

# BUILDING on the BEST



2018 Summary Annual Report



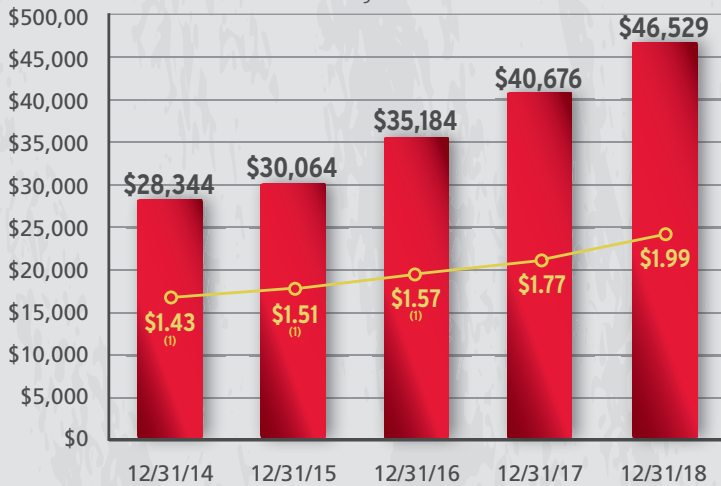
German American Bancorp, Inc.

# Strength in Numbers

## Net Income & Earnings Per Share

(dollars in thousands, except per share amounts)

—○— Earnings Per Share

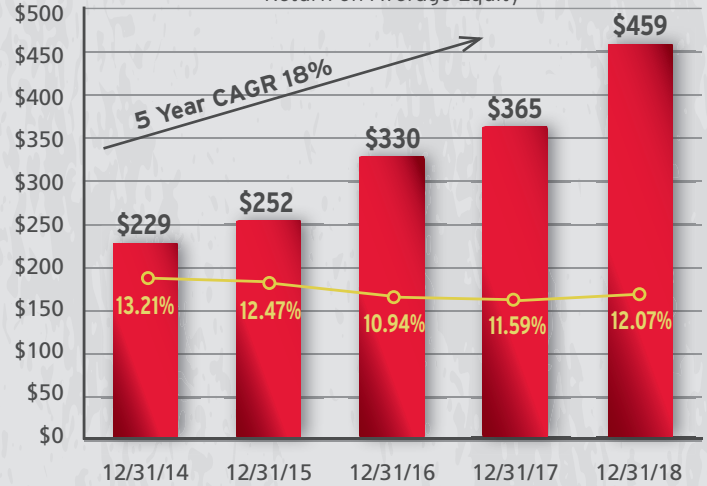


(1) Earnings Per Share adjusted for 3-for-2 stock split completed in 2017.

## Total Shareholders' Equity

(dollars in millions)

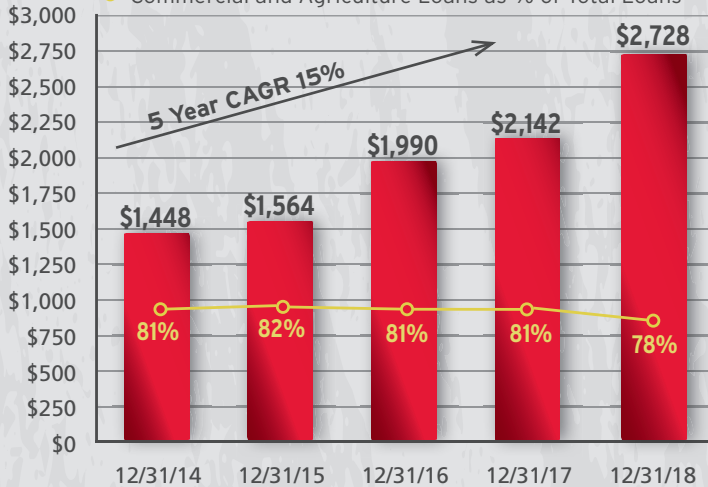
—○— Return on Average Equity



## Total Loans, Net of Unearned Income

(dollars in millions)

