

2006 Annual Report  
 River Valley  
Bancorp  
and Subsidiary



Expect a  
Difference!

## To Our Shareholders, Customers, and Friends:

It is my pleasure to present to you River Valley Bancorp's eleventh Annual Report to Shareholders covering the year ending December 31, 2006.

As you can see from the format of this year's report, we have shed the typical bound annual report format for one that takes on a new look. As we do our best to be good stewards of the resources entrusted to us, it means adapting and applying reason to form and focus. The purpose does not change, just the presentation.

It is not by coincidence that our report demonstrates an adaptation of the traditional. The message found inside this report mirrors a similar adaptation to the expected. Fiscal 2006 illustrates the effects of a national interest rate environment that continues to limit margins and the upside potential on interest income. Net interest income continues to be the largest and most dominant component of community banking's income statement. And while the national interest rate environment may limit net interest income, it does not have to necessarily control net income. A flat or negative interest rate curve limits certain results, but it also presents opportunities for adaptation that transcends mere numbers.

Most bankers would not have necessarily chosen our current national interest rate environment, nor expected it to have lasted this long, but because it has, it has yielded numerous benefits to consumer and commercial customers alike. It has provided prolonged expansion in our economy, and arguably set aside other potentially more harmful effects. More important to this discussion, it caused us as an organization to focus on the things that we could affect, as opposed to fretting about those things that we cannot. To that end, fiscal 2006 was a year where results were driven by adapting to the controllable, as opposed to "wringing our hands and bemoaning facts".

Fiscal 2006 was an exciting year. While not historical in most senses of the word, it was invigorating to think that the performance experienced in the fourth quarter of 2006, may be more representative of performance in periods to come. For the year, net income was only modestly lower than a year earlier, however, the fourth quarter results were substantially higher for the like period in 2005. In the fourth quarter of 2006, net income increased approximately 55%. It was our ability to adapt to investment opportunities, to avail ourselves to growth in the loan portfolio, and to old fashioned expense management that yielded significant improvements. As will be attested in the following pages, your Corporation continues to be vibrant. Whether it is in conjunction with or sometimes in spite of the national economic picture, your Corporation is willing to respond to opportunities, rather than be determined by them.

Operationally in 2006, the Corporation continued to experience good balance sheet growth. For the tenth year in a row, assets have increased period to period; this year to \$342.2 million, an increase of 4.1% for the year from the \$328.7 million reported a year earlier. Deposits increased by \$13.5 million or 6.5% for the year to \$220.2 million from the \$206.7 million reported as of December 31, 2005. Outstanding loans, including loans held for sale, increased by \$13.0 million to \$241.9 million as of December 31, 2006. Net income for 2006 was \$1,945,000, a decrease of \$141,000 from the \$2,086,000 recorded as of year-end 2005. As reported, net income for the quarter ended December 31, 2006 was \$566,000, a substantial improvement over a year earlier, and the best financial performance of any quarter in 2006.

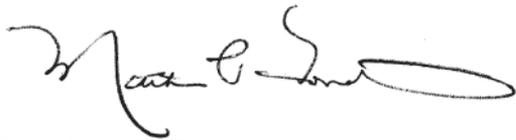
The quality of our assets is strong. The Corporation experienced its best year end for delinquencies. As of December 31, 2006, total delinquency, as defined as 30 days or more, was just 0.77% of outstanding

loans. This percentage was 1.47% as of December 31, 2005, and was 1.99% for the same period in 2004. This historical low was accomplished with only modestly higher loan losses during the year. Loan charge-offs for 2006 were approximately \$408,000, or 0.17% of average loans. That same calculation was 0.14% in 2005. The Corporation's allowance for loan losses as of December 31, 2006 stood at \$2,176,000 or 0.89% of total loans.

While the environment for community banking remains challenging, we find it hopeful. It is in years like 2006 that the true intrinsic value of the organization shines. While, the Company was not hitting historic highs in net income, it was accomplishing something much more important ... securing shareholder value for the future. We are grateful for the results witnessed in this past year, and anxious that those efforts are translated into shareholder rewards in 2007 and beyond.

For your participation, we are extremely grateful.

