



# FOUNDATION OF Success



2017  
Summary  
Annual  
Report



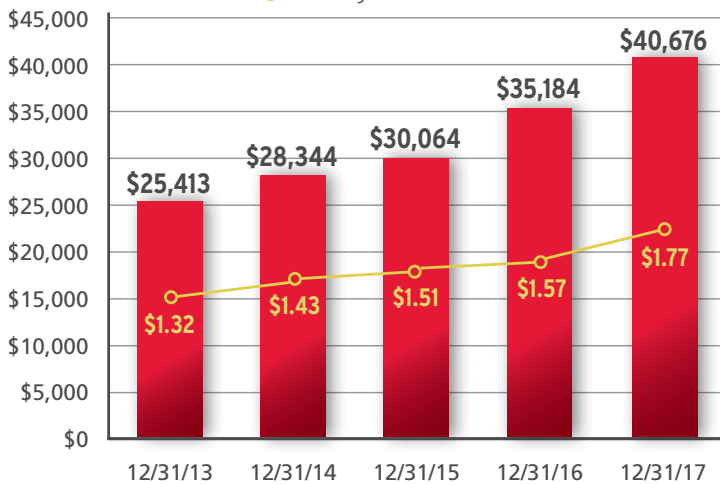
German American Bancorp, Inc.

# Strength in Numbers

## Net Income & Earnings Per Share

(dollars in thousands, except per share amounts)

—○ Earnings Per Share\*

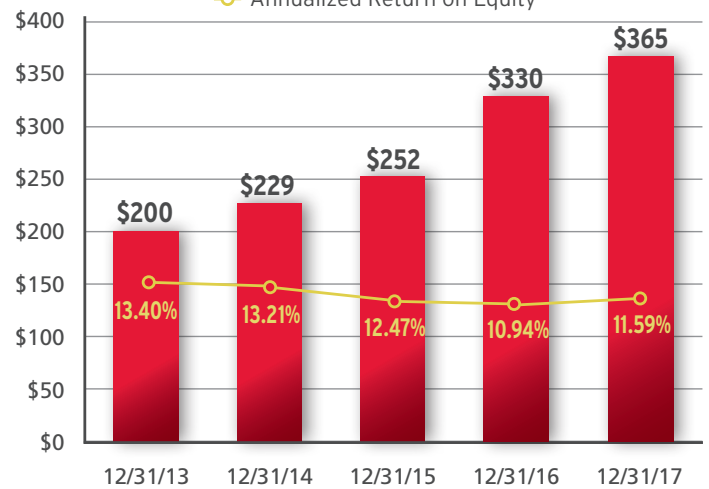


\*Earnings Per Share adjusted for 3-for-2 stock split completed in 2017.

## Total Shareholders' Equity

(dollars in millions)

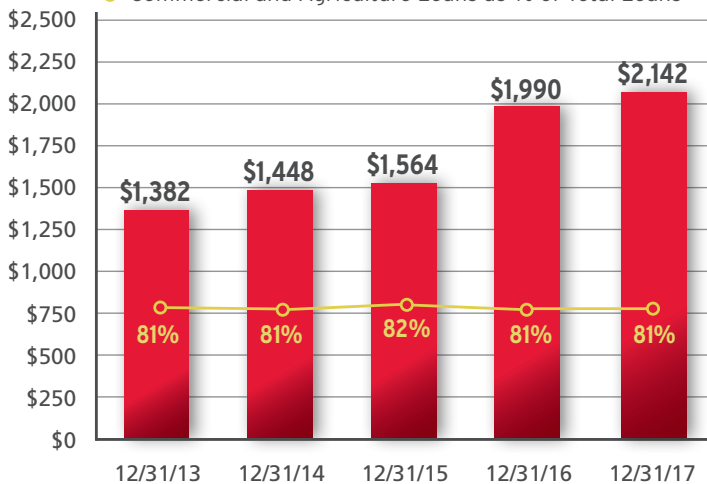
—○ Annualized Return on Equity



## Total Loans, Net of Unearned Income

(dollars in millions)

