

**2016**  
Summary Annual Report



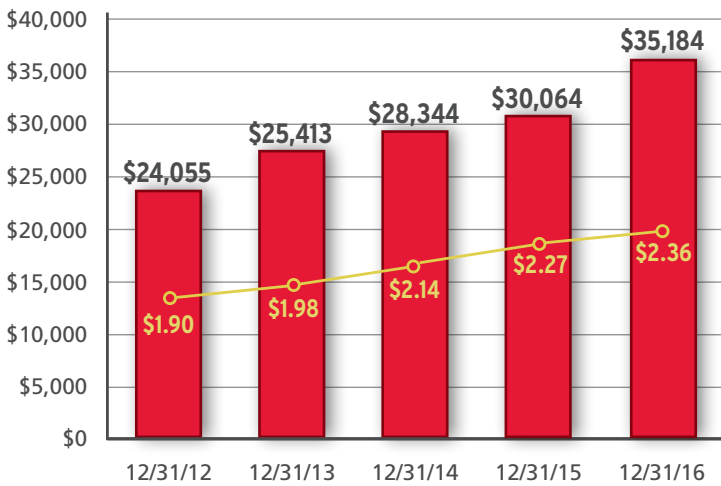
German American Bancorp, Inc.

**DRIVEN**  
by our  
**FUTURE**

# The Numbers

## Net Income & Diluted Earnings Per Share

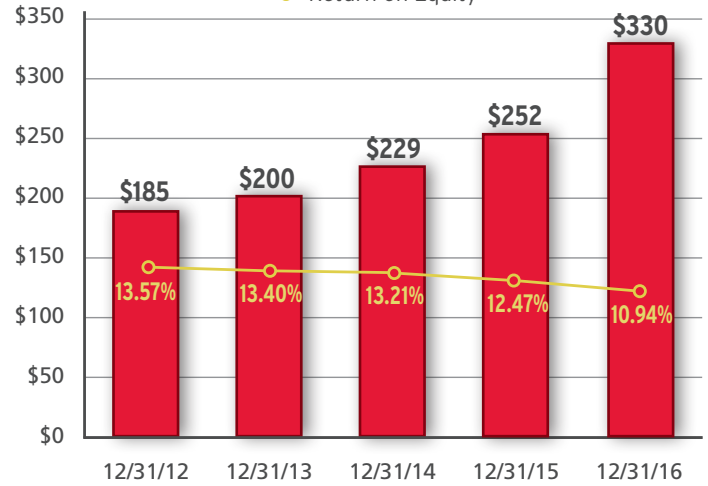
(dollars in thousands, except per share amounts)



## Total Shareholders' Equity

(dollars in millions)

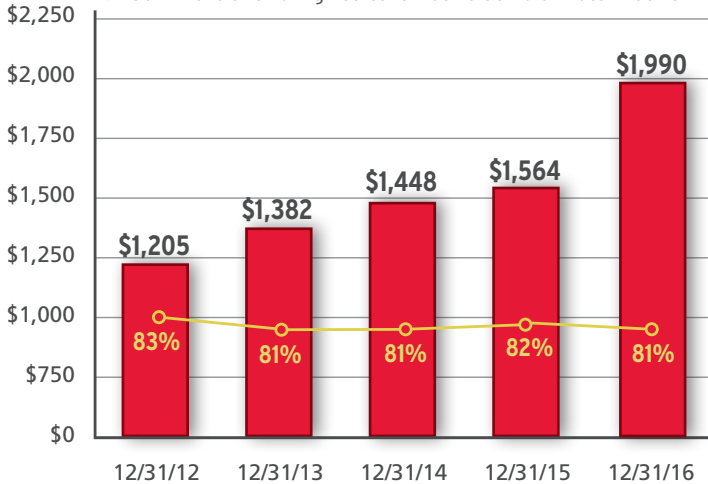
Return on Equity



## Total Loans, Net of Unearned Income

(dollars in millions)

