



Bancorp. of Southern Indiana

2018 Annual Report

Message To Shareholders

I am pleased to report that 2018 was a year that yielded improved financial results as well as a number of milestones, including records in terms of total asset size and net income. BSI's Return on Average Equity improved in 2018 to 8.50%, compared to 6.61% in the previous year, while Return on Average Assets also advanced to .80% in the current year, as compared to the .64% reported in 2017. Further improvements were seen in asset quality measures, while all JCB capital ratios remain soundly above the regulatory "well-capitalized" standards.

Consolidation within the banking industry continues, and market disruptions as a result of local consolidation activities was a contributing factor in BSI's 2018 performance measures, but not the only factor. Strong loan growth coupled with a double digit increase in noninterest income drove the increase in BSI's revenue.

Investments into the organization will positively position the bank for both the short and long term. A key project was the engagement of an independent third party to conduct a profitability and efficiency assessment. This study identified many opportunities, including an organizational restructuring, by redefining and aligning duties, roles, and reporting structures to create capacity in order to not only enhance overall operational efficiencies, but also further improve service levels and customer experience.

Further, BSI bolstered its investment in its human capital by hiring new team members with experience and desirable skill sets, as well as adding to the depth of its senior leadership team with the welcoming of three new members during 2018. Additional expenditures were made in various marketing initiatives to enrich JCB brand awareness, including the upgrading of outdoor signage which incorporates the usage of digital messaging boards.

On June 1, 2018 an agreement was finalized to acquire the assets under management of Krumme and Brock Investment Services, LLC. The advisors at Krumme and Brock Investment Services, affiliated with Raymond James Financial Services, now operate under the new name of JCB Investment Services. Financial Advisors Galen Krumme and Cliff Brock have served clients in Seymour and the surrounding areas for more than twenty years and provide an array of investment portfolio and retirement planning strategies that are consistent with JCB's personalized service.

BSI's total assets as of December 31, 2018 amounted to \$569,673,000, an increase of \$56,044,000, or 10.9% over the prior year. Also, for the first time in BSI's history, earnings surpassed the \$4 million mark, with 2018 net income totaling \$4,319,000, an increase of \$1,032,000, or 31.4% over the amount recorded in 2017.



JCB Investment Services team

Pictured back row, left to right: Galen Krumme, Patrick Ballard, Cliff Brock
Front row, left to right: Kelsey Yatsko, Bri Roll, Kim Wetzel

In addition to these records, other BSI milestones achieved during 2018 include the following:

- Total gross loans outstanding increased \$53,102,000, or 14.4% to \$420,926,000
- Total commercial loans outstanding increased 16.5%, or \$41,174,000
- Real estate loans outstanding totaled \$124,176,000, an increase of \$10,718,000 or 9.4%
- Consumer loans outstanding increased from the prior year by 28.9%, or \$1,210,000
- Total deposits ended the year at \$442,328,000, an increase of \$26,629,000, or 6.4%
- Total capital at December 31, 2018 increased 6.0% from the prior year and was at a record level of \$52,719,000
- Improvement of 23 basis points in net interest margin, which contributed to net interest income increasing at a rate of 16.6%, or \$16,578,000 compared to \$14,213,000 in 2017
- Total noninterest income ended the year at \$6,100,000, an increase of \$816,000 or 15.4%
- Earnings Per Share totaled a record \$3.18 per share, an increase of 31.4% over 2017
- Asset quality measures are the finest in the last thirteen (13) years
- Net bad debt recoveries of \$52,000 for the year
- JCB Investment Services ranked in the top 20% (#33 out of 163), based on production, of all Raymond James Financial Institution Division practices at the end of 2018

As we reflect on 2018, we saw the federal funds rate result in a 1% year-over-year increase, while the yield curve flattened and the stock markets moved higher during the first half of the year, only to give way to much more volatility during the latter half of the year. In May of 2018, the president signed into law The Economic Growth, Regulatory Relief and Consumer Protection Act which is a carefully crafted bipartisan bill that includes common-sense improvements to the nation's financial rules that will allow community banks to better serve their customers and communities.