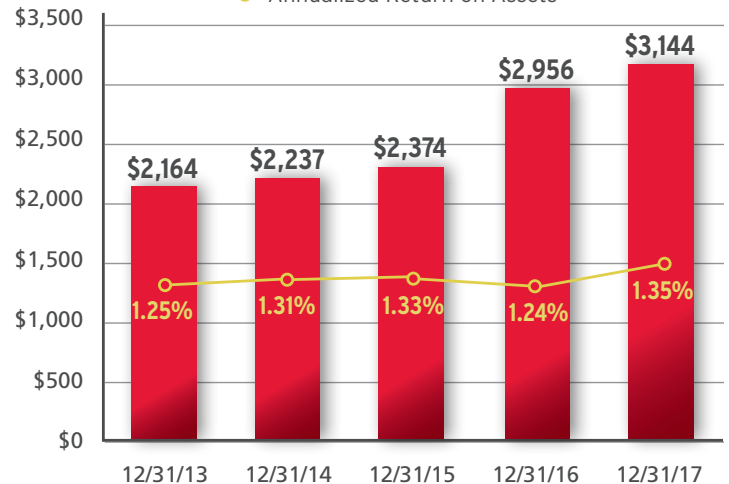
—○ Commercial and Agriculture Loans as % of Total Loans



## Total Assets

(dollars in millions)

—○ Annualized Return on Assets



8th

consecutive year  
German American  
has achieved  
record earnings

13th

consecutive fiscal  
year of double-digit  
return on equity

15%

increase in  
quarterly cash  
dividend

Dear Shareholders:

2017 brought an acceleration of the economic recovery our nation has been experiencing since the conclusion of the Great Recession in the U.S. in June 2009. While the recovery from the U.S. recession, which officially lasted from December 2007 to June 2009, had been very slow but steady during the early years of the recovery, this past year we've seen the economy come back very strong. At German American, we have been fortunate to do business in a part of the country that has historically demonstrated remarkably consistent, stable performance in good times and bad. Just like the markets we serve, German American Bancorp has likewise delivered exceptional financial performance in both good times and bad to the benefit of our customers, communities and shareholders.

We were pleased in 2017 to achieve another record year in terms of total asset size and earnings. For the first time ever in our 107 year history, we eclipsed the \$3.0 billion mark in total assets



**Letter from Mark A. Schroeder**  
Chairman and CEO

and the \$2.0 billion mark in total loans outstanding in 2017. We also reported record net income in 2017 of \$40.7 million, or \$1.77 per share, which represents our 8th consecutive year of record earnings. Additionally, we posted an 11.59% return on equity in 2017, the 13th consecutive year in which we've delivered a double-digit return on shareholder equity. Clearly from a financial perspective, this level of performance is in keeping with the **Foundation of Success** theme of this year's annual report.

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For German American, however, this **Foundation of Success** is about so much more than just financial performance. It's about the ongoing geographic growth we've experienced over the course of the past two decades. Starting in the 1990s with the expansion of German American into the heritage counties surrounding our home base of Jasper and Dubois County, Indiana, and continuing over the past decade with expansion into larger and economically vibrant markets in Southern Indiana, we have grown German American into one of the largest Indiana-domiciled banks encompassing a geographic footprint throughout the lower third of the State of Indiana. Expansions into metro markets in the past decade include Bloomington, Columbus, and Evansville, Indiana, and most recently Clark and Floyd counties on the Indiana side of the Louisville, Kentucky MSA.

During 2017 we also completed the integration of River Valley Bancorp, acquired in March 2016, which was marked by the continuation of River Valley's dominant presence in Madison, Indiana, as well as by the integration of the Seymour and North Vernon, Indiana, offices into our operations in Columbus, Indiana. Additionally, we've seen dynamic growth in 2017 within Clark and Floyd Counties, where we've built out the five-branch network that River Valley had in those markets into its own business unit that has seen tremendous acceptance and growth within what is undoubtedly one of the fastest growing and economically robust markets, not only in Indiana, but throughout the entire Midwest.