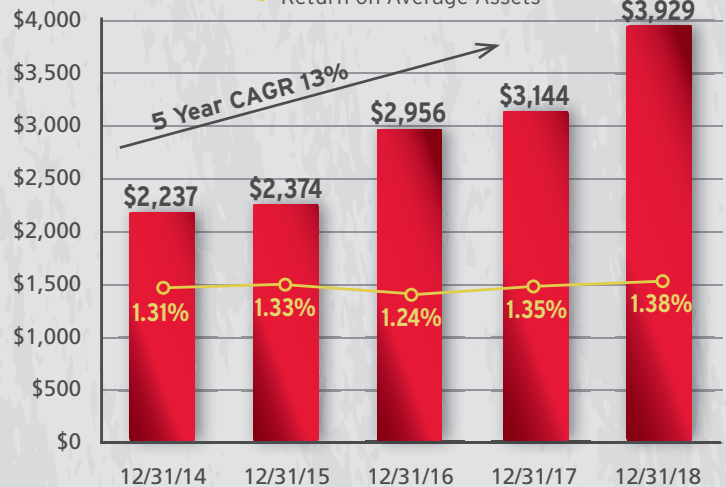
—○— Commercial and Agriculture Loans as % of Total Loans

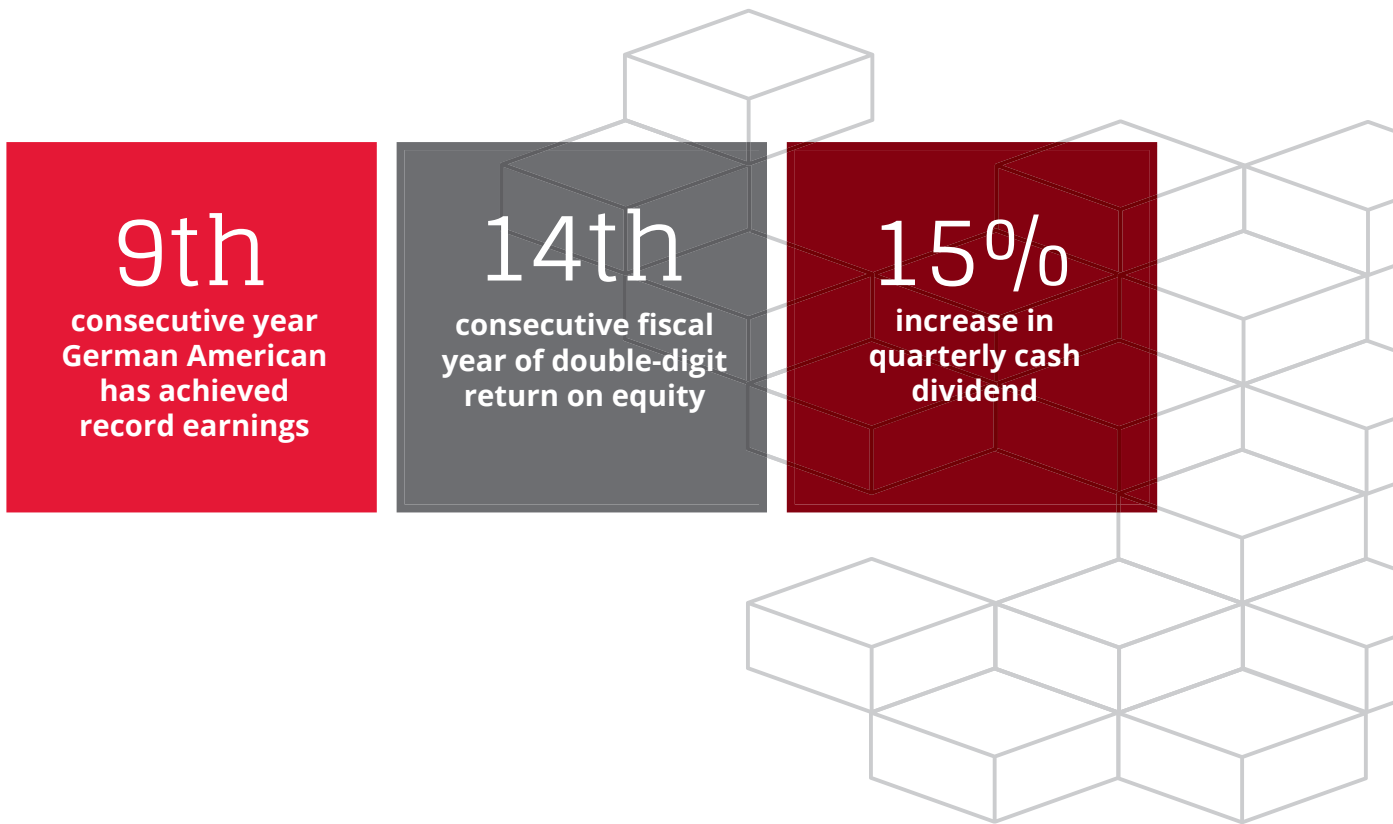


## Total Assets

(dollars in millions)