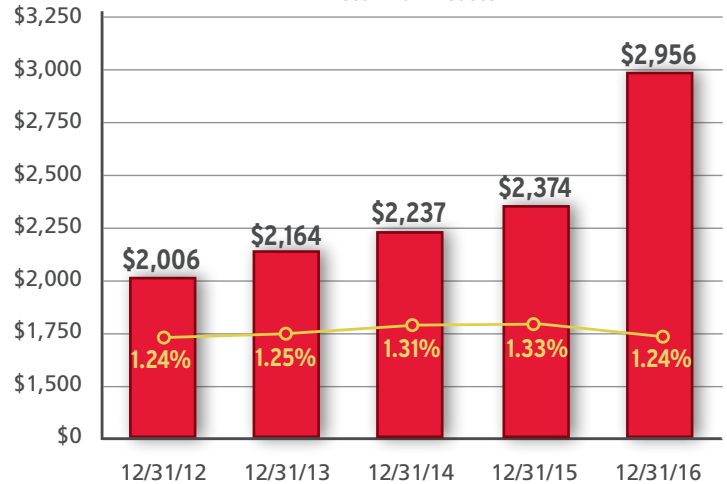
Commercial and Agriculture Loans as % of Total Loans



## Total Assets

(dollars in millions)

Return on Assets



# Driven By Results

## Letter from Mark A. Schroeder Chairman and CEO



Dear Shareholders:

2016 represented another year of record performance for German American. For the 7th consecutive year, your Company posted record earnings, reporting annual net income of \$35.2 million, or \$2.36 per share. These 2016 reported earnings were an approximately 4% improvement, on a per share basis, over the prior year record earnings of \$30.1 million, or \$2.27 per share. The 2016 financial performance also resulted in the achievement of the 12th consecutive year in which we have delivered a double-digit return on shareholders' equity.

Perhaps most impressive was the ability to post this record level of financial performance in 2016 in the face of current year reported earnings being impacted by merger expenses associated with the River Valley Bancorp merger transaction completed during the first quarter of 2016. These merger related expenses, which totaled approximately \$4.3 million, or \$2.7 million after tax, impacted reported earnings per share by approximately \$0.18 per share, the level of reported return on shareholders' equity by approximately .85%, and the level of reported return on average assets by .10%.

While the merger costs associated with the River Valley Bancorp transaction did impact 2016 earnings, the completion of this merger transaction represented a significant strategic opportunity for German American, which we believe will positively impact your Company's operating earnings going forward. The inclusion of the River Valley franchise along the I-65 corridor between Columbus and New Albany, Indiana, affords us significant opportunity for future organic balance sheet and earnings growth.

The acquisition of River Valley expanded German American's footprint into the greater Madison, Indiana market, which is very similar to our other heritage markets in Southern Indiana, and gave us a strong presence with five banking offices in the vibrant and rapidly growing market area of the Indiana side of the Louisville, Kentucky MSA, a market in which we previously operated a commercial loan production office. Additionally, River Valley had banking offices in the Seymour and North Vernon, Indiana markets, which complimented German American's growing franchise in the adjacent Columbus, Indiana market. This opportunity to enhance our existing presence in two of German American's newest markets, as well as allowing for a new market presence in Madison, Indiana, made this merger a perfect fit for your Company.

The strength of your Company's financial performance, in terms of not only 7 consecutive years of record earnings and 12 years of double-digit returns on shareholders' equity, but also a consistent pattern of strong loan growth coupled with excellent credit quality and exceptional expense management, has resulted in German American receiving numerous recognitions as one of the best community banking organizations in the country.

While we are honored and humbled to receive this recognition, the theme of this year's Summary Annual Report, **Driven By Our Future**, encapsulates our focus and mindset of continuous improvement and disciplined growth.

In executing our vision for the future, we will continue to reinvest in your Company, building the capacity to support strong, long-term profitable customer relationships. While we recognize that we are in a people-centric business and that relationships are the key to developing long-term value, both for our clients and our shareholders, going forward it will take a combination of ever-changing, technology-based delivery channels and our traditional people-based approach to meet the expectations of our clients as to what defines customer service excellence in the future. To maintain our position as one of the nation's leading community banking organizations, it is imperative that we continuously reinvest in our people and in our technology infrastructure.