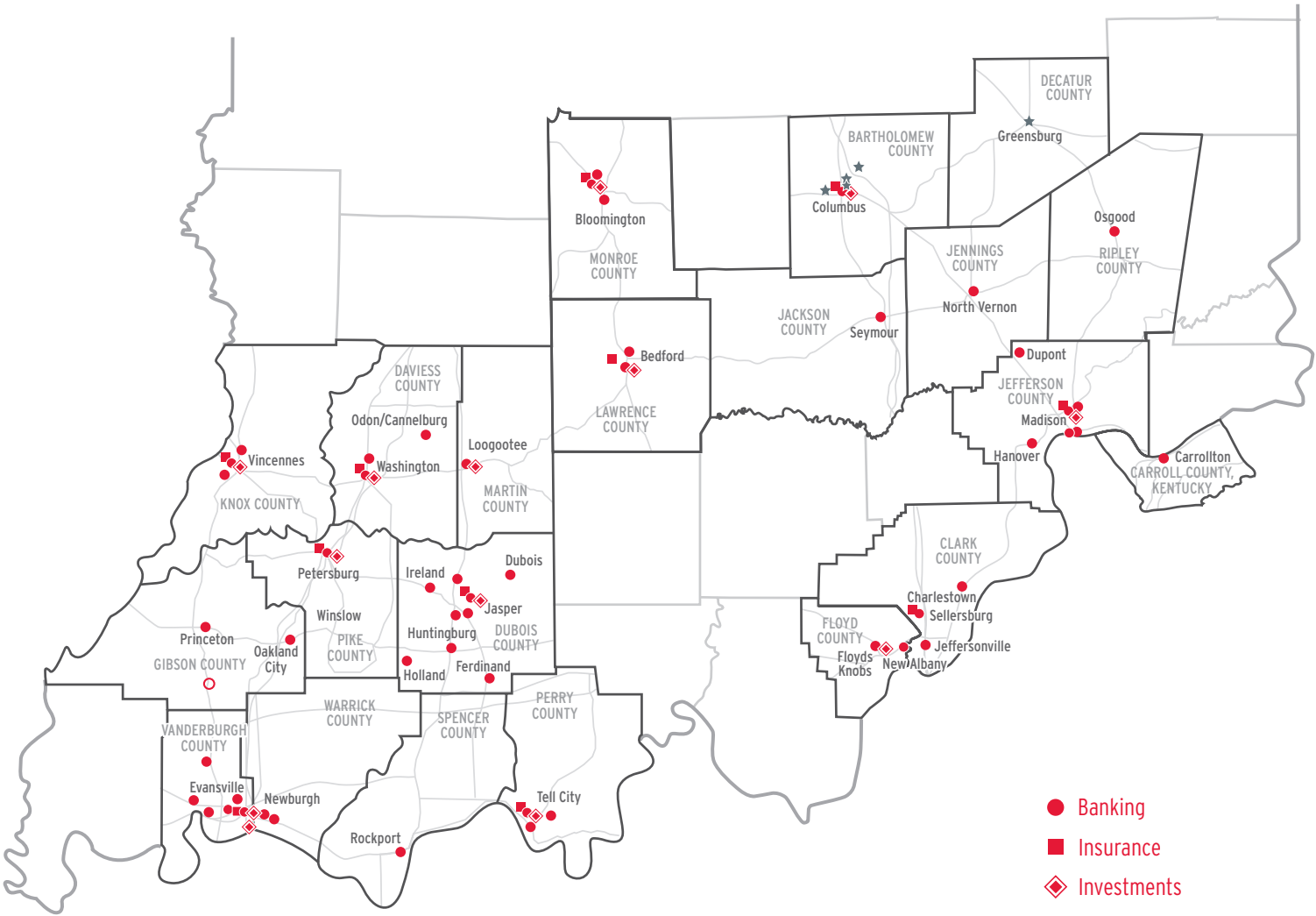


Most importantly, this **Foundation of Success** is about people and our relationships with our customers, employees, shareholders and the communities we serve. It's about our commitment to make the greatest contribution possible to the prosperity and quality of life of all our stakeholders. By building customer relationships based on the trust and integrity of our local financial professionals, who serve as community leaders in every community we serve, we're helping our customers prosper and our communities thrive. This is true to our German American Mission that states, "We support the communities we serve and believe that when a community thrives, its people prosper." We do these things because it's the right thing to do and because it's good for business. As a community banking organization, our **Foundation of Success** is intricately linked to the success of our customers and our communities.

Just as we celebrate the successes of 2017, the past decade, and our entire 100+ years of existence, which has resulted in German American being recognized as one of the best community banks in the nation, we also look forward to the future and toward further building upon the **Foundation of Success** that all of our stakeholders - customers, communities, employees and shareholders - have helped us create for more than a century.

Sincerely,

Mark A. Schroeder  
Chairman & CEO



- Banking
- Insurance
- ◆ Investments
- Ag Services

★ New office coming May 2018 pending close of German American's acquisition of MainSource locations.