As we look ahead to 2019, while the initial outlook was for strong growth and low unemployment leading to anticipated multiple fed fund rate increases throughout the year, Federal Reserve Chairman Jerome Powell has recently indicated that global growth had moderated somewhat. The Fed has signaled they will be more data dependent, and if these conditions of lower growth and inflation persist, the pace of interest rate increases is likely thought to be tempered.

BSI's balance sheet is well positioned to take advantage of future growth opportunities as well as a rising interest rate environment.

I am extremely fortunate and thankful for the talented group of JCB team members. Our team exhibits a remarkable work ethic and truly understands community banking. Our team strives to develop customer relationships based on open, honest discussions while delivering exceptional and consistent customer experiences. When relationships are built on these principles, they will lead to the achievement of the company's mission statement which states, "Fulfilling customers' dreams and goals is our job; building value for our shareholders, employees, customers and communities is our responsibility."

Thank you to all of our customers and stakeholders for your business, investment and confidence in BSI and JCB. Our dedicated and loyal team of professionals is committed to serve our shareholders, customers and communities as we strive to make JCB your community bank of choice.



Marvin S. Veatch, President

A handwritten signature in black ink that reads "Marvin S. Veatch". The signature is written in a cursive, flowing style.

CONSOLIDATED FINANCIAL HIGHLIGHTS

(Dollar amounts in thousands except per share data)

	2018	2017	Percentage Change
Operating Results:			
Net interest income	\$ 16,578	\$ 14,213	16.64%
Noninterest income	6,100	5,284	15.44%
Noninterest expense	17,161	14,297	20.03%
Net income	4,319	3,287	31.40%
Cash dividends paid	1,357	1,276	6.35%
Return on average equity	8.50%	6.61%	28.59%
Return on average assets	0.80%	0.64%	25.00%
Per Share Data:			
Net income	\$ 3.18	\$ 2.42	31.40%
Dividends	1.00	0.94	6.38%
Book value	38.85	36.65	6.00%
Number of average shares outstanding	1,357,134	1,357,134	0.00%
Number of shares outstanding	1,357,134	1,357,134	0.00%
Number of stockholders	411	412	-0.24%
Year-End Totals:			
Assets	\$ 569,673	\$ 513,629	10.91%
Deposits	442,328	415,699	6.41%
Loans held-for-sale	704	54	1203.70%
Loans, net	417,217	364,667	14.41%
Stockholders' equity	52,719	49,744	5.98%
Averages:			
Assets	\$ 542,366	\$ 512,955	5.73%
Deposits	431,566	409,554	5.37%
Loans held-for-sale	524	394	32.99%
Loans, net	387,207	347,033	11.58%
Stockholders' equity	50,785	49,726	2.13%
Asset Quality:			
Nonperforming assets / Assets	0.72%	1.03%	-30.10%
Nonperforming assets / Capital + Allowance	7.24%	10.01%	-27.67%
Allowance / Nonperforming loans	95.31%	70.58%	35.04%

Additional financial information, including the audited consolidated financial statements, can be accessed at jcbank.com/know-jcb-bsi/bsi-investor-relations/financial-information

FIVE YEAR SUMMARY

(Dollar amounts in thousands except per share data)