—○— Return on Average Assets





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

Dear Shareholders:

In keeping with the theme of this year's Summary Annual Report, ***Building on the Best***, 2018 was a year of continued growth and expansion for German American. In May, we completed the acquisition of a five-branch office network in the Columbus, Indiana market area, consisting of approximately \$116 million in loans and a \$176 million in deposits. The opportunity to combine this branch network with our existing branch network in the greater Columbus area greatly strengthened our market position and enhanced our ability to drive future organic growth in this important segment of our total market area.

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Following upon the completion of this branch acquisition, we also moved forward with our initial expansion into the Commonwealth of Kentucky. In October, we finalized the merger transaction with First Security, Inc., based in Owensboro, Kentucky, which operated eight retail banking offices in Owensboro, Bowling Green, Franklin and Lexington, Kentucky, and three offices in Evansville and Newburgh, Indiana. As of the closing of the transaction, First Security held total assets of approximately \$553 million, total loans of approximately \$390 million, and total deposits of approximately \$424 million. Through this acquisition, German American's unique brand of community banking is now offered in three of the largest, most economically vibrant markets in the Commonwealth. We anticipate significant future growth opportunities within the Commonwealth of Kentucky, both through acquisitions and organic growth, in the coming years.

We were pleased to report, for the ninth consecutive year, your Company achieved record earnings. On an operating basis, in 2018, we achieved \$46.5 million, or \$1.99 per share, representing an increase of 12.4%, on a per share basis, above the level of 2017 record earnings. This level of annual earnings performance resulted in a double-digit return on shareholders' equity in 2018, marking the 14th consecutive fiscal year in which the Company has delivered double-digit returns on shareholders' equity. Inclusive of the two aforementioned acquisitions and approximately 5% organic growth within the Company's existing Indiana operations, German American's 2018 year-end total assets grew to \$3.9 billion, total loans increased to \$2.7 billion, and total deposits reached \$3.1 billion, representing approximately 25% overall 2018 combined acquisition and organic growth.

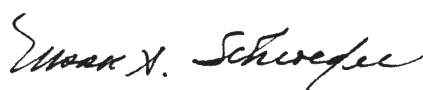




Our theme of this year's Summary Annual Report, ***Building on the Best***, signifies that while German American is certainly interested in continued growth and expansion, we will do so with a focus on delivering the very best in banking, insurance, investment and wealth advisory products and services for each customer and in each community we serve. While appreciative of the recognition German American has received as one of the best community banking organizations in the nation, we are focused on what we need to do going forward to continue to deliver the very best, certainly in terms of exceptional customer service and a commitment to the communities we serve, but also by investing in the latest technology-based delivery channels that enhance our ability to serve clients when, where, and how they prefer, always with a personalized, custom approach.

This combination of the traditional customer service excellence from local financial professionals with a focus on their local communities and leading edge technologically-driven delivery channels will ensure our ability to maintain our status as one of the nation's leading community banking organizations in the coming years. In doing so, we will also continue ***Building on the Best*** - the best clients, the best communities, the best local financial professionals - to drive value for each of these stakeholders and for you, our shareholders.

