

# STRENGTH

based on **Core Values**



Summary Annual Report

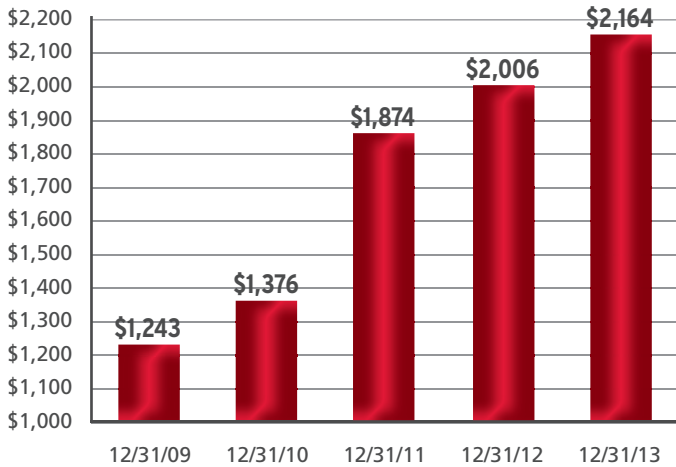
2013



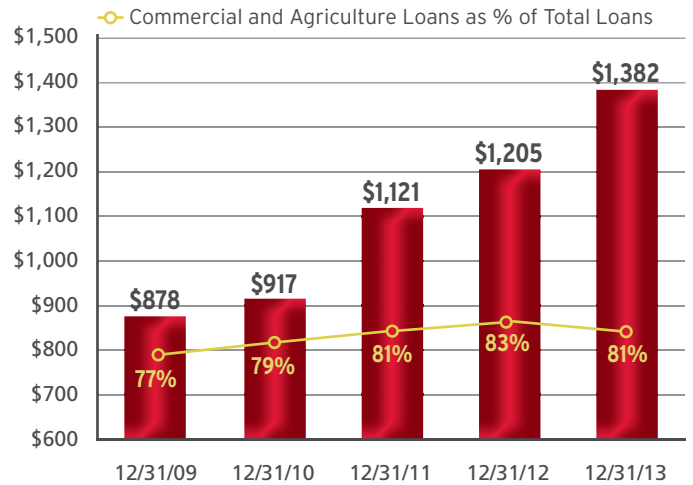
German American Bancorp, Inc.

# THE Numbers

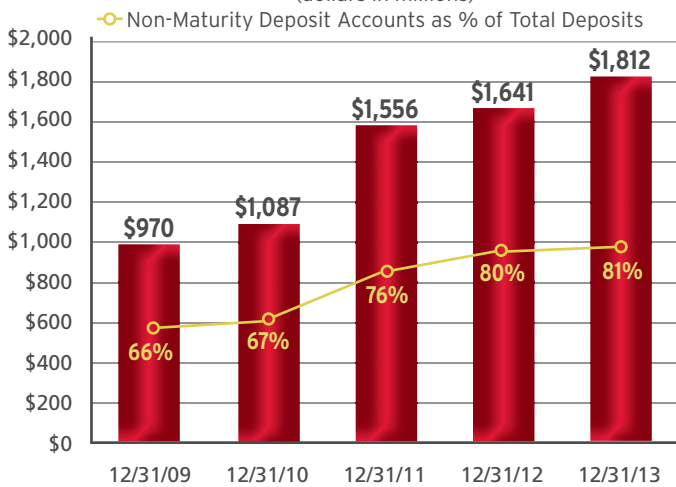
**Total Assets**  
(dollars in millions)



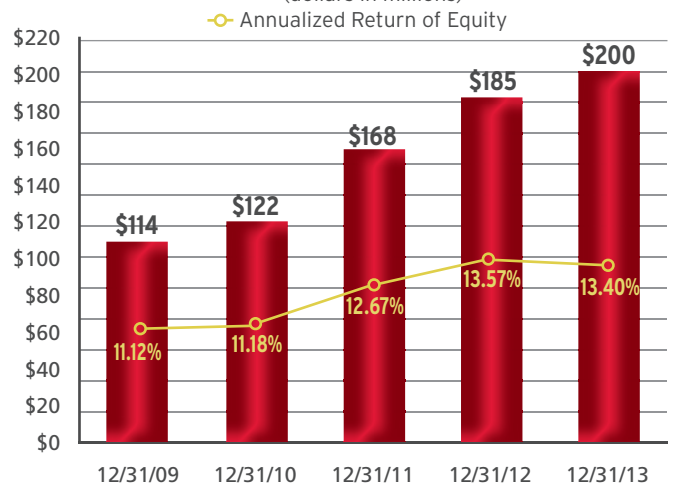
**Total Loans, Net of Unearned Income**  
(dollars in millions)