## **A STRONG FOUNDATION ESTABLISHED IN 1910 . . .**

On December 1st, 1910, German American Bank opened for business in Jasper, IN. Several citizens in the community worked together to open the bank with \$40,000 in capital stock, approximately sixty stockholders and two employees. Traits of this Midwestern community located in the heart of southwestern Indiana were embedded in German American Bank from the beginning, including people first, hard work, family, community, integrity, and pride in the German heritage while celebrating new hopes and dreams in America. German American Bank was established on this strong foundation, and the company continues to hold these values today.

## **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 values. 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 principles.**

### **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.**

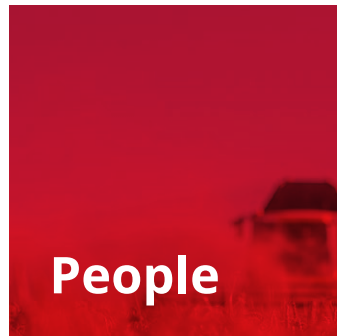
“The world of banking and financial services has changed dramatically during the past century and the pace of change continues to accelerate, yet as long as we make certain that our culture of ‘local-people-helping-local-people succeed’ stays at the center of our principles, I am confident that German American will survive and prosper in the coming years, and well beyond.”

- Mark Schroeder, Chairman and CEO

addressing the German American Bank team as they celebrated the 100 year anniversary of the company in 2010

People are the core foundation of our success.

Establishing long-term relationships with our customers, our employees, our shareholders and our communities is critical as we strive to make the greatest contribution possible to the prosperity and quality of life of these key stakeholders. We demonstrate this commitment through financial performance and corporate responsibility.



We seek to attract, develop and retain talented local financial professionals in every community we serve. We empower our employees to serve our customers in exceptional ways with local, responsive decision-making. Our leaders are committed to being involved in the economic development initiatives within their local communities. We actively look for ways to partner with businesses, non-profits, schools, individuals and municipalities to strengthen the future of the communities for a better place to live and work. In addition to the full array of financial services we provide and the jobs and spending we bring to local economies, we also show our corporate citizenship through the volunteer spirit of our entire German American team.







Building customer relationships based on trust and integrity from local financial professionals defines a community bank, and we believe no one does community banking better than German American. We exist to help our customers with their banking, insurance, investment and wealthy advisory needs through every stage of life. We combine top-rated customer facing technology with a talented, customer-focused team to deliver service excellence. The foundation to find the best financial products to help our customers achieve their dreams and goals is based on a strong relationship with our customers. To us, that's success.



Since 1910 we've been serving the banking needs of our customers. Not only have we grown and expanded our footprint significantly since then, we've also expanded the products and services we offer to become a complete financial services resource for our customers. From accumulating and managing wealth, effectively managing risk, to the current technology for managing every day banking, our team builds and expands relationships to serve our customers' best interests. With our eye on our future success, we are committed to adapting to demand and implementing new ideas to service our customers.



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, 2017 and 2016, 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, 2017, appearing in the Annual Report on Form 10-K, not appearing herein. In our report dated March 1, 2018, 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 1, 2018

# Five Year Summary

The following selected data should be read in conjunction with the Company's Annual Report on Form 10-K for 2017.