Sincerely,

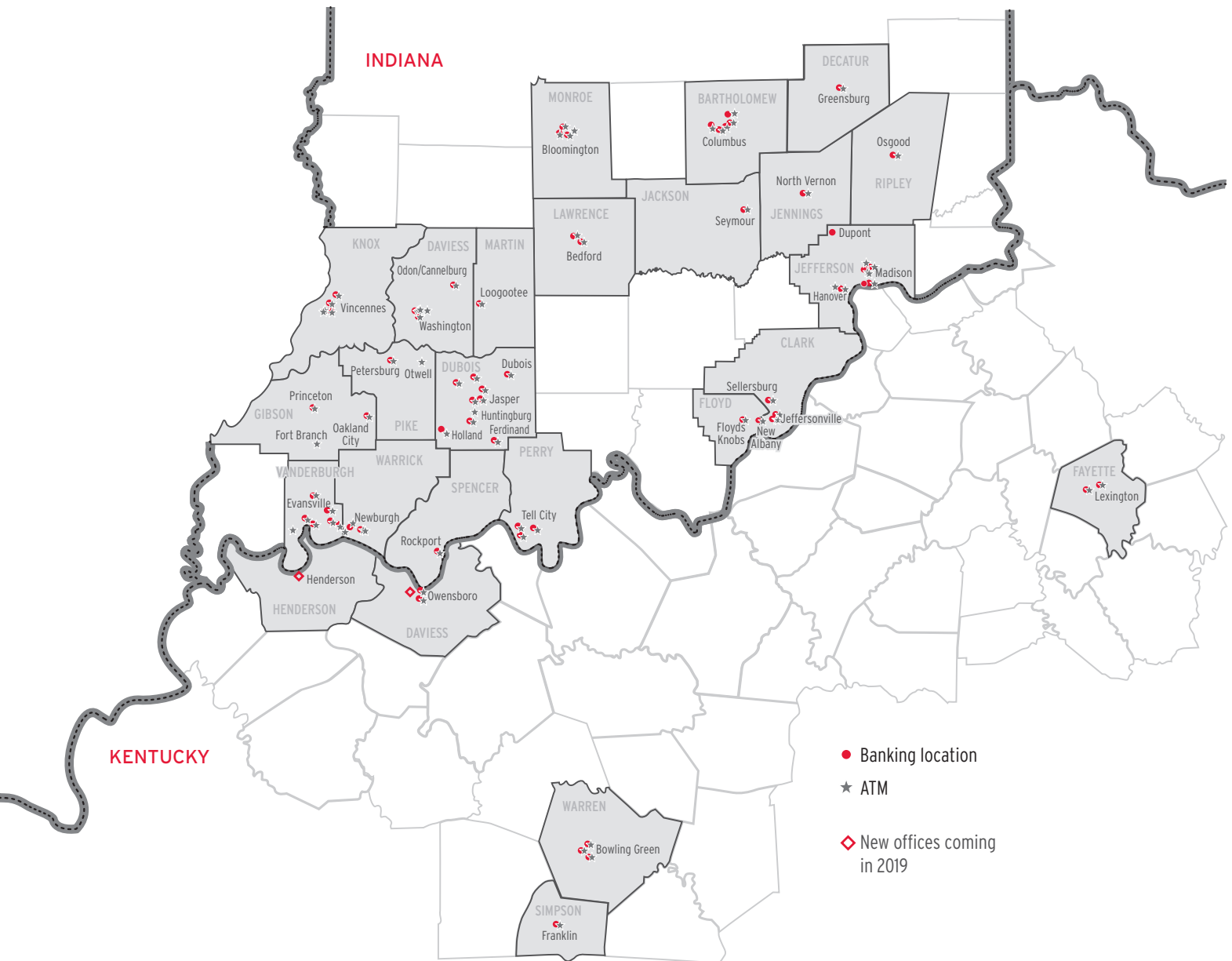


Mark A. Schroeder  
Chairman & CEO



# The Communities We Serve

As a community-minded financial services company, we exist to serve the financial needs of businesses, individuals and families, while engaging and contributing for the greater good of all. Our local financial professionals establish long term relationships within the communities we serve to actively help build the best places to live, work and raise families. Our financial strength enables us to make the greatest impact and demonstrates our commitment to corporate responsibility. We support education, social welfare and human services efforts, the arts, economic development and community organizations. Additionally, our employees commit to volunteering and teaching financial education in the local communities we serve.



# Our Brand Values

We are a community bank with community values. In 1910, German American opened for business in the heart of an Ohio River Valley community rich in German-American heritage, Jasper, Indiana. We have grown a lot since then and now serve culturally diverse communities throughout the entire southern Indiana area, as well as, Owensboro, Bowling Green, Franklin and Lexington, Kentucky. Even as we have grown our brand into serving new communities, we remain committed to the traits rooted in our beginning including people first, hard work, integrity and pride in any community's heritage. We believe these brand values set us apart in 1910 and continue to do so 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.