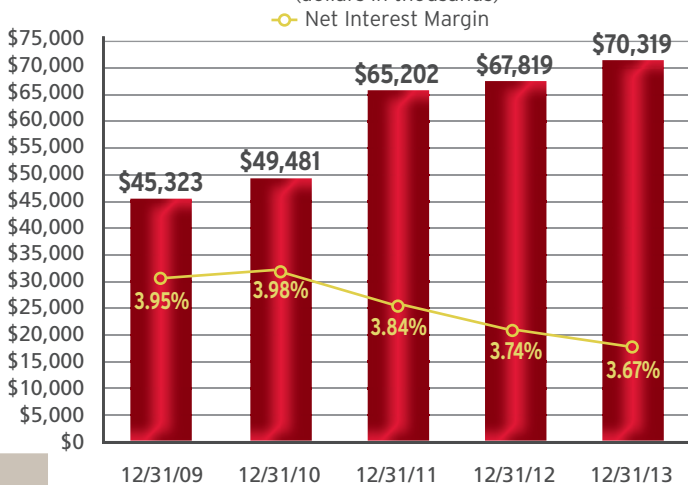
**Total Deposits**  
(dollars in millions)



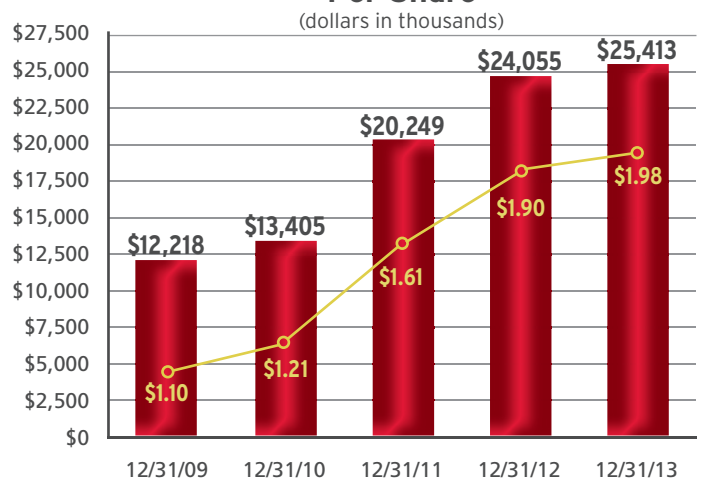
**Total Shareholders' Equity**  
(dollars in millions)



**Net Interest Income (Tax-Equivalent)**  
(dollars in thousands)



**Net Income & Diluted Earnings Per Share**  
(dollars in thousands)



# A LETTER TO OUR Shareholders

Dear Shareholders:

Each year we choose a theme and design for our Summary Annual Report that we believe best describes the year's performance. **Strength based on Core Values** captures the essence of your Company's performance in 2013 and for the past decade. On the cover is the work of a craftsman stonecutter carving the German American shield. Much like the steady hand of the stonecutter working carefully and methodically to turn a block of limestone into a work of art, the German American team has worked carefully and methodically over the course of the past decade to stay true to our Core Values of following a safe, sound, and secure approach to doing business. By doing so, we have crafted German American into one of the best performing community banking institutions in the nation. Over the course of the past several years, German American has received numerous industry recognitions for consistently having posted top 10% performance among the nation's publicly traded community banks. Within the past year, your Company was recognized by two separate banking research groups as being among the top 10 publicly-traded financial institutions in the United States within this top 10% of community banks.