Disciplined growth has been one of the key factors in our past success. Therefore, we must also stay focused on the growth of your Company in the coming years. Within our existing markets, we will continue to drive organic growth through market share expansion, while also driving disciplined, strategic growth by expanding our footprint into adjacent new territories that offer dynamic, economically vibrant marketplaces. In both our existing and expansion markets, we will continue to bring together strong teams of local financial professionals with a like-minded community-based culture and a proven history of building relationships through customer service excellence.

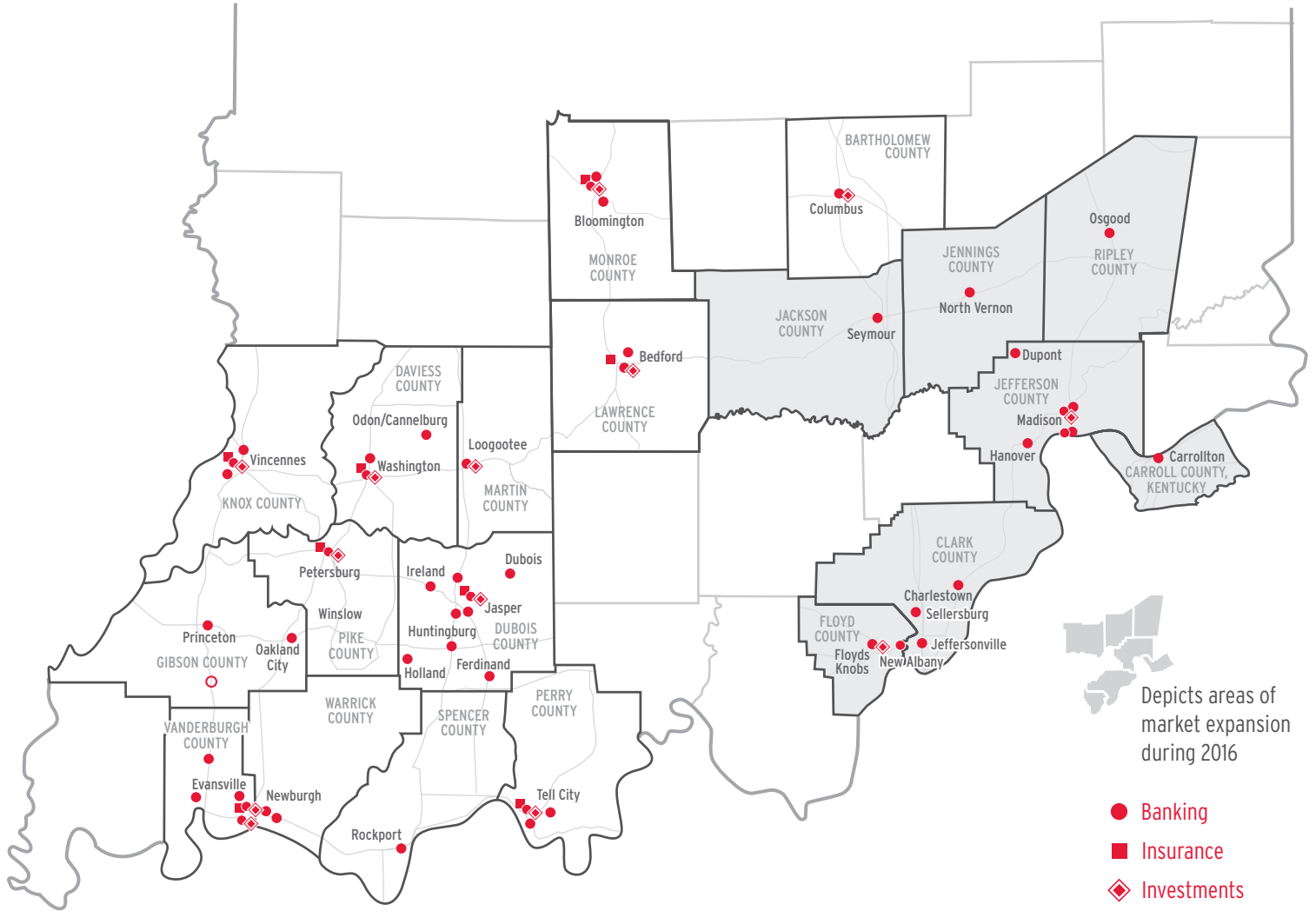
At German American, resting on past successes is not an option. Through a combination of continuous reinvestment in our people and new technology and organic and disciplined strategic growth, we will strive to build upon our past successes in creating long-term shareholder value through continued exceptional financial performance. As shareholders, you can be assured that all of us who work for you - directors, officers and staff - are committed to enhancing the value of your investment in German American, and we are all **Driven By Our Future!**