## Our People

Our growth and success are the result of the hard work, expertise and commitment of our people. They work tirelessly to deliver outstanding results for our customers, our communities, our shareholders and one another. We seek to attract, develop and retain local financial professionals in every market we serve to fulfill our promise of local, responsive decision making. We invest in our people with training and educational opportunities, competitive employee benefit packages, and tuition reimbursement programs. In 2018, we began a journey of a continuous coaching for success culture, which we believe will have a significant impact on the continued future success of our company. Within our family-like team culture, celebrating birthdays, retirements, anniversaries, and holidays are common occurrences which, we believe, enhances the overall satisfaction of employment with German American.

# Financial Services

From leading-edge banking, insurance, investment, and wealth advisory technology that is continually enhanced to stay abreast of the latest advancements, to local, responsive decision making by a talented team of financial professionals, German American is the ideal choice for financial services.

There is no finish line to building on the best. Today's customers need and want to do business differently, and German American is committed to meeting that demand. With a laser focus on operational excellence, superior customer service, and a keen eye on the future, your German American team continues to set higher standards in financial services delivery.





## 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, 2018 and 2017, 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, 2018, appearing in the Annual Report on Form 10-K, not appearing herein. In our report dated March 1, 2019, 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 LLP*  
Crowe LLP  
Indianapolis, Indiana  
March 1, 2019





# Five Year Summary

The following selected data should be read in conjunction with the Company's Annual Report on Form 10-K for 2018.

Dollars in thousands, except per share data

	2018	2017	2016	2015	2014
<b>Summary of Operations:</b>					
Interest Income	\$ 133,749	\$ 111,030	\$ 103,365	\$ 81,620	\$ 80,386
Interest Expense	19,139	11,121	8,461	6,068	6,047
Net Interest Income	114,610	99,909	94,904	75,552	74,339
Provision for Loan Losses	2,070	1,750	1,200	-	150
Net Interest Income after Provision for Loan Losses	112,540	98,159	93,704	75,552	74,189
Non-interest Income	37,070	31,854	32,013	27,444	23,937
Non-interest Expense	93,553	77,803	76,587	61,326	57,713
Income before Income Taxes	56,057	52,210	49,130	41,670	40,413
Income Tax Expense	9,528	11,534	13,946	11,606	12,069
Net Income	\$ 46,529	\$ 40,676	\$ 35,184	\$ 30,064	\$ 28,344
<b>Year-end Balances:</b>					
Total Assets	\$ 3,929,090	\$ 3,144,360	\$ 2,955,994	\$ 2,373,701	\$ 2,237,099
Total Loans, Net of Unearned Income	2,728,059	2,141,638	1,989,955	1,564,347	1,447,982
Total Deposits	3,072,632	2,484,052	2,349,551	1,826,376	1,779,761
Total Long-term Debt	126,635	141,717	120,560	95,606	64,591
Total Shareholders' Equity	458,640	364,571	330,267	252,348	228,824
<b>Average Balances:</b>					
Total Assets	\$ 3,380,409	\$ 3,002,695	\$ 2,841,096	\$ 2,267,555	\$ 2,170,761
Total Loans, Net of Unearned Income	2,339,089	2,036,717	1,904,779	1,483,752	1,406,000
Total Deposits	2,716,712	2,395,146	2,249,892	1,825,913	1,783,348
Total Shareholders' Equity	385,476	350,913	321,520	241,018	214,496
<b>Per Share Data:</b>					
Net Income <sup>(1)</sup>	\$ 1.99	\$ 1.77	\$ 1.57	\$ 1.51	\$ 1.43
Cash Dividends	0.60	0.52	0.48	0.45	0.43
Book Value at Year-end	18.37	15.90	14.42	12.67	11.54
Tangible Book Value Per Share <sup>(2)</sup>	13.81	13.45	11.94	11.57	10.40
<b>Other Data at Year-end:</b>					
Number of Shareholders	3,705	3,459	3,513	3,343	3,398
Number of Employees	747	621	605	479	473
Weighted Average Number of Shares <sup>(1)</sup>	23,381,616	22,924,726	22,391,115	19,888,374	19,834,766
<b>Selected Performance Ratios:</b>					
Return on Assets	1.38 %	1.35 %	1.24 %	1.33 %	1.31 %
Return on Equity	12.07 %	11.59 %	10.94 %	12.47 %	13.21 %
Equity to Assets	11.67 %	11.59 %	11.17 %	10.63 %	10.23 %
Dividend Payout	30.25 %	29.11 %	30.21 %	29.97 %	29.81 %
Net Charge-offs (Recoveries) to Average Loans	0.08 %	0.04 %	0.04 %	0.03 %	(0.01) %
Allowance for Loan Losses to Loans	0.58 %	0.73 %	0.74 %	0.92 %	1.03 %
Net Interest Margin	3.75 %	3.76 %	3.75 %	3.70 %	3.76 %