Dollars in thousands, except per share data

	2017	2016	2015	2014	2013
<b>Summary of Operations:</b>					
Interest Income	\$ 111,030	\$ 103,365	\$ 81,620	\$ 80,386	\$ 75,672
Interest Expense	11,121	8,461	6,068	6,047	7,155
Net Interest Income	99,909	94,904	75,552	74,339	68,517
Provision for Loan Losses	1,750	1,200	-	150	350
Net Interest Income after Provision for Loan Losses	98,159	93,704	75,552	74,189	68,167
Non-interest Income	31,854	32,013	27,444	23,937	23,615
Non-interest Expense	77,803	76,587	61,326	57,713	54,905
Income before Income Taxes	52,210	49,130	41,670	40,413	36,877
Income Tax Expense	11,534	13,946	11,606	12,069	11,464
Net Income	\$ 40,676	\$ 35,184	\$ 30,064	\$ 28,344	\$ 25,413
<b>Year-end Balances:</b>					
Total Assets	\$ 3,144,360	\$ 2,955,994	\$ 2,373,701	\$ 2,237,099	\$ 2,163,827
Total Loans, Net of Unearned Income	2,141,638	1,989,955	1,564,347	1,447,982	1,382,382
Total Deposits	2,484,052	2,349,551	1,826,376	1,779,761	1,812,156
Total Long-term Debt	141,717	120,560	95,606	64,591	87,237
Total Shareholders' Equity	364,571	330,267	252,348	228,824	200,097
<b>Average Balances:</b>					
Total Assets	\$ 3,002,695	\$ 2,841,096	\$ 2,267,555	\$ 2,170,761	\$ 2,037,236
Total Loans, Net of Unearned Income	2,036,717	1,904,779	1,483,752	1,406,000	1,272,055
Total Deposits	2,395,146	2,249,892	1,825,913	1,783,348	1,695,796
Total Shareholders' Equity	350,913	321,520	241,018	214,496	189,689
<b>Per Share Data: <sup>(1)</sup></b>					
Net Income <sup>(2)</sup>	\$ 1.77	\$ 1.57	\$ 1.51	\$ 1.43	\$ 1.32
Cash Dividends	0.52	0.48	0.45	0.43	0.40
Book Value at Year-end	15.90	14.42	12.67	11.54	10.13
Tangible Book Value Per Share <sup>(3)</sup>	13.45	11.94	11.57	10.40	8.92
<b>Other Data at Year-end:</b>					
Number of Shareholders	3,459	3,513	3,343	3,398	3,444
Number of Employees	621	605	479	473	478
Weighted Average Number of Shares <sup>(1)(2)</sup>	22,924,726	22,391,115	19,888,374	19,834,766	19,211,517
<b>Selected Performance Ratios:</b>					
Return on Assets	1.35 %	1.24 %	1.33 %	1.31 %	1.25 %
Return on Equity	11.59 %	10.94 %	12.47 %	13.21 %	13.40 %
Equity to Assets	11.59 %	11.17 %	10.63 %	10.23 %	9.25 %
Dividend Payout	29.11 %	30.21 %	29.97 %	29.81 %	30.18 %
Net Charge-offs (Recoveries) to Average Loans	0.04 %	0.04 %	0.03 %	(0.01) %	0.10 %
Allowance for Loan Losses to Loans	0.73 %	0.74 %	0.92 %	1.03 %	1.05 %
Net Interest Margin	3.76 %	3.75 %	3.70 %	3.76 %	3.67 %

<sup>(1)</sup> Share and Per Share Data has been adjusted to reflect a 3-for-2 stock split on April 21, 2017.

<sup>(2)</sup> Share and Per Share Data includes the dilutive effect of stock options.

<sup>(3)</sup> Tangible Book Value per Share is defined as Total Shareholders' Equity less Goodwill and Other Intangible Assets divided by End of Period Shares Outstanding.

# Consolidated Balance Sheets

Dollars in thousands, except per share data

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash and Due from Banks	\$ 58,233	\$ 48,467
Federal Funds Sold and Other Short-term Investments	12,126	16,349
Cash and Cash Equivalents	70,359	64,816
Securities Available-for-Sale, at Fair Value	740,994	709,786
Loans Held-for-Sale, at Fair Value	6,719	15,273
Loans	2,145,019	1,993,404
Less: Unearned Income	(3,381)	(3,449)
Allowance for Loan Losses	(15,694)	(14,808)
Loans, Net	2,125,944	1,975,147
Stock in FHLB of Indianapolis and Other Restricted Stock, at Cost	13,048	13,048
Premises, Furniture and Equipment, Net	54,246	48,230
Other Real Estate	54	242
Goodwill	54,058	54,058
Intangible Assets	2,102	2,835
Company Owned Life Insurance	46,385	46,642
Accrued Interest Receivable and Other Assets	30,451	25,917
<b>TOTAL ASSETS</b>	<b>\$ 3,144,360</b>	<b>\$ 2,955,994</b>
<b>Liabilities</b>		
Non-interest-bearing Demand Deposits	\$ 606,134	\$ 571,989
Interest-bearing Demand, Savings, and Money Market Accounts	1,490,033	1,399,381
Time Deposits	387,885	378,181
Total Deposits	2,484,052	2,349,551
FHLB Advances and Other Borrowings	275,216	258,114
Accrued Interest Payable and Other Liabilities	20,521	18,062
<b>TOTAL LIABILITIES</b>	<b>2,779,789</b>	<b>2,625,727</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; 45,000,000 shares authorized <sup>(1)</sup>	22,934	15,261
Additional Paid-in Capital	165,288	171,744
Retained Earnings	178,969	149,666
Accumulated Other Comprehensive (Loss) Income	(2,620)	(6,404)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>364,571</b>	<b>330,267</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 3,144,360</b>	<b>\$ 2,955,994</b>
End of period shares issued and outstanding <sup>(1)</sup>	22,934,403	22,904,157

<sup>(1)</sup> Share data has been adjusted to reflect a 3-for-2 stock split on April 21, 2017.