Once again in 2013, your Company achieved record earnings, with annual net income of \$25.4 million, or \$1.98 per fully-diluted share, for the year ended on December 31, 2013. This level of record performance was approximately a 4% increase, on a per share basis, over the prior year's 2012 record performance of \$24.1 million, or \$1.90 per share, and represented a 23% increase from the 2011 then record performance of \$20.2 million, or \$1.61 per share. The period of 2008-2013 represents the best 6 years in the Company's 103 year history in terms of reported annual earnings, and our return on average shareholder equity of 13.40% in 2013 represents the 9th consecutive year that German American has delivered double-digit returns on shareholders' equity.

Consistently staying true to our Core Values of a safe, sound, disciplined approach to doing business has been a driving force behind a quite challenging year from an operating perspective. The continued downward pressure on yields on loans and investments, driven by a prolonged period of historically low market interest rates along with a competitive environment for lending opportunities, resulted in continued decline in our net interest margin. In spite of the negative impact of lower margin pressures, German American was able to achieve record performance by benefiting from the efforts put forth in prior years, resulting in an increased level of net interest income, driven by a higher level of earning assets, and more specifically by a significant increase in the Company's loan portfolio. We posted increased levels of non-interest income from our wealth management activities within our investment, trust, and insurance divisions and from higher levels of gains related to the sale of securities. We also benefited from a materially reduced level of provision for loan loss expense in 2013, as our historically strong asset quality showed further continued improvement during the year.

Your Company's business philosophy has clearly delivered rewards for our shareholders. Our fully diluted earnings per share compound annual growth rate of 11.3% for the past 5 years and 10.5% over the past 10 years is indicative of the level of financial performance your Company has enjoyed as a result of adhering to the Core Values upon which German American was founded.

**Mark A. Schroeder**  
Chairman and CEO



We opened our first agricultural lending office in 2013. It is located in the western part of our footprint, which has an extensive agricultural base. Ag lending has always been one of our key industry segments and this Ag Services Office is indicative of the opportunities we see in the future of agriculture.

In October of 2013, we successfully continued our plan of disciplined growth and completed a merger transaction with United Commerce Bancorp of Bloomington, Indiana. This merger positions German American very well within the Bloomington market through the combined strength of German American's and United Commerce's existing exceptional teams of local financial professionals and solid base of deposit and loan clients. We are pleased to welcome United Commerce's customers, employees, and shareholders to German American.

We continued our planned expansion in the Columbus, Indiana market in December of 2013. Building upon our initial commercial banking presence in this market since 2012, we opened a new state-of-the-art financial center. This striking facility in the heart of the Columbus business district is part of an ongoing business plan to increase our visibility and client base in this dynamic market area and enables us to build our product and service offerings to include retail banking, insurance, investments, and trust for our growing base of clients.

We also wish to thank Gene Mehne for his 35 years of service to your Company on our Board of Directors. Gene is not eligible for re-election at this year's annual meeting because our bylaws impose an age limit on our eligible nominees. Gene's insights into our heritage banking markets in and around Dubois County, and in particular into the needs of our agribusiness customers, will be missed, and we wish him the very best.

Joining the German American Board in February of this year, Ray Snowden, Chairperson & CEO of Memorial Hospital & Health Care Center, brings to the board a perspective on health care, which is an important industry to our Company and to the communities we serve. We welcome Ray to the corporate board and look forward to his advice and counsel and to his contribution to our combined efforts toward our future success.

**Strength based on Core Values** - This time-tested approach and philosophy of doing business allows us to look to the future of German American, confident in our ability to build upon our past success, while honoring our pledge to always be committed to our clients, the communities we serve, and to you, our shareholders, without whom, the success we've enjoyed would not have been possible.

