017	2016
Interest and Dividend Income		
Loan interest and fees	\$ 3,606	\$ 3,658
Securities:		
Taxable	271	245
Tax-exempt	520	625
Other interest and dividend income	209	51
Total Interest and Dividend Income	<u>4,606</u>	<u>4,579</u>
Interest Expense on Deposits		
	<u>203</u>	<u>233</u>
Net interest income	4,403	4,346
Provision (credit) for loan losses	<u>—</u>	<u>—</u>
Net Interest Income after Provision for Loan Losses	<u>4,403</u>	<u>4,346</u>
Non-Interest Income		
Service charges	288	311
Fee income	357	344
Earnings on bank-owned life insurance	90	90
Net gain (loss) on sales of securities	—	1
Other non-interest income	45	62
Total Non-Interest Income	<u>780</u>	<u>808</u>
Non-Interest Expense		
Salaries and employee benefits	2,146	2,111
Occupancy and equipment expenses	470	475
Foreclosed real estate expense, net	78	62
Other non-interest expenses	731	867
Total Non-Interest Expenses	<u>3,425</u>	<u>3,515</u>
Income before income tax expense	1,758	1,639
Income tax expense	415	335
Net Income	<u>\$ 1,343</u>	<u>\$ 1,304</u>
Basic earnings per common share	<u>\$ 0.32</u>	<u>\$ 0.31</u>
Average common shares outstanding	<u>4,235</u>	<u>4,235</u>
Cash dividends declared per share	<u>\$ 0.14</u>	<u>\$ 0.14</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,	2017	2016
Interest and Dividend Income		
Loan interest and fees	\$ 11,099	\$ 10,827
Securities:		
Taxable	778	702
Tax-exempt	1,706	1,818
Other interest and dividend income	396	169
Total Interest and Dividend Income	<u>13,979</u>	<u>13,516</u>
Interest Expense on Deposits		
	<u>616</u>	<u>701</u>
Net interest income	13,363	12,815
Provision (credit) for loan losses	(300)	50
Net Interest Income after Provision for Loan Losses	<u>13,663</u>	<u>12,765</u>
Non-Interest Income		
Service charges	848	932
Fee income	1,021	993
Earnings on bank-owned life insurance	267	542
Net gain (loss) on sales of securities	1	—
Other non-interest income	151	157
Total Non-Interest Income	<u>2,288</u>	<u>2,624</u>
Non-Interest Expense		
Salaries and employee benefits	6,485	6,093
Occupancy and equipment expenses	1,443	1,304
Foreclosed real estate expense, net	146	232
Other non-interest expenses	2,644	2,655
Total Non-Interest Expenses	<u>10,718</u>	<u>10,284</u>
Income before income tax expense	5,233	5,105
Income tax expense	1,194	1,013
Net Income	<u>\$ 4,039</u>	<u>\$ 4,092</u>
Basic earnings per common share	<u>\$ 0.95</u>	<u>\$ 0.97</u>
Average common shares outstanding	<u>4,235</u>	<u>4,235</u>
Cash dividends declared per share	<u>\$ 0.42</u>	<u>\$ 0.42</u>

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