See Annual Report on Form 10-K.

# Consolidated Statements of Income

Dollars in thousands, except per share data

	Years Ended December 31,		
	2017	2016	2015
<b>Interest Income</b>			
Interest and Fees on Loans	\$ 91,745	\$ 86,202	\$ 66,740
Interest on Federal Funds Sold and Other Short-term Investments	134	74	13
Interest and Dividends on Securities:			
Taxable	10,898	9,638	9,017
Non-taxable	8,253	7,451	5,850
TOTAL INTEREST INCOME	111,030	103,365	81,620
<b>Interest Expense</b>			
Interest on Deposits	7,094	5,187	3,976
Interest on FHLB Advances and Other Borrowings	4,027	3,274	2,092
TOTAL INTEREST EXPENSE	11,121	8,461	6,068
NET INTEREST INCOME	99,909	94,904	75,552
Provision for Loan Losses	1,750	1,200	-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	98,159	93,704	75,552
<b>Non-Interest Income</b>			
Trust and Investment Product Fees	5,272	4,644	3,957
Service Charges on Deposit Accounts	6,178	5,973	4,826
Insurance Revenues	7,979	7,741	7,489
Company Owned Life Insurance	1,341	987	846
Interchange Fee Income	4,567	3,627	3,110
Other Operating Income	2,641	3,703	3,532
Net Gains on Sales of Loans	3,280	3,359	2,959
Net Gains on Securities	596	1,979	725
TOTAL NON-INTEREST INCOME	31,854	32,013	27,444
<b>Non-Interest Expense</b>			
Salaries and Employee Benefits	46,642	43,961	35,042
Occupancy Expense	6,609	6,297	4,939
Furniture and Equipment Expense	2,621	2,261	1,873
FDIC Premiums	954	1,151	1,144
Data Processing Fees	4,276	5,686	3,541
Professional Fees	2,817	3,672	2,661
Advertising and Promotion	3,543	2,657	3,669
Intangible Amortization	942	1,062	790
Other Operating Expenses	9,399	9,840	7,667
TOTAL NON-INTEREST EXPENSE	77,803	76,587	61,326
Income before Income Taxes	52,210	49,130	41,670
Income Tax Expense	11,534	13,946	11,606
<b>Net Income</b>	<b>\$ 40,676</b>	<b>\$ 35,184</b>	<b>\$ 30,064</b>
Basic Earnings per Share <sup>(1)</sup>	\$ 1.77	\$ 1.57	\$ 1.51
Diluted Earnings per Share <sup>(1)</sup>	\$ 1.77	\$ 1.57	\$ 1.51
Dividends per Share <sup>(1)</sup>	\$ 0.52	\$ 0.48	\$ 0.45

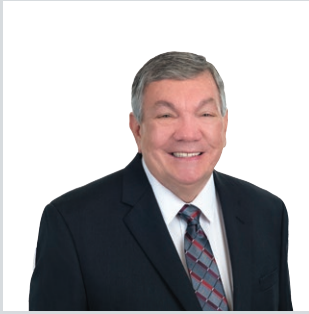
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See Annual Report on Form 10-K.

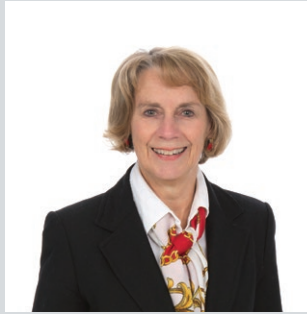
**Board of  
Directors**



**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**



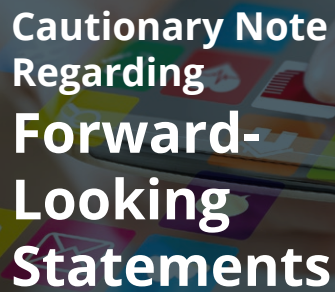
**Thomas W. Seger**



**Raymond W. Snowden**



**Michael J. Voyles**



## Cautionary Note Regarding Forward- Looking Statements

This Summary Annual Report, including our CEO's letter to our Shareholders beginning 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 those expectations 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 1, 2018, and we do not promise anyone that it will be updated for changes or events after that date.



German American Bancorp, Inc.