Sincerely,

Mark A. Schroeder  
Chairman & CEO



## OUR EXECUTIVE Management Team



**Mark A. Schroeder**  
Chairman and  
Chief Executive Officer

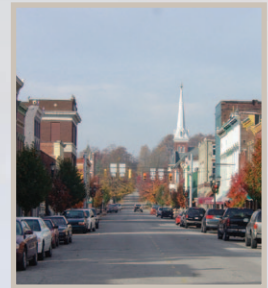
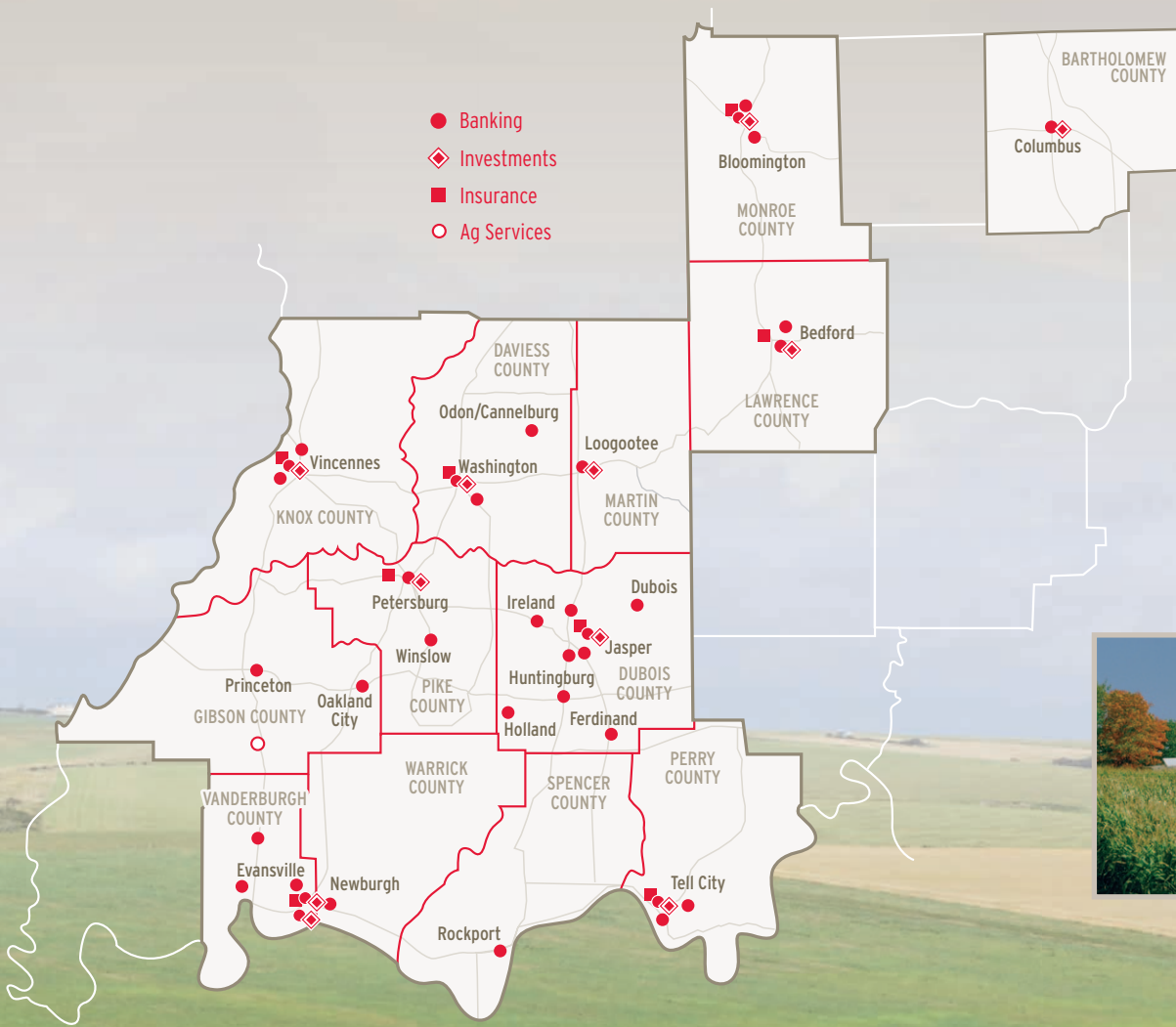
**Clay W. Ewing**  
President

**Randall L. Braun**  
Senior Vice President,  
Retail Banking

**Bradley M. Rust**  
Executive Vice President,  
and Chief Financial Officer

**Keith A. Leinenbach**  
Senior Vice President,  
and Chief Credit Officer

# Our sole purpose is to serve **Southern Indiana**



## Our **Mission**

We build relationships mutually beneficial to our clients and our shareholders.