Sincerely,

A handwritten signature in black ink that reads "Mark A. Schroeder". The signature is written in a cursive, flowing style.

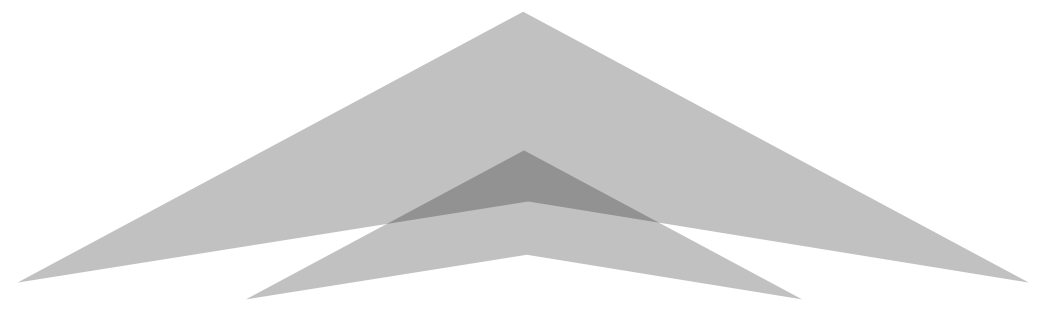
Mark A. Schroeder  
Chairman & CEO

# Driven By Our Clients



Depicts areas of market expansion during 2016

- Banking
- Insurance
- ◆ Investments
- Ag Services





## Our Mission

German American is dedicated to helping individuals, families and businesses achieve greater prosperity and quality of life. Together, our financial team builds lasting client relationships based on integrity, responsive service, innovation, and shared value. We support the communities we serve and believe that when a community thrives, its people prosper.

## Our Values

### Integrity

Our reputation relies on integrity. We value honesty, open communication, diverse perspectives, and high ethical principals.