Respectfully Submitted,



Matthew P. Forrester  
President, CEO



## Consolidated Balance Sheet

As of Year Ended December 31, 2006

### Assets

Total cash and cash equivalents .....	\$ 6,837,853
Interest-bearing time deposits .....	4,970,359
Total investment securities .....	65,149,984
Loans, net of allowances for loan losses.....	241,886,841
Mortgage loans held for sale.....	-
Premises and equipment .....	7,812,576
Federal Home Loan Bank, at cost.....	4,400,000
Interest Receivables .....	2,334,124
Cash Value of Life Insurance .....	7,221,942
Other assets .....	1,635,329
<b>Total Assets .....</b>	<b><u>\$342,249,008</u></b>

### Liabilities

Total Deposits .....	\$220,238,499
Borrowings.....	95,217,000
Other liabilities.....	2,646,230
<b>Total Liabilities.....</b>	<b><u>\$318,101,729</u></b>

### Stockholders' Equity

Common Stock, no par value.....	\$ 9,129,467
Retained Earnings .....	15,346,162
Accumulated other comprehensive loss.....	(328,350)
<b>Total Stockholders' Equity .....</b>	<b><u>\$ 24,147,279</u></b>

<b>Total liabilities and stockholders' equity .....</b>	<b><u>\$342,249,008</u></b>
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### Other Data

Interest rate spread .....	2.53%
Net yield on interest earning assets.....	2.55%
Average yield on all interest-earning assets .....	6.14%
Return on assets .....	0.59%
(net income divided by average total assets)	
Return on equity .....	8.27%
(net income divided by average total equity)	
Equity to assets ratio .....	7.09%
(average total equity divided by average total assets)	
Dividend payout ratio .....	66.53%
(dividends per common share divided by net income per common share)	
Number of full service banking offices.....	7

## Consolidated Statement of Income

As of Year Ended December 31, 2006

### Interest Income

Loans.....	\$15,865,035
Investment securities.....	2,560,758
Interest earning deposits and other .....	484,030
	<u>18,909,823</u>

### Interest Expense

Deposits.....	6,963,442
Borrowings.....	4,089,313
	<u>11,052,755</u>

<b>Net Interest Income.....</b>	<b>7,857,068</b>
Provision for Loan Losses .....	264,000
<b>Net Income after Provision for Loan Losses.....</b>	<b><u>7,593,068</u></b>

### Other Income

Service fees and other charges .....	2,021,271
Net realized loss on sale of securities .....	(58,476)
Net gain on sale of loans.....	106,945
Increase in cash value of life insurance .....	198,652
Other income.....	179,653
	<u>2,448,045</u>

### Other Expenses

Salaries and Employee Benefits.....	3,962,745
Net occupancy and equipment expense .....	1,151,059
Data processing fees .....	91,157
Advertising expense.....	259,707
Mortgage servicing rights .....	372,793
Office Supplies.....	171,372
Professional .....	220,728
Other expenses .....	1,025,856
	<u>7,255,417</u>

<b>Income before income tax .....</b>	<b>2,785,696</b>
Income tax expense.....	840,668
<b>Net Income .....</b>	<b><u>\$ 1,945,028</u></b>

<b>Basic earnings per share.....</b>	<b>\$1.21</b>
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<b>Diluted earnings per share .....</b>	<b>\$1.18</b>
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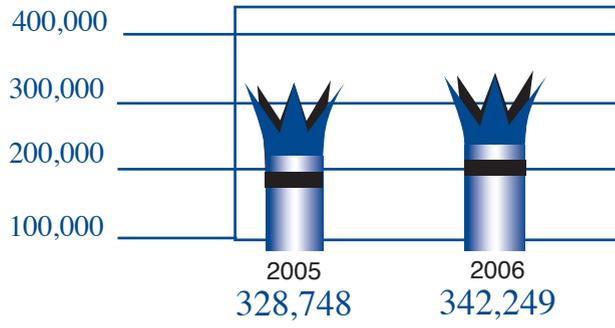
<b>Weighted Average Shares</b>	
<b>Outstanding - Basic.....</b>	<b>1,607,319</b>

<b>Weighted Average Shares</b>	
<b>Outstanding - Diluted .....</b>	<b>1,646,176</b>