- We create custom financial solutions that help businesses and retail customers reach their financial goals.
- We develop lifelong relationships that are based on mutual respect and supported by the strength and community ties of German American.
- We support our customers and shareholders on their quest to greater prosperity and quality of life.

## Our **Vision**

German American Bancorp, Inc. will build a regional presence offering a full array of integrated financial products and services. We will always be mindful of our community banking roots and the importance of enhancing and growing the relationships we have with our shareholders, customers, employees and communities.

We are deeply rooted and engaged within the communities we serve. The German American professionals build strong relationships that are based on a winning combination of discipline and conservative management with a keen eye for arising opportunities.



## Core Values standing the test of time

Since 1910 the people of southern Indiana have trusted German American to help purchase homes, protect, save and manage their money, grow businesses and farm operations, and pass wealth from one generation to the next. Throughout our 103 years of operation, we have grown to offering insurance services to protect assets for individuals and businesses and investment services to help clients send children to college, achieve financial goals, and retire comfortably. We have adapted to offering personal and business clients the latest technology including online and mobile banking and bill pay, account alerts, and text banking. Our office locations have grown from one office in Jasper, Indiana, a community rich in German American heritage

located in the heart of southwestern Indiana, to 37 offices throughout southern Indiana.

### Joe Dedman

"During my career with German American, I have had the opportunity to work in various business lines and markets. One trait I value most with this company is the consistency of understanding that we are in the people business. We are relationship oriented and define success when we work with our customers to find the right financial products and services that fit their needs."

What has remained from the beginning is the underlying understanding that we are in a people business. We are people helping people in the communities we serve to financially grow, prosper and thrive. We are a team of financial professionals who are available when our clients have questions. No matter what latest technology is offered to our clients, it is all backed by customer service excellence from our people. Clients

can pick up a phone, send us an e-mail or visit our offices and they speak directly to a German American team member.

We believe in a safe, sound and secure approach to running our financial services company and spread this philosophy to our clients. Financial opportunities abound around each of us. We work with our clients to analyze opportunities to understand which ones are the best for each particular situation. Our clients are much more than an account with us. They are the lifeblood of our company, and we work hard to develop relationships to completely understand our clients' needs and help them make the next best financial decision.

Communities rely on businesses to help support quality of life for the individuals and families who reside in them. German American not only employs local people from throughout southern Indiana, we also give generously to community activities and civic and charitable organizations. Our team devotes many hours to community volunteer projects and events. Our strong belief in creating physically, emotionally and financially healthy communities is a driving force at German American.

- Discipline.**
- Conservative.**
- People.**
- Relationships.**
- Community.**
- Opportunities.**
- Professional.**
- Hardworking.**
- Customer Service Excellence.**

**Strength based on Core Values** helps us set higher standards in banking, insurance, investments and trust.

### Jeremy Foster

"The German American brand signifies financial strength and stability. This company understands and appreciates the people and businesses who have been the backbone of its success. Even as we grow and expand the German American brand into new markets like Columbus, we are firmly grounded in the company's vision of being a source of strength for businesses, individuals, families and organizations in southern Indiana."

### John Lamb

"A company that is financially strong and deeply committed to lasting core values enables its employees to serve their customers with confidence. Our company understands and is committed to every community it serves and invests whole heartedly into the community both from a contributory standpoint and a dedication to hands-on volunteer efforts."





### Rhonda Hopf

"In my career with German American, I have valued the company's vision for conservative growth grounded on our core principals. Hard work and discipline are traits our customers have respected in us since our founding days in 1910. We appreciate that respect and do not take it for granted."

### Mason Seay

"German American has a rich history of serving the Agriculture community in southern Indiana. With the opening of our Ag Services Office in Ft. Branch, we have strengthened our commitment to this important industry and to the future of farming in our area. Farmers appreciate genuine service from hardworking people who are truly interested in the success of their operation. At German American, we strive to mirror these traits as we serve the financial needs of the farming community."