### People

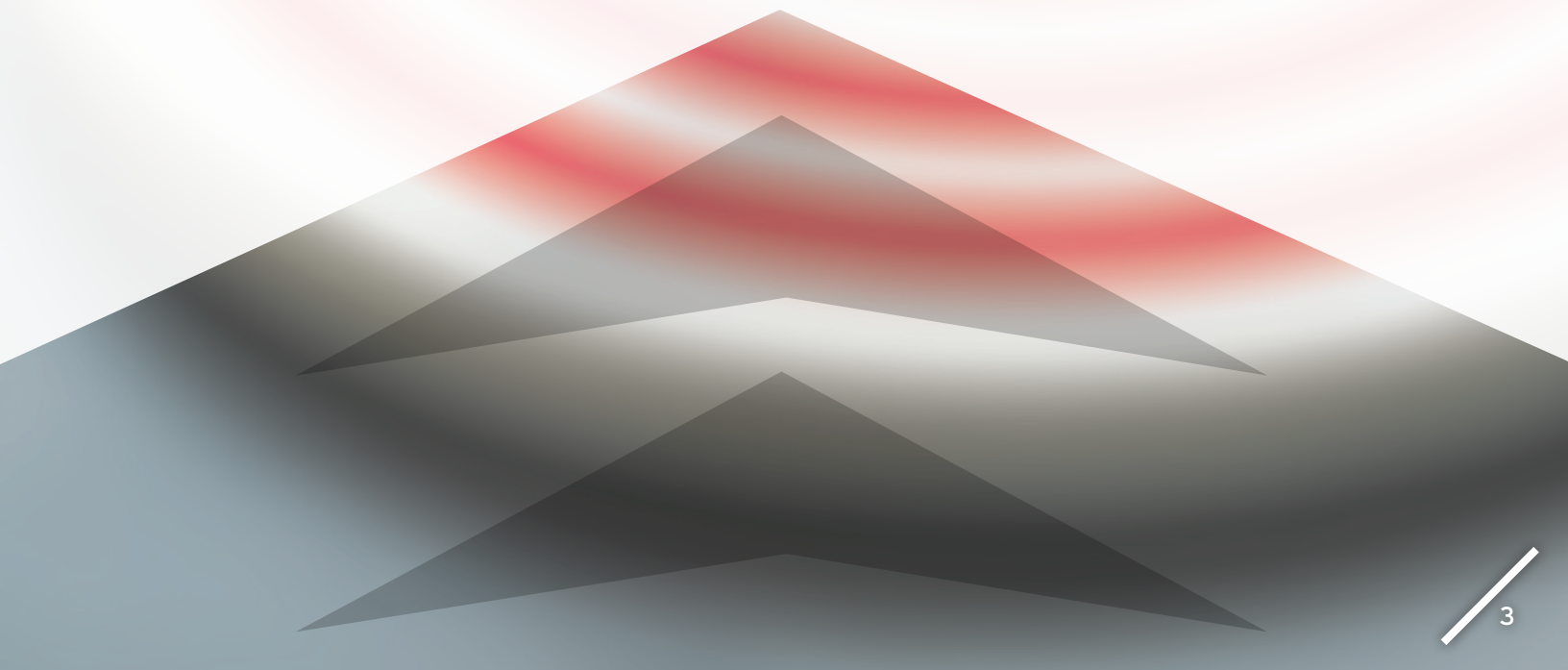
People come first at German American. We invest in our communities and support social and economic development. We value respect and courtesy for every person and believe in the power of positive attitudes.

### Relationships

We develop relationships based on a strong foundation of trust and mutual respect to help create loyal customers and a loyal team. Our unified goal is serving individuals, families and businesses to achieve financial success.

### Performance

Performance is vital. German American employees must possess the determination and drive to succeed. Our vast knowledge base and expertise enables us to work efficiently while providing customer service excellence to support strong performance.





**Driven By Our Future**

*There is no better time  
to plan for the future than  
when you are experiencing  
record performance.*

**7th**

consecutive year  
German American  
has achieved  
record earnings

Net income of  
**\$35.2**  
million

**\$2.36**  
per share

increase of approximately  
4% in reported earnings  
per share in 2016

**12th**

consecutive year  
of double digit  
return on  
equity

American Banker named  
Mark A. Schroeder one of three  
**Community Bankers  
of The Year**  
in the nation for 2016



American Banker is an essential resource for breaking news,  
research, data, and opinion content for approximately  
560,000 senior executives in the banking and financial  
services industry nationwide.



### *Vision for 2017 and Beyond*

German American's strategic vision responds to challenges and opportunities of the competitive financial services environment. By executing on our vision for the future, we are building the capacity to support strong, long-term, profitable customer relationships and to drive shareholder value. The strategic vision that drives our future is based on five key areas: Client Experience, Technology, Human Capital, Growth, and Financial Performance.

### *Client Experience*

With a sharp, focused strategy on the client experience, our commitment is to deliver customer service excellence through every delivery channel we offer. Developing relationships with our clients by truly listening to their needs has been the foundation of German American's success since 1910. We believe our future success will continue to be based on client relationships, yet the shift will be in the delivery and communication channels. It is imperative that we have a clear understanding about the best products, services, and delivery channels to continue to make real connections with our clients and proactively serve their financial needs. We are in a people-centric business, and relationships are the key to developing long-term value. Serving our clients with integrity and honesty, along with making it easy to do business with us, will continue to provide opportunities to help families and individuals purchase or build homes, accumulate wealth, retire comfortably, and manage their everyday financial needs and to help businesses grow and flourish.