	2018	2017	2016	2015	2014
Assets:					
Cash and cash equivalents	\$ 15,090	\$ 9,636	\$ 18,324	\$ 53,071	\$ 47,646
Interest-bearing CDs with other financial institutions	12,070	18,321	21,293	21,270	11,960
Investments	91,773	92,945	98,472	85,955	74,947
Loans held-for-sale	704	54	797	654	978
Loans, net	417,217	364,667	328,993	306,208	292,686
Bank premises and equipment, net	7,448	7,153	5,131	6,319	4,284
Other assets	25,371	20,853	24,203	21,432	22,380
Total assets	\$ 569,673	\$ 513,629	\$ 497,213	\$ 494,909	\$ 454,881
Liabilities:					
Noninterest-bearing deposits	\$ 73,699	\$ 74,579	\$ 67,278	\$ 71,337	\$ 64,946
Interest-bearing deposits	368,629	341,120	305,367	301,750	290,054
Total deposits	442,328	415,699	372,645	373,087	355,000
Short-term borrowings	9,230	4,132	32,164	27,164	8,348
Long-term debt	55,000	39,000	40,000	44,000	43,000
Note Payable	3,500	0	0	0	0
Other liabilities	6,896	5,054	5,190	4,036	4,396
Total liabilities	516,954	463,885	449,999	448,287	410,744
Stockholders' equity	52,719	49,744	47,214	46,622	44,137
Total liabilities and stockholders' equity	\$ 569,673	\$ 513,629	\$ 497,213	\$ 494,909	\$ 454,881
Summary of Operations:					
Interest income	\$ 20,082	\$ 16,753	\$ 14,961	\$ 14,116	\$ 14,378
Interest expense	3,504	2,540	2,232	2,294	2,357
Net interest income	16,578	14,213	12,729	11,822	12,021
Provision for loans losses	500	475	400	100	(150)
Net interest income after provision for loan losses	16,078	13,738	12,329	11,722	12,171
Noninterest income	6,100	5,284	4,872	4,777	5,264
Noninterest expense	17,161	14,297	13,523	12,566	12,693
Income before income taxes	5,017	4,725	3,678	3,933	4,742
Provision for income taxes	698	1,438	466	673	991
Net income	\$ 4,319	\$ 3,287	\$ 3,212	\$ 3,260	\$ 3,751
Earnings per share	\$ 3.18	\$ 2.42	\$ 2.37	\$ 2.40	\$ 2.76
Cash dividends per share	\$ 1.00	\$ 0.94	\$ 0.93	\$ 0.93	\$ 0.93
Average shares outstanding	1,357,134	1,357,134	1,357,134	1,357,134	1,357,356

Officers

Officers of Bancorp. of Southern Indiana

JAMES T. MCCOY
Chairman of the Board of Directors

MARVIN S. VEATCH
President

THOMAS F. CUTTER
Vice President/Treasurer

MELODIE K. YARNELL
Vice President/Secretary

Senior Leadership of JCB

MARVIN S. VEATCH
President
Chief Executive Officer

THOMAS F. CUTTER
Senior Vice President
Chief Financial Officer

GARY E. GREEN
Senior Vice President
Chief Information Systems Officer

MARY ELLEN JAYNES
Senior Vice President
Chief Credit Administration Officer

JEFFREY B. NOLTING
Senior Vice President
Chief Banking Officer

GEORGE F. SPRAY
Senior Vice President
Chief Wealth Management Officer

MELODIE K. YARNELL
Senior Vice President
Chief Risk and Management Services Officer

Officers of JCB

DAVID A. ELLIS
Vice President, Commercial Banker

JIM D. GRAY, JR.
Vice President, Commercial Banker,
Treasury Management

JASON E. KNIGHT
Vice President, Retail Banking Officer

MARK J. MALONEY
Vice President, Retail Lending

TIMOTHY G. RISEN
Vice President, Commercial Banker

MICHELLE K. SCHAEFER
Vice President, Commercial Banker

HOLLY A. SIPE
Vice President, Organizational Services

JENNIFER L. AULT
Assistant Vice President, Branch Administration
and Service Delivery

RICHARD A. BICKNELL
Assistant Vice President, Retail Loan Officer

JERI A. BURBRINK
Assistant Vice President, Retail Loan Officer

BRIAN G. CHASTAIN
Assistant Vice President, Special Assets

WILLIAM D. CLARK
Assistant Vice President, Retail Loan Credit Officer

BRIAN W. HAMP
Assistant Vice President, Investment Management
and Trust Services

BRANDON L. HUNSLEY
Assistant Vice President, Investment Management
and Trust Services