6th office in Evansville area opens on Hebron Avenue



Sandler O'Neil Small-Cap Bank All Star

Upgraded to the most sophisticated Business Online Banking System available



New state-of-the-art office opens in Columbus



Double-Digit Return on Equity for the Past 9 Consecutive Fiscal Years (13%+ in 2013)



MERION Capital Group - Most Successful Publicly-Traded Banks (#1 in the Midwest and #11 in the US)

Ag Services office opened in Fort Branch



3rd office in Bloomington with the joining of the United Commerce Bank team



2013 Record Earnings Performance

Highest Performing (Return on Equity) among Indiana-domiciled Publicly-Traded Financial Institutions

**Gene Thewes**

"Looking for opportunities to improve processes within our company has always been a mindset at German American. When employees come together as a team to discuss improved efficiencies, top of mind is always staying true to customer service excellence. This company firmly believes our people and our commitment to serving customers better than any other financial institution sets higher standards in banking, insurance, investments and trust."

**Joel Smith**

"The future of financial services is in offering our customers the latest technology to access their accounts with us. Even with technology, German American will remain committed to our core value of customer service excellence provided by our people. A visit to our office, a phone call, or a question submitted through technology will be answered by a live person that lives right here in southern Indiana."



# REPORT OF INDEPENDENT REGISTERED PUBLIC Accounting firm

We have audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) the consolidated balance sheets of German American Bancorp, Inc. as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013, appearing in the Annual Report on Form 10-K, not appearing herein. In our report dated March 13, 2014, also appearing in the Annual Report on Form 10-K, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the consolidated balance sheets and consolidated statements of income presented on pages 10 and 11 is fairly stated, in all material respects, in relation to the consolidated financial statements from which they have been derived.

*Crowe Horwath LLP*  
Crowe Horwath LLP  
Indianapolis, Indiana  
March 13, 2014



# FIVE YEAR Summary

Dollars in thousands, except per share data

The following selected data should be read in conjunction with the Company's Annual Report on Form 10-K for 2013.

	2013	2012	2011	2010	2009
<b>Summary of Operations:</b>					
Interest Income	\$ 75,672	\$ 77,160	\$ 80,161	\$ 64,193	\$ 63,736
Interest Expense	7,155	10,912	16,180	15,522	19,223
Net Interest Income	68,517	66,248	63,981	48,671	44,513
Provision for Loan Losses	350	2,412	6,800	5,225	3,750
Net Interest Income after Provision for Loan Losses	68,167	63,836	57,181	43,446	40,763
Non-interest Income	23,615	21,811	21,576	16,943	15,859
Non-interest Expense	54,905	50,923	50,782	41,361	40,391
Income before Income Taxes	36,877	34,724	27,975	19,028	16,231
Income Tax Expense	11,464	10,669	7,726	5,623	4,013
Net Income	\$ 25,413	\$ 24,055	\$ 20,249	\$ 13,405	\$ 12,218
<b>Year-end Balances:</b>					
Total Assets	\$ 2,163,827	\$ 2,006,300	\$ 1,873,767	\$ 1,375,888	\$ 1,242,965
Total Loans, Net of Unearned Income	1,382,382	1,204,866	1,120,993	917,236	877,822
Total Deposits	1,812,156	1,640,931	1,556,198	1,087,286	969,643
Total Long-term Debt	87,237	89,472	90,974	81,016	113,320
Total Shareholders' Equity	200,097	185,026	167,610	121,534	113,549
<b>Average Balances:</b>					
Total Assets	\$ 2,037,236	\$ 1,934,123	\$ 1,823,703	\$ 1,330,540	\$ 1,230,596
Total Loans, Net of Unearned Income	1,272,055	1,147,891	1,114,181	906,127	891,322
Total Deposits	1,695,796	1,618,712	1,521,204	1,046,295	963,928
Total Shareholders' Equity	189,689	177,207	159,765	119,867	109,887
<b>Per Share Data:</b>					
Net Income <sup>(1)</sup>	\$ 1.98	\$ 1.90	\$ 1.61	\$ 1.21	\$ 1.10
Cash Dividends	0.60	0.56	0.56	0.56	0.56
Book Value at Year-end	15.19	14.64	13.31	10.94	10.25
<b>Other Data at Year-end:</b>					
Number of Shareholders	3,444	3,105	3,221	3,194	3,364
Number of Employees	478	439	417	359	332
Weighted Average Number of Shares <sup>(1)</sup>	12,807,678	12,637,743	12,587,748	11,104,887	11,068,988
<b>Selected Performance Ratios:</b>					
Return on Assets	1.25 %	1.24 %	1.11 %	1.01 %	0.99 %
Return on Equity	13.40 %	13.57 %	12.67 %	11.18 %	11.12 %
Equity to Assets	9.25 %	9.22 %	8.95 %	8.83 %	9.14 %
Dividend Payout	30.18 %	29.38 %	34.80 %	46.36 %	50.71 %
Net Charge-offs to Average Loans	0.10 %	0.19 %	0.43 %	0.32 %	0.25 %
Allowance for Loan Losses to Loans	1.05 %	1.29 %	1.37 %	1.45 %	1.25 %
Net Interest Margin	3.67 %	3.74 %	3.84 %	3.98 %	3.95 %