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

<sup>(2)</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>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and Due from Banks	\$ 64,549	\$ 47,266
Federal Funds Sold and Other Short-term Investments	32,001	23,093
Cash and Cash Equivalents	96,550	70,359
Interest-bearing Time Deposits with Banks	250	-
Securities Available-for-Sale, at Fair Value	812,611	740,641
Other Investments	353	353
Loans Held-for-Sale, at Fair Value	4,263	6,719
Loans	2,731,741	2,145,019
Less: Unearned Income	(3,682)	(3,381)
Allowance for Loan Losses	(15,823)	(15,694)
Loans, Net	2,712,236	2,125,944
Stock in FHLB of Indianapolis and Other Restricted Stock, at Cost	13,048	13,048
Premises, Furniture and Equipment, Net	80,627	54,246
Other Real Estate	286	54
Goodwill	103,681	54,058
Intangible Assets	9,964	2,102
Company Owned Life Insurance	59,896	46,385
Accrued Interest Receivable and Other Assets	35,325	30,451
<b>TOTAL ASSETS</b>	<b>\$ 3,929,090</b>	<b>\$ 3,144,360</b>
<b>Liabilities</b>		
Non-interest-bearing Demand Deposits	\$ 715,972	\$ 606,134
Interest-bearing Demand, Savings, and Money Market Accounts	1,768,177	1,490,033
Time Deposits	588,483	387,885
Total Deposits	3,072,632	2,484,052
FHLB Advances and Other Borrowings	376,409	275,216
Accrued Interest Payable and Other Liabilities	21,409	20,521
<b>TOTAL LIABILITIES</b>	<b>3,470,450</b>	<b>2,779,789</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	24,967	22,934
Additional Paid-in Capital	229,347	165,288
Retained Earnings	211,424	178,969
Accumulated Other Comprehensive Loss	(7,098)	(2,620)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>458,640</b>	<b>364,571</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 3,929,090</b>	<b>\$ 3,144,360</b>
End of period shares issued and outstanding	24,967,458	22,934,403

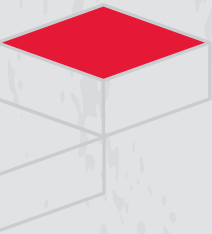
# Consolidated Statements of Income

Dollars in thousands, except per share data

	Years Ended December 31,		
	2018	2017	2016
<b>Interest Income</b>			
Interest and Fees on Loans	\$ 112,084	\$ 91,745	\$ 86,202
Interest on Federal Funds Sold and Other Short-term Investments	308	134	74
Interest and Dividends on Securities:			
Taxable	12,398	10,898	9,638
Non-taxable	8,959	8,253	7,451
TOTAL INTEREST INCOME	133,749	111,030	103,365
<b>Interest Expense</b>			
Interest on Deposits	13,625	7,094	5,187
Interest on FHLB Advances and Other Borrowings	5,514	4,027	3,274
TOTAL INTEREST EXPENSE	19,139	11,121	8,461
NET INTEREST INCOME	114,610	99,909	94,904
Provision for Loan Losses	2,070	1,750	1,200
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	112,540	98,159	93,704
<b>Non-Interest Income</b>			
Trust and Investment Product Fees	6,680	5,272	4,644
Service Charges on Deposit Accounts	7,044	6,178	5,973
Insurance Revenues	8,330	7,979	7,741
Company Owned Life Insurance	1,243	1,341	987
Interchange Fee Income	7,278	4,567	3,627
Other Operating Income	2,785	2,641	3,703
Net Gains on Sales of Loans	3,004	3,280	3,359
Net Gains on Securities	706	596	1,979
TOTAL NON-INTEREST INCOME	37,070	31,854	32,013
<b>Non-Interest Expense</b>			
Salaries and Employee Benefits	51,306	46,642	43,961
Occupancy Expense	7,735	6,609	6,297
Furniture and Equipment Expense	3,142	2,621	2,261
FDIC Premiums	1,033	954	1,151
Data Processing Fees	6,942	4,276	5,686
Professional Fees	5,362	2,817	3,672
Advertising and Promotion	3,492	3,543	2,657
Intangible Amortization	1,752	942	1,062
Other Operating Expenses	12,789	9,399	9,840
TOTAL NON-INTEREST EXPENSE	93,553	77,803	76,587
Income before Income Taxes	56,057	52,210	49,130
Income Tax Expense	9,528	11,534	13,946
<b>Net Income</b>	<b>\$ 46,529</b>	<b>\$ 40,676</b>	<b>\$ 35,184</b>
Basic Earnings per Share	\$ 1.99	\$ 1.77	\$ 1.57
Diluted Earnings per Share	\$ 1.99	\$ 1.77	\$ 1.57
Dividends per Share	\$ 0.60	\$ 0.52	\$ 0.48