MARY ANNE JORDAN
Assistant Vice President, Retail Loan Area Manager

CHRISTOPHER R. MARKS
Assistant Vice President, Information Security

DIANA L. SCHRADER
Assistant Vice President, Loan Operations

LESLIE A. UNRUE
Assistant Vice President, Deposit Services

ASHLEY T. ABNER
Officer, Commercial Banker,
Treasury Management

PATRICK G. BALLARD
Officer, Investment Services Executive

CLIFF W. BROCK
Officer, Investment Services Executive

ROBIN E. COLLINGSWORTH
Officer, Retail Loans

JESSICA D. DICKEN
Officer, Mortgage Loan Originator

CAMERON J. GLENN
Officer, Controller

CINDY L. GRANT
Officer, Mortgage Loan Originator

JOSEPH T. GREEN
Officer, Facilities and Purchasing

BRENDA JO HABENICHT
Officer, Retail Loans

SARA BEVERS HILDRETH
Officer, Marketing

JULIE A. KLOOTE
Officer, Commercial Analyst

GALEN D. KRUMME
Officer, Investment Services Executive

L. DARLENE SCHEPMAN
Officer, Accounting

DENISE S. SIEFKER
Assistant Trust Officer

MARY B. SPEER
Officer, Mortgage Loan Originator

KIM A. STEIN
Officer, Internal Audit and BSA

PAMELA V. STRINGER
Officer, Retail Loan Underwriter

AMANDA M. YOUNG
Officer, Retail Loans

Board of Directors

JOSEPH M. BLACK JR.
Attorney, Standing Trustee, Chapters 12 and 13 for the
Southern District of Indiana

MARK A. DENNIS
Founder and Principal Owner of Mark Dennis
and Company, CPA Inc.

WARREN L. FORGEY
President and CEO, Schneck Medical Center

DAVID M. GEIS
President, Bancorp. of Southern Indiana (Retired)
President and CEO, JCB (Retired)

SUSAN G. JUDD
Community Volunteer

JAMES T. MCCOY
Chairman of the Board, Bancorp. of Southern Indiana and JCB
President, JayC Food Stores (Retired)

MARSHALL E. ROYALTY
Owner, Crane Hill Machine & Fabrication

BRIAN P. RUSSELL
President and Founder, Russell Development Company

MARVIN S. VEATCH
President, Bancorp. of Southern Indiana
President and CEO, JCB

Directors Emeriti

DAVID L. BOTTORFF
Worldwide Distributor Business Unit
Controller, Cummins Inc. (Retired)

JOHN D. BRITTON
Seymour Community School Corp., Administrator (Retired)

JAMES A. JOHNSON
President, Midway Supply Corp. (Retired)

CHARLES A. REBBER
Former Chairman, Hoosier Parts Warehouse (Retired)

Seymour

125 South Chestnut Street *
Seymour, Indiana 47274
(812) 522-3607

1200 East Tipton Street
Seymour, Indiana 47274
(812) 522-3607

1181 West Tipton Street
Seymour, Indiana 47274
(812) 522-3607

311 North Ewing Street *
Seymour, Indiana 47274
(812) 519-1500

* JCB Investment Services Office Location

Columbus

400 Washington Street
Columbus, Indiana 47201
(812) 379-1991

3880 West Jonathan Moore Pike
Columbus, Indiana 47201
(812) 342-3633

2761 Central Avenue
Columbus, Indiana 47201
(812) 378-0850

North Vernon

611 A North State Street
North Vernon, Indiana 47265
(812) 346-8014

Brownstown

108 West Commerce Street
Brownstown, Indiana 47220
(812) 358-2520

Bloomington

1280 North College Avenue; Suite 4
Bloomington, Indiana 47404
(812) 339-2282

Bedford

2635 16th Street
Bedford, Indiana 47421
(812) 275-1120