<sup>(1)</sup> Share and Per Share Data includes the dilutive effect of stock options.

# CONSOLIDATED Balance Sheets

Dollars in thousands, except per share data

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Cash and Due from Banks	\$ 37,370	\$ 41,624
Federal Funds Sold and Other Short-term Investments	22,762	7,463
Cash and Cash Equivalents	60,132	49,087
Interest-bearing Time Deposits with Banks	100	2,707
Securities Available-for-Sale, at Fair Value	606,032	587,602
Securities Held-to-Maturity, at Cost (Fair value of \$271 and \$351 on December 31, 2013 and 2012, respectively)	268	346
Loans Held-for-Sale, at Fair Value	9,265	16,641
Loans	1,385,212	1,207,901
Less: Unearned Income	(2,830)	(3,035)
Allowance for Loan Losses	(14,584)	(15,520)
Loans, Net	1,367,798	1,189,346
Stock in FHLB of Indianapolis and Other Restricted Stock, at Cost	9,004	8,340
Premises, Furniture and Equipment, Net	40,430	36,554
Other Real Estate	1,029	1,645
Goodwill	20,536	18,865
Intangible Assets	3,328	2,692
Company Owned Life Insurance	31,178	30,223
Accrued Interest Receivable and Other Assets	14,727	62,252
TOTAL ASSETS	<u>\$ 2,163,827</u>	<u>\$ 2,006,300</u>
<b>Liabilities</b>		
Non-interest-bearing Demand Deposits	\$ 400,024	\$ 349,174
Interest-bearing Demand, Savings, and Money Market Accounts	1,063,098	962,574
Time Deposits	349,034	329,183
Total Deposits	1,812,156	1,640,931
FHLB Advances and Other Borrowings	140,770	161,006
Accrued Interest Payable and Other Liabilities	10,804	19,337
TOTAL LIABILITIES	1,963,730	1,821,274
<b>Shareholders' Equity</b>		
Preferred Stock, no par value; 500,000 shares authorized, no shares issued	-	-
Common Stock, no par value, \$1 stated value; 30,000,000 shares authorized	13,174	12,637
Additional Paid-in Capital	108,022	95,617
Retained Earnings	84,164	66,421
Accumulated Other Comprehensive Income (Loss)	(5,263)	10,351
TOTAL SHAREHOLDERS' EQUITY	200,097	185,026
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 2,163,827</u>	<u>\$ 2,006,300</u>
End of period shares issued and outstanding	<u>13,173,793</u>	<u>12,636,656</u>

See Annual Report on Form 10-K.