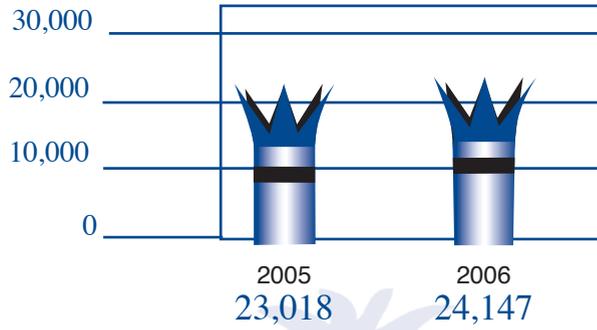


Dollars Expressed In Thousands

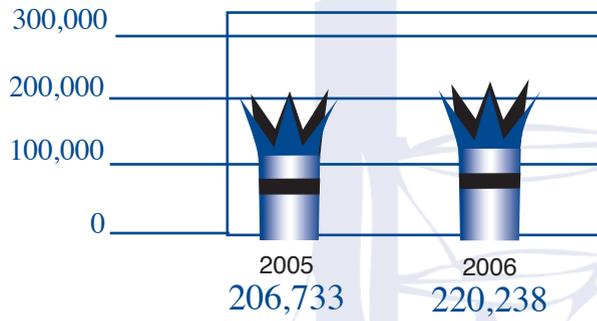
Assets



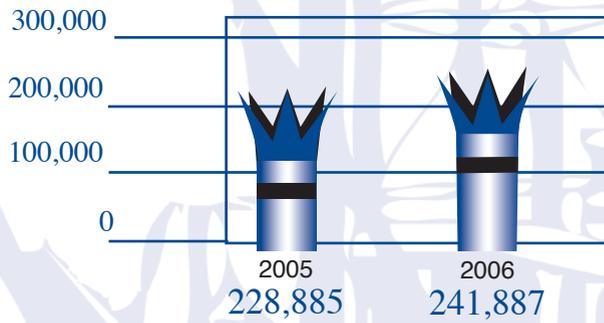
Stockholders' Equity



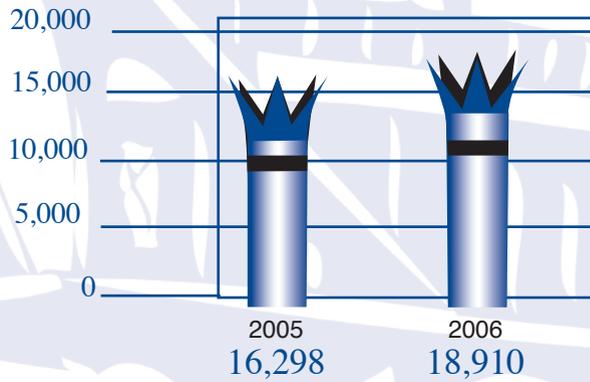
Deposits



Loans



Interest Income



The commitment of River Valley Financial Bank goes far beyond providing you great service. It extends into each area we serve by taking an active role in local community events.

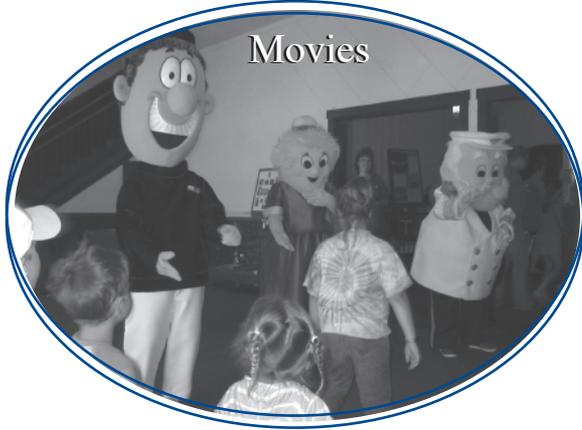
Charlestown  
Founder's Day



Regatta Parade



Movies



Fraud Prevention  
Seminar



Ribberfest



Southern Indiana  
Business Expo



Reality Day



Bed Race



# General Information for Shareholders

## Transfer Agent and Registrar:

### Registrar and Transfer Company

10 Commerce Drive  
Cranford, NJ 07016-3572  
Tel: 1-800-368-5948  
www.rtco.com

## Corporate Counsel:

Lonnie D. Collins, Attorney  
307 Jefferson Street  
Madison, Indiana 47250  
Tel: (812)265-3616 Fax: (812)273-3143