### *Technology*

Since the 1970's when ATMs became an industry standard in banking, the evolution to technology has been slowly rising. Today, it is evolving at a rapid pace with no indication of slowing down. At German American, we are leveraging technology to operate more efficiently and reduce manual processes. We are proactively analyzing our system applications, internal communication methods, employee training, and leadership culture to empower our team members to provide our clients with timely, accurate service. We offer our business and personal clients top technology in online and mobile banking service and are dedicated to proactively monitor and evaluate new technology offerings. We are proving our commitment to information security by expanding the security training for each of our team members and engaging in consistent information security testing, monitoring, and reporting.



## Driven By Our Future

### *Human Capital*

Success doesn't just happen. It takes the hard work of every German American team member to achieve the record performance our company has experienced the last seven years. Our company is invested in offering our team members training and technology to help each member perform at a high level. Attracting and retaining top talent and preparing our team members for future roles within our company is crucial. We have implemented a new recruitment and training technology system to provide consistency throughout our company on these key initiatives. We invite all of our team members to participate in an annual employee satisfaction survey and use the feedback to implement new employee benefits, offer additional training, update equipment, and improve communication among our team members.

### *Growth*

Our team is committed to deepening relationships with existing clients and growing market share in each market we serve. We will continue our path of disciplined strategic growth designed to allow us to enter into new territories adjacent to our existing footprint that offer dynamic, vibrant marketplaces, and bring together strong financial companies with similar, like-minded community bank cultures and a proven history of building relationships through customer service excellence.





### **Financial Performance**

Resting on German American's past success is not an option. Maintaining strong financial performance is key for our shareholders, clients, employees and communities. Superior financial performance affords us opportunities to invest in tools and resources to measure and enhance the client experience and invest in top talented financial professionals. It allows us to grow into new, vibrant markets and invest in efficient and secure technology. It gives us the ability to influence the health of our local communities in key areas of economic development, education, and overall quality of life. We are committed to always being mindful of the purpose of our organization with the understanding that superior financial performance allows us to fulfill our mission.

## **Executive Team**



**D. Neil Dauby** Executive Vice President, Chief Commercial Banking Officer

**Keith A. Leinenbach** Executive Vice President, Chief Credit Officer

**Randall L. Braun** Executive Vice President, Chief Retail Banking Officer and Chief Development Officer

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

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

**Clay W. Ewing** President

# Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders  
German American Bancorp, Inc.  
Jasper, Indiana

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, 2016 and 2015, 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, 2016, appearing in the Annual Report on Form 10-K, not appearing herein. In our report dated March 9, 2017, 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 9, 2017



