

EXECUTIVE OFFICERS

James T. McCoy, Chairman of the Board

David M. Geis, President

Marvin S. Veatch, Vice President/Treasurer

Susan E. Haskett, Vice President/Secretary

LOCATIONS

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Seymour, Indiana 47274
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- 1181 West Tipton Street
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- Brownstown** 108 West Commerce Street
Brownstown, Indiana 47220
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- Bedford** 2635 West 16th Street
Bedford, Indiana 47421
(812) 275-1120
- Columbus** 400 Washington Street
Columbus, Indiana 47201
(812) 379-1991
- 3880 West Jonathan Moore Pike
Columbus, Indiana 47201
(812) 342-3633
- 3019 East 25th Street
Columbus, Indiana 47203
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- North Vernon** 611 A North State Street
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 **Bancorp**
of Southern Indiana

PARENT COMPANY OF JACKSON COUNTY BANK
AND SUBSIDIARIES

Quarterly
Performance
Profile

September 30, 2014



Parent Company of Jackson County Bank and Subsidiaries

UPDATE FROM THE PRESIDENT

I am pleased to report continued favorable comparative financial performance through the third quarter of 2014. BSI's consolidated net income amounted to \$3,152,000 compared to \$2,468,000 through the same period in 2013, an increase of \$684,000 or 27.7%.

Net interest income after provision for loan losses continues to be a strong contributing factor for the year-over-year increase due to a \$300,000 recapture (income) in the provision for loan loss expense during the second quarter of 2014. Comparatively, a favorable \$1,275,000 year-over-year change in the provision for loan loss expense is primarily attributable to improved asset quality. Increased noninterest income was also a contributor to the improved net earnings and includes a one-time non-recurring recovery of prior years' expense resulting from a vendor overbilling. A very modest noninterest expense increase partially offset these other revenue improvements. These factors led to annualized net income per share of \$9.31 through the third quarter of 2014, compared with \$7.27 through the third quarter of 2013.

BSI's balance sheet continues to show growth with total assets of \$440.6 million at September 30, 2014 compared with \$429.1 million at September 30, 2013. This is a growth of \$11.5 million or 2.7% over the last twelve months. While total loans have experienced minimal growth period-over-period, we are pleased to be experiencing significantly increased activity in recent months. This increase is reflected in JCB's pipeline of approved and pending loan activity which we expect to close and advance funds on in coming weeks.

BSI has taken steps to favorably position itself for a greater likelihood of rising interest rates, even though recent economic commentary in the news has softened on those prospects. Longer-term funding sources, such as certificates of deposit and other wholesale funding sources, have been procured while interest rates are still at relatively low levels. This strategy will help to maintain or potentially improve BSI's net interest margin over the longer term.

BSI and JCB's capital position remains strong relative to regulatory standards. BSI's board was pleased to increase its first half dividend, reflective of its improved net earnings. In addition, BSI's board of directors adjusted the ongoing stock redemption price from \$75 per share to \$78 per share during the second quarter. Recent trades of BSI stock, of which management is aware, have been conducted at \$79 per share.

Your board and management always welcome your comments and questions. We thank you for your investment and remain eager to serve your banking and investment needs.

Sincerely,

David M. Geis
President

	For the nine months ending September 30,		For the year ending December 31,	
	2014	2013	2013	2012
Per Share Performance				
Net income (annualized)	\$9.31	\$7.27	\$7.74	\$8.17
Dividends	1.30	1.10	2.50	2.45
Book value	97.71	86.26	87.53	88.26
Balance Sheet (000's)				
Total assets	\$440,596	\$429,062	\$440,850	\$447,596
Total loans held-for-sale	534	660	530	1,462
Total loans	289,355	288,412	292,194	282,281
Total deposits	338,004	332,636	338,627	358,169
Total equity	44,200	39,088	39,661	40,461
Profitability				
Net interest margin (FTE)	3.19 %	3.33 %	3.33 %	3.61 %
Return on average assets	0.95	0.76	0.81	0.93
Return on average equity	9.97	8.32	8.86	9.50
Net interest income (000's)	\$9,028	\$9,528	\$12,628	\$12,996
Net income (000's)	3,152	2,468	3,512	3,753
Asset Quality				
Net charge-offs/average loans	0.06 %	1.18 %	0.87 %	0.07 %
Provision/average loans	(.10)	0.46	0.32	0.19
Allowance/non-performing loans at period end	76.79	79.58	81.45	79.31
Non-performing assets/assets at period end	1.73	1.85	1.74	2.20
Capital Strength - Bank				
Tangible equity/assets at period end	10.35 %	9.67 %	9.53 %	9.20 %
Total risk-based capital ratio at period end	17.16	16.01	16.01	15.61