# Board of Directors



Zachary W. Bawel



Lonnie D. Collins



Christina M. Ernst



Marc D. Fine



Jason M. Kelly



U. Butch Klem



J. David Lett



Lee A. Mitchell



Chris A. Ramsey



M. Darren Root



Mark A. Schroeder



Thomas W. Seger

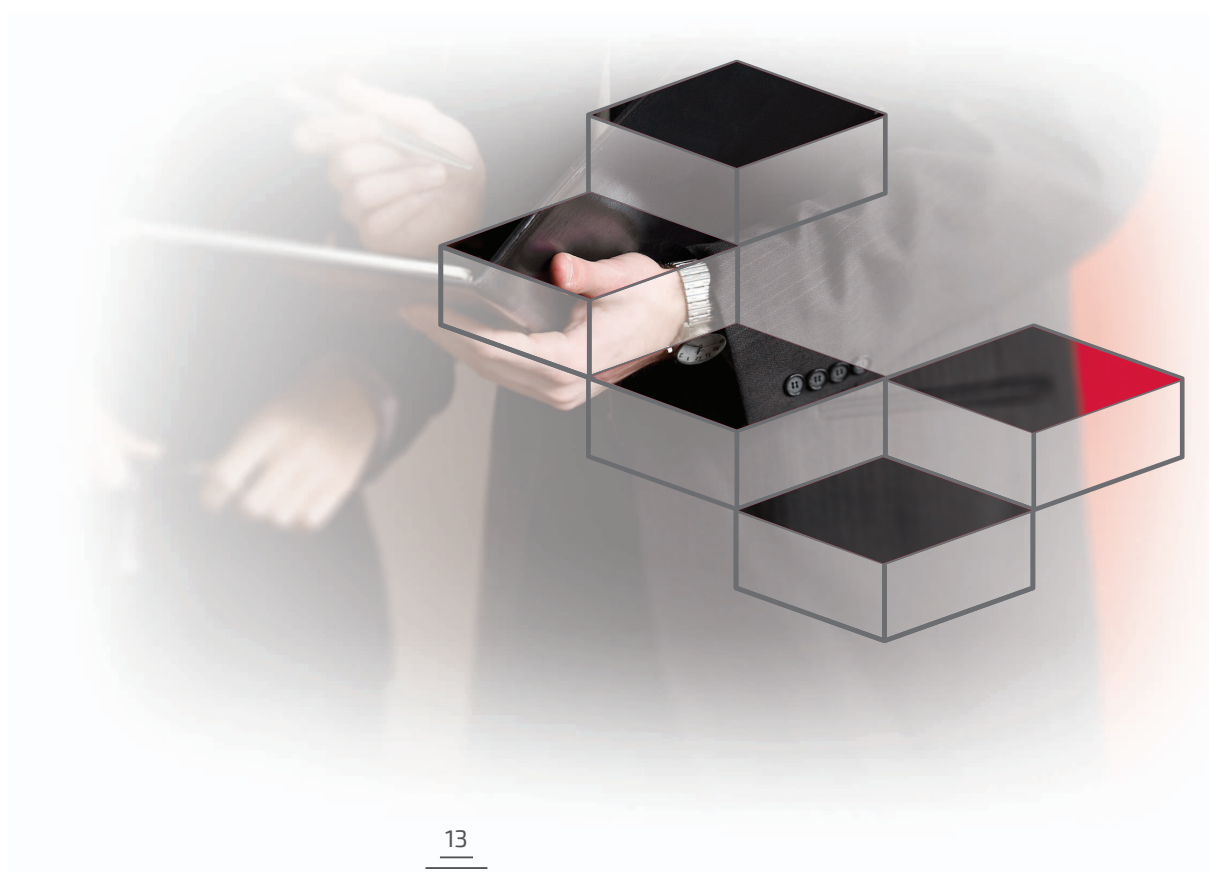


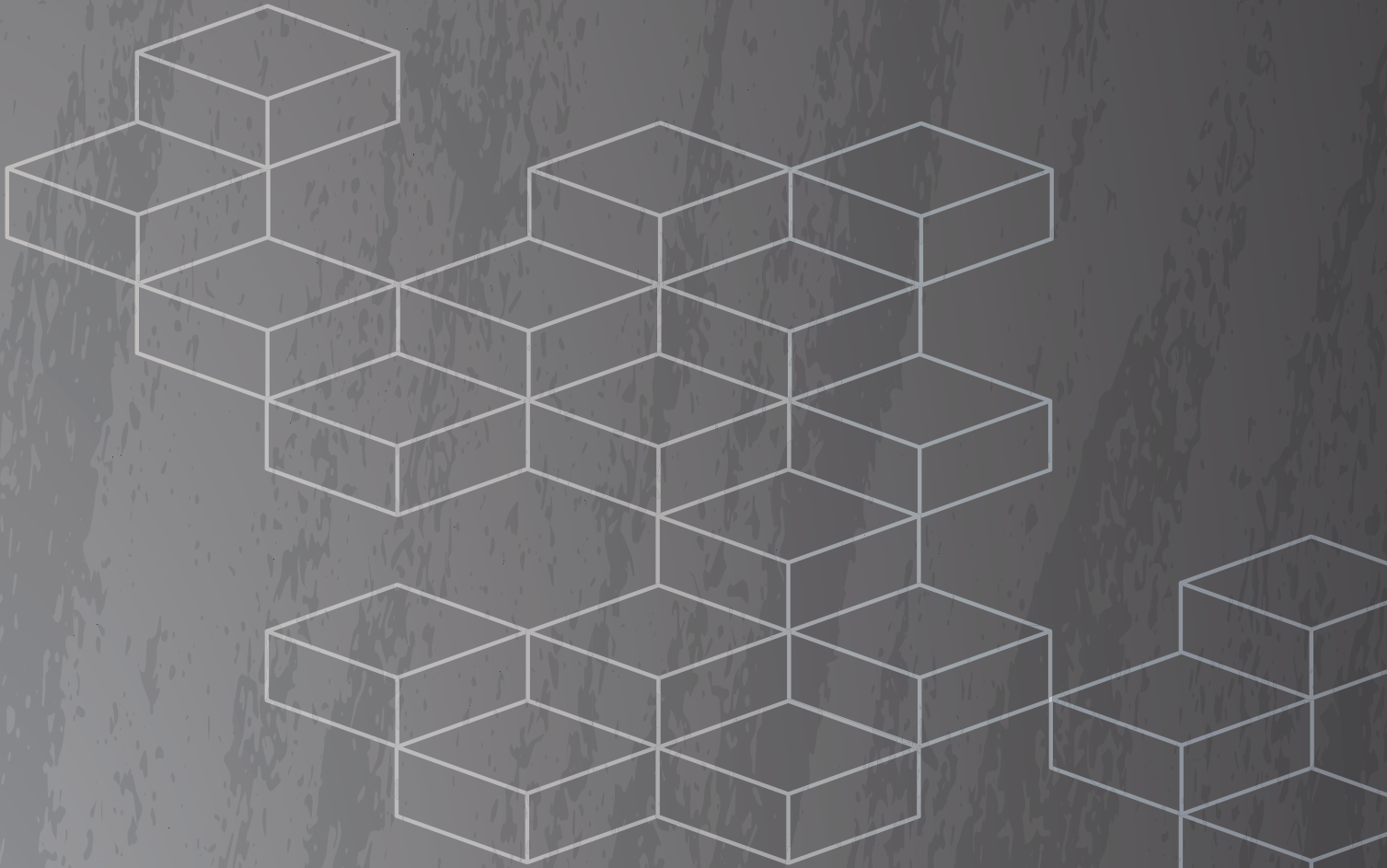
Raymond W. Snowden



## 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, 2019, and we do not promise anyone that it will be updated for changes or events after that date.





**German American Bancorp, Inc.**

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Cover photos from 2018 brand expansion  
into the Commonwealth of Kentucky.