# 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 2016.

	2016	2015	2014	2013	2012
<b>Summary of Operations:</b>					
Interest Income	\$ 103,365	\$ 81,620	\$ 80,386	\$ 75,672	\$ 77,160
Interest Expense	8,461	6,068	6,047	7,155	10,912
Net Interest Income	94,904	75,552	74,339	68,517	66,248
Provision for Loan Losses	1,200	-	150	350	2,412
Net Interest Income after Provision for Loan Losses	93,704	75,552	74,189	68,167	63,836
Non-interest Income	32,013	27,444	23,937	23,615	21,811
Non-interest Expense	76,587	61,326	57,713	54,905	50,923
Income before Income Taxes	49,130	41,670	40,413	36,877	34,724
Income Tax Expense	13,946	11,606	12,069	11,464	10,669
Net Income	\$ 35,184	\$ 30,064	\$ 28,344	\$ 25,413	\$ 24,055
<b>Year-end Balances:</b>					
Total Assets	\$ 2,955,994	\$ 2,373,701	\$ 2,237,099	\$ 2,163,827	\$ 2,006,300
Total Loans, Net of Unearned Income	1,989,955	1,564,347	1,447,982	1,382,382	1,204,866
Total Deposits	2,349,551	1,826,376	1,779,761	1,812,156	1,640,931
Total Long-term Debt	120,560	95,606	64,591	87,237	89,472
Total Shareholders' Equity	330,267	252,348	228,824	200,097	185,026
<b>Average Balances:</b>					
Total Assets	\$ 2,841,096	\$ 2,267,555	\$ 2,170,761	\$ 2,037,236	\$ 1,934,123
Total Loans, Net of Unearned Income	1,904,779	1,483,752	1,406,000	1,272,055	1,147,891
Total Deposits	2,249,892	1,825,913	1,783,348	1,695,796	1,618,712
Total Shareholders' Equity	321,520	241,018	214,496	189,689	177,207
<b>Per Share Data:</b>					
Net Income <sup>(1)</sup>	\$ 2.36	\$ 2.27	\$ 2.14	\$ 1.98	\$ 1.90
Cash Dividends	0.72	0.68	0.64	0.60	0.56
Book Value at Year-end	21.64	19.00	17.31	15.19	14.64
<b>Other Data at Year-end:</b>					
Number of Shareholders	3,513	3,343	3,398	3,444	3,105
Number of Employees	605	479	473	478	439
Weighted Average Number of Shares <sup>(1)</sup>	14,927,410	13,258,916	13,223,178	12,807,678	12,637,743
<b>Selected Performance Ratios:</b>					
Return on Assets	1.24 %	1.33 %	1.31 %	1.25 %	1.24 %
Return on Equity	10.94 %	12.47 %	13.21 %	13.40 %	13.57 %
Equity to Assets	11.17 %	10.63 %	10.23 %	9.25 %	9.22 %
Dividend Payout	30.21 %	29.97 %	29.81 %	30.18 %	29.38 %
Net Charge-offs (Recoveries) to Average Loans	0.04 %	0.03 %	(0.01) %	0.10 %	0.19 %
Allowance for Loan Losses to Loans	0.74 %	0.92 %	1.03 %	1.05 %	1.29 %
Net Interest Margin	3.75 %	3.70 %	3.76 %	3.67 %	3.74 %

<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>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash and Due from Banks	\$ 48,467	\$ 36,062
Federal Funds Sold and Other Short-term Investments	16,349	15,947
Cash and Cash Equivalents	64,816	52,009
Securities Available-for-Sale, at Fair Value	709,786	637,840
Securities Held-to-Maturity, at Cost (Fair value of \$0 and \$95 on December 31, 2016 and 2015, respectively)	-	95
Loans Held-for-Sale, at Fair Value	15,273	10,762
Loans	1,993,404	1,568,075
Less: Unearned Income	(3,449)	(3,728)
Allowance for Loan Losses	(14,808)	(14,438)
Loans, Net	1,975,147	1,549,909
Stock in FHLB of Indianapolis and Other Restricted Stock, at Cost	13,048	8,571
Premises, Furniture and Equipment, Net	48,230	37,817
Other Real Estate	242	169
Goodwill	54,058	20,536
Intangible Assets	2,835	1,283
Company Owned Life Insurance	46,642	32,732
Accrued Interest Receivable and Other Assets	25,917	21,978
<b>TOTAL ASSETS</b>	<b>\$ 2,955,994</b>	<b>\$ 2,373,701</b>
<b>Liabilities</b>		
Non-interest-bearing Demand Deposits	\$ 571,989	\$ 465,357
Interest-bearing Demand, Savings, and Money Market Accounts	1,399,381	1,054,983
Time Deposits	378,181	306,036
Total Deposits	2,349,551	1,826,376
FHLB Advances and Other Borrowings	258,114	273,323
Accrued Interest Payable and Other Liabilities	18,062	21,654
<b>TOTAL LIABILITIES</b>	<b>2,625,727</b>	<b>2,121,353</b>
<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	15,261	13,279
Additional Paid-in Capital	171,744	110,145
Retained Earnings	149,666	125,112
Accumulated Other Comprehensive (Loss) Income	(6,404)	3,812
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>330,267</b>	<b>252,348</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 2,955,994</b>	<b>\$ 2,373,701</b>
End of period shares issued and outstanding	15,261,431	13,278,824

See Annual Report on Form 10-K.