## Shareholder and General Inquiries:

### River Valley Bancorp

Attn: Matthew P. Forrester  
430 Clifty Drive, P.O. Box 1590  
Madison, Indiana 47250  
Tel: (812)273-4949 Fax: (812)273-4944

## Special Counsel:

Barnes & Thornburg  
11 S. Meridian Street  
Indianapolis, Indiana 46204  
Tel: (317)236-1313 Fax: (317)231-7433

## Annual and Other Reports:

Additional copies of this Annual Report to Shareholders and copies of the most recent Form 10 K may be obtained without charge by contacting the Corporation.

## Offices of River Valley Financial Bank:

Hilltop:	430 Clifty Drive
Downtown:	233 East Main Street
Drive thru:	401 East Main Street
Wal-Mart:	567 Ivy Tech Drive
Sellersburg:	8005 Hwy 311
Hanover:	10 Medical Plaza
Charlestown:	1025 Hwy 62
Carrollton, KY:	1501 Highland Ave.

## Internet and E-MAIL Address: [rvfbank.com](http://rvfbank.com)

## Annual Meeting:

The Annual Meeting of Shareholders of River Valley Bancorp will be held on Wednesday, April 18, 2007, at 3:00 PM, at 430 Clifty Drive, Madison, IN 47250.

Bank

## Directors of the Company and the Bank

Fred W. Koehler  
*Chairman*

Matthew P. Forrester  
*Director & President*

Lonnie D. Collins  
*Board Secretary*

Robert W. Anger  
*Director*

Michael J. Hensley  
*Director*

L. Sue Livers  
*Director*

Charles J. McKay  
*Director*

## Executive Officers of River Valley Financial Bank

Matthew P. Forrester  
*President, CEO*

Barbara J. Eades  
*Vice President of Retail  
Banking*

Loy M. Skirvin  
*Vice President of  
Human Resources*

Anthony D. Brandon  
*Executive Vice President*

Larry C. Fouse  
*Vice President of Finance*

Vickie Grimes  
*Vice President  
Controller*

Mark A. Goley  
*Vice President of Lending*

Deanna J. Liter  
*Vice President of Data  
Services*

William H. Hensler  
*Vice President of  
Wealth Management*

Gregory T. Siegrist  
*Vice President  
Business Development*

John Muessel  
*Vice President  
Trust Officer*

## Officers and Managers of River Valley Financial Bank

### Loan Officers

Sherry Furnish  
Kim Morgan  
Rick T. Nelson  
Robert J. Schoenstein—*AVP*  
Jonathon Streander  
Andrew Ward

### Customer Service Managers

Stephanie Cross  
Veronica Kidwell  
Monica Middleton  
Melissa Shelton  
Sandy Stilwell  
Jeremy Zipp

### Other Managers

Crystal Barnes—*Compliance Manager*  
Rebecca Cole—*Collection Officer*  
Laura Denning—*Loan Processing Manager*  
Roger Ellis—*Credit Analyst*  
Debbie Finnegan—*Internal Auditor*  
Mary Ellen McClelland—*Administrative Assistant*  
Luann Nay—*Loan Administrator*  
Teresa Smith—*Data Processing Manager*  
Linda Stark—*Trust Administration*  
Mary Ellen Wehner — *Commercial Loan  
Operations Manager*

River Valley  
Financial  
Bank

# *Hometown Commitment, Community Pride*

## **Madison Downtown Offices:**

233 East Main Street  
401 East Main Street  
Madison, IN

## **Madison Hilltop Offices**

430 Clifty Drive  
Wal-Mart Supercenter  
Madison, IN

## **Sellersburg Office**

8005 Highway 311  
Sellersburg, IN

## **Hanover Office**

10 Medical Plaza Drive  
Hanover, IN

## **Charlestown Office**

1025 State Road 62  
Charlestown, IN

## **Carrollton, KY Office**

1501 Highland Ave.  
Carrollton, KY



Bank

River  
Valley  
Financial



Member  
FDIC



Bank

[www.rvfbank.com](http://www.rvfbank.com)