# CONSOLIDATED Statements of Income

Dollars in thousands, except per share data

	Years Ended December 31,		
	2013	2012	2011
<b>Interest Income</b>			
Interest and Fees on Loans	\$ 61,632	\$ 61,691	\$ 64,445
Interest on Federal Funds Sold and Other Short-term Investments	30	91	216
Interest and Dividends on Securities:			
Taxable	11,091	12,946	13,677
Non-taxable	2,919	2,432	1,823
TOTAL INTEREST INCOME	75,672	77,160	80,161
<b>Interest Expense</b>			
Interest on Deposits	4,697	6,958	11,986
Interest on FHLB Advances and Other Borrowings	2,458	3,954	4,194
TOTAL INTEREST EXPENSE	7,155	10,912	16,180
NET INTEREST INCOME	68,517	66,248	63,981
Provision for Loan Losses	350	2,412	6,800
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	68,167	63,836	57,181
<b>Non-Interest Income</b>			
Trust and Investment Product Fees	3,358	2,657	2,145
Service Charges on Deposit Accounts	4,144	4,076	4,154
Insurance Revenues	6,217	5,524	5,819
Company Owned Life Insurance	965	974	1,100
Interchange Fee Income	1,854	1,724	1,501
Other Operating Income	2,003	1,955	1,452
Net Gains on Sales of Loans	2,645	3,234	2,381
Net Gain on Securities	2,429	1,667	3,024
TOTAL NON-INTEREST INCOME	23,615	21,811	21,576
<b>Non-Interest Expense</b>			
Salaries and Employee Benefits	31,482	29,086	27,992
Occupancy Expense	4,545	4,277	4,264
Furniture and Equipment Expense	3,196	2,787	2,934
FDIC Premiums	1,050	1,116	1,473
Data Processing Fees	1,765	1,071	2,092
Professional Fees	2,577	2,247	2,056
Advertising and Promotion	1,863	1,714	1,525
Intangible Amortization	1,416	1,655	1,956
Other Operating Expenses	7,011	6,970	6,490
TOTAL NON-INTEREST EXPENSE	54,905	50,923	50,782
Income before Income Taxes	36,877	34,724	27,975
Income Tax Expense	11,464	10,669	7,726
<b>Net Income</b>	\$ 25,413	\$ 24,055	\$ 20,249
Basic Earnings per Share	\$ 1.99	\$ 1.91	\$ 1.61
Diluted Earnings per Share	\$ 1.98	\$ 1.90	\$ 1.61

See Annual Report on Form 10-K.

# BOARD OF Directors



Chris A. Ramsey

M. Darren Root

Michael J. Voyles

Mark A. Schroeder

J. David Lett

Ray W. Snowden

Thomas W. Seger

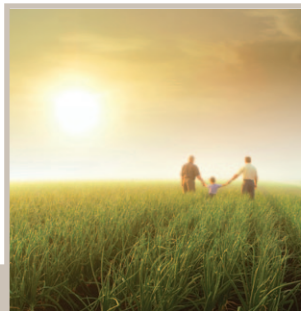
Douglas A. Bawel

U. Butch Klem

Christina M. Ernst

Gene C. Mehne

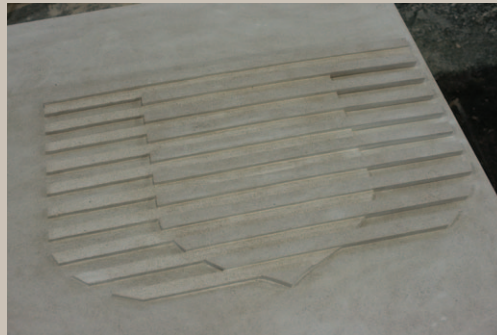
Marc D. Fine



## CAUTIONARY NOTE REGARDING Forward-Looking Statements

This Summary Annual Report, including our CEO's letter to our Shareholders on Page 1, includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, relating to our expectations concerning our opportunities for future growth and expansion, and other matters. Readers are cautioned that actual results and performance may differ materially from any of our present expectations that are expressed or implied by any forward-looking statement due to the inherent uncertainties in predicting the future, and risks affecting German American and its stock, including those that are described in Item 1, "Business - Forward Looking Statements and Associated Risks" and in Item 1A, "Risk Factors," in our accompanying Annual Report on Form 10-K. You may review that document (and our other SEC filings) via the internet through the Investor Relations section of our website, [www.germanamerican.com](http://www.germanamerican.com). This report speaks only as of March 13, 2014, and we do not promise anyone that it will be updated for changes or events after that date.





**German American Bancorp, Inc.**