# Consolidated Statements of Income

Dollars in thousands, except per share data

	Years Ended December 31,		
	2016	2015	2014
<b>Interest Income</b>			
Interest and Fees on Loans	\$ 86,202	\$ 66,740	\$ 65,597
Interest on Federal Funds Sold and Other Short-term Investments	74	13	12
Interest and Dividends on Securities:			
Taxable	9,638	9,017	10,409
Non-taxable	7,451	5,850	4,368
TOTAL INTEREST INCOME	103,365	81,620	80,386
<b>Interest Expense</b>			
Interest on Deposits	5,187	3,976	4,128
Interest on FHLB Advances and Other Borrowings	3,274	2,092	1,919
TOTAL INTEREST EXPENSE	8,461	6,068	6,047
NET INTEREST INCOME	94,904	75,552	74,339
Provision for Loan Losses	1,200	-	150
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	93,704	75,552	74,189
<b>Non-Interest Income</b>			
Trust and Investment Product Fees	4,644	3,957	3,675
Service Charges on Deposit Accounts	5,973	4,826	4,829
Insurance Revenues	7,741	7,489	7,255
Company Owned Life Insurance	987	846	826
Debt Interchange Fee Income	2,532	2,127	1,961
Other Operating Income	4,798	4,515	2,018
Net Gains on Sales of Loans	3,359	2,959	1,892
Net Gains on Securities	1,979	725	1,481
TOTAL NON-INTEREST INCOME	32,013	27,444	23,937
<b>Non-Interest Expense</b>			
Salaries and Employee Benefits	43,961	35,042	32,710
Occupancy Expense	6,297	4,939	5,094
Furniture and Equipment Expense	2,261	1,873	1,953
FDIC Premiums	1,151	1,144	1,113
Data Processing Fees	5,686	3,541	3,675
Professional Fees	3,672	2,661	2,294
Advertising and Promotion	2,657	3,669	1,977
Intangible Amortization	1,062	790	1,254
Other Operating Expenses	9,840	7,667	7,643
TOTAL NON-INTEREST EXPENSE	76,587	61,326	57,713
Income before Income Taxes	49,130	41,670	40,413
Income Tax Expense	13,946	11,606	12,069
<b>Net Income</b>	\$ 35,184	\$ 30,064	\$ 28,344
Basic Earnings per Share	\$ 2.36	\$ 2.27	\$ 2.15
Diluted Earnings per Share	\$ 2.36	\$ 2.27	\$ 2.14

See Annual Report on Form 10-K.

# Board of Directors



Douglas A. Bawel

Lonnie D. Collins

Christina M. Ernst

Marc D. Fine



U. Butch Klem

J. David Lett

Chris A. Ramsey

M. Darren Root

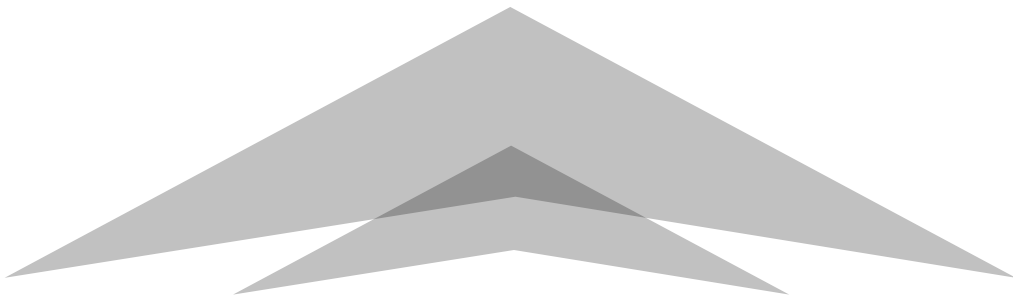


Mark A. Schroeder

Thomas W. Seger

Raymond W. Snowden

Michael J. Voyles





## **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 prosperity, 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 9, 2017, and we do not promise anyone that it will be updated for changes or events after that date.



German American Bancorp, Inc.

