

...continued

### Deposits

If you are a faithful reader of our quarterly report, you are familiar with our deposit trends. The story remains consistent as deposit balances continue to grow and are up 6.80% year-to-date. In addition to attracting new clients (many as the result of other bank mergers) consumer households on average are keeping higher balances, particularly in their checking accounts. There could be several reasons for this including their reluctance to spend and/or take on debt and fatigue from seeking out other safe, high yielding investments for liquid cash. This has produced our lowest loan to deposit ratio in recent memory of 94.45% --still very respectable by industry standards.

### Asset Quality

We believe our asset quality has improved considerably since the financial crisis and managing its performance continues to be a top priority for us. Over the past two years we have strengthened our credit administration functions and we have seen steady improvement in our asset quality measurements. Continuing on that trend, our overall and emerging delinquencies have continued to fall during the course of this year. The provision expense for the quarter was \$95,000 and has decreased 24.02% compared to the first three quarters of the previous year.

### New Branch

We are excited to announce our plans for a new branch office in Manheim, PA! It will be located in the new Penn Towne Center development on Route 72, directly across from the Manheim Auto Auction and the new Sheetz convenience store. This branch will be our thirteenth overall and second in northern Lancaster County to serve this natural extension of our existing market. At the time of this report, our new branch application is still pending with our regulatory agencies, but we expect approval in time to begin construction this winter and to be open for business by late spring 2017.

### Bank on a Smile

We believe that the year is shaping up well and that we are positioning ourselves to continue on this successful track into the future. As always, we thank you for your continued interest and investment in JBT. Bank on a Smile®.



Chairman



President & CEO

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*Operations &*  
*Information Technology*

# THIRD QUARTER REPORT

## 2016



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**Jonestown Bank & Trust Co.**

# To Our Shareholders

We are pleased to report that the Board of Directors has declared a third quarter dividend of \$0.16 per share for shareholders of record as of October 24, 2016 and payable on October 31, 2016. The Bank produced year-to-date earnings of \$3,513,000 or \$1.51 per share, up 13.02% from \$3,092,000 or \$1.34 per share in the prior year. Total assets have grown to \$494,554,000 up 2.40% since the beginning of the year. Return on assets is .96% and return on equity is 10.60%, both up over the same period last year by 5.26% and 15.62% respectively.

## Lending

Loan balances are up only 1.12% year-to-date as we are still experiencing depressed consumer borrowing demand. Commercial lending continues to lead our loan growth as balances have increased 4.30% year-to-date, the result of our strong emphasis on growing this segment over the past several years.

Mortgage lending, although not reflected in balance sheet growth as we sell fixed rate mortgages to the Federal Home Loan Bank to manage interest rate risk and produce fee income, has also seen the benefits of our strategies to drive volume and market activity. As of September 30, 2016, the gain on sale of mortgage loans has increased by 72% over the same period last year, to a total of \$333,000 for 2016.

The indirect lending market has changed over the past several years and we saw our outstanding balances decline as competitors re-entered the market after the financial crisis. We are responding by turning our focus towards reinvigorating this line of our business and we are excited to rollout a comprehensive new program early in the fourth quarter that we believe, will once again have us become a serious automobile financing competitor.

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## Jonestown Bank & Trust Co.

### Selected Financial Data

September 30,	2016	2015
Return on assets	0.96%	0.91%
Return on equity	10.60%	9.17%
Book value	\$19.74	\$18.27
Earnings per share	\$1.51	\$1.34

## Balance Sheet as of September 30, 2016

(Dollars in thousands)

Assets	2016	2015
Cash and due from banks	\$ 29,076	\$ 15,311
Federal funds sold	0	0
Total cash and equivalents	29,076	15,311
Securities available for sale	43,673	35,420
Securities held to maturity	66	382
Loans held for sale	0	0
Loans receivable net of the allowance for loan losses and unearned discounts	402,136	393,377
Premises/equipment, net	3,654	3,610
Accrued interest receivable and other assets	15,949	17,324
Total Assets	\$ 494,554	\$ 465,424
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Non-interest bearing	\$ 42,749	\$ 39,435
Interest bearing	382,986	348,309
<b>Total Deposits</b>	<b>425,735</b>	<b>387,744</b>
Short-term borrowed funds	0	9,713
Long-term debt	17,840	19,096
Accrued interest payable, and other liabilities	5,194	2,740
<b>Total Liabilities</b>	<b>448,769</b>	<b>419,293</b>
<b>Shareholders' Equity</b>		
Preferred stock, 4,000,000 authorized 4000 issued and outstanding shares	0	4,000
Common stock: Par value \$2.00 per share, 6,000,000 authorized shares, issued and outstanding 2,319,557 shares	4,639	4,611
Surplus	4,828	4,611
Undivided profits	36,398	33,268
Accumulated other comprehensive income	(80)	(359)
<b>Total Shareholders' Equity</b>	<b>45,785</b>	<b>46,131</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 494,554</b>	<b>\$ 465,424</b>

## Income Statement for the 9 Months Ending September 30, 2016

(Dollars in thousands except per share amounts)

Interest Income	2016	2015
Loans receivable	\$ 12,701	\$ 12,239
Taxable securities	453	376
Tax-exempt securities	247	189
Other	148	172
<b>Total Interest Income</b>	<b>13,549</b>	<b>12,976</b>
<b>Interest Expense</b>		
Deposits	1,271	1,184
Borrowed funds	416	290
Total interest expense	1,687	1,474
<b>Net Interest Income</b>	<b>11,862</b>	<b>11,502</b>
Provision for loan losses	405	533
<b>Net Interest Income After Provision for Loan Losses</b>	<b>11,457</b>	<b>10,969</b>
<b>Other Income</b>		
Trust department income	232	210
Service charges on deposits	688	614
Other income	1,697	1,268
Total other income	2,617	2,092
<b>Other Expenses</b>		
Salaries/employee benefits	4,955	4,660
Occupancy	611	626
Equipment	410	592
Marketing	194	182
Other operating expenses	3,208	2,802
Total other expenses	9,378	8,862
<b>Income Before Income Taxes</b>	<b>4,696</b>	<b>4,199</b>
Federal income taxes	1,183	1,107
<b>Net income</b>	<b>\$ 3,513</b>	<b>\$ 3,092</b>
<b>Net income per Share</b>	<b>\$1.51</b>	<b>\$1.34</b>