

GERMAN AMERICAN BANCORP  
Form DEF 14A  
March 29, 2005

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934  
(Amendment No. \_\_)

Filed by the Registrant  [ X ]

Filed by a Party other  
than the Registrant  [ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement  
 [ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
 [ X ] Definitive Proxy Statement  
 [ ] Definitive Additional Materials  
 [ ] Soliciting Material Pursuant to Rule 14a-12

GERMAN AMERICAN BANCORP  
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

[ X ] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
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- 2) Form Schedule or Registration Statement No.:
- 3) Filing Party:
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**GERMAN AMERICAN BANCORP**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD APRIL 28, 2005**

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The Annual Meeting of Shareholders (the Annual Meeting ) of German American Bancorp (the Corporation ) will be held at the Corporate Offices of the Corporation, 711 Main Street, Jasper, Indiana 47546, on Thursday, April 28, 2005, at 10:00 a.m., Jasper time, for the following purposes:

1. To elect four directors to hold office until the Annual Meeting of Shareholders in the year 2008 and until their successors are elected and have qualified.
2. To transact such other business as may properly come before the meeting.

Holders of record of Common Shares of the Corporation at the close of business on March 1, 2005, are entitled to notice of and to vote at the Annual Meeting.

**SHAREHOLDERS ARE INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. ALL SHAREHOLDERS, EVEN IF THEY PLAN TO ATTEND THE ANNUAL MEETING, ARE REQUESTED TO COMPLETE, SIGN AND DATE THE ACCOMPANYING PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.**

**By Order of the Board of Directors**

**KENNETH L. SENDELWECK**  
**Secretary**

March 31, 2005  
Jasper, Indiana

**(ANNUAL REPORT ON FORM 10-K ENCLOSED)**

### **PROXY STATEMENT**

#### **ANNUAL MEETING OF SHAREHOLDERS OF GERMAN AMERICAN BANCORP**

**April 28, 2005**

This Proxy Statement is being furnished to shareholders on or about March 31, 2005, in connection with the solicitation by the Board of Directors (the Board ) of German American Bancorp (the Corporation ), 711 Main Street, Jasper, Indiana 47546, of proxies to be voted at the Annual Meeting of Shareholders (the Annual Meeting ) to be held at 10:00 a.m., Jasper time, on Thursday, April 28, 2005, at the principal executive offices of the Corporation, 711 Main Street, Jasper, Indiana 47546.

At the close of business on March 1, 2005, the record date for the Annual Meeting as set by the Board, there were 10,900,948 common shares of the Corporation outstanding and entitled to vote at the Annual Meeting (the Common Shares ). On all matters, including the election of directors, each shareholder will have one vote for each share held.

If the enclosed form of proxy is executed and returned, it may nevertheless be revoked at any time insofar as it has not been exercised. The proxy may be revoked by either (a) filing with the Secretary (or other officer or agent of the Corporation authorized to tabulate votes) (i) a written instrument revoking the proxy or (ii) a subsequently dated proxy, or (b) attending the Annual Meeting and voting in person. Unless revoked, the proxy will be voted at the Annual Meeting in accordance with the instructions of the shareholder as indicated on the proxy. If no instructions are given, the shares will be voted as recommended by the Board.

**PROPOSAL 1**  
**ELECTION OF DIRECTORS**

The Board is divided into three classes, as nearly equal in number as possible, with the terms of the members of one class expiring each year. At the Annual Meeting, shareholders will consider the election of four directors, each to serve a three-year term that will expire at the annual meeting of shareholders in 2008, or such later time as their successors are elected and have qualified. Immediately after the election of directors at the Annual Meeting, the Board will consist of 12 members. Each director will be elected by a plurality of the votes cast in the election. Shares represented but not voted for any nominee shall not affect the determination of whether a nominee has received a plurality of the votes cast.

**Nominees**

It is the intention of the persons named in the accompanying form of proxy to vote such proxy for the election to the Board of the following nominees: Christina M. Ernst, Gene C. Mehne, Larry J. Seger and Mark A. Schroeder.

**THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE FOR ALL  
OF THESE NOMINEES (ITEM 1 ON THE PROXY).**

Each nominee has indicated that he or she will accept nomination and election as a director. If, however, any such person is unable or unwilling to accept nomination or election, it is the intention of the Board to nominate such other person as a director as it may in its discretion determine, in which event the shares subject to the proxy will be voted for that person.

The following table presents certain information as of February 15, 2005, regarding (a) the current directors of the Corporation, including the four nominees proposed by the Board for election at the Annual Meeting and one director (Mr. Ruckriegel) who will retire from the Board at the Annual Meeting, and (b) those executive officers of the Corporation who are not also directors. Unless otherwise indicated in a footnote, the principal occupation of each such person has been the same for the last five years and such person possesses sole voting and investment powers with respect to the shares indicated as beneficially owned by him. Unless specified otherwise, each director and executive officer is deemed to share voting and investment powers over shares indicated as held by a spouse, children or other family members residing with him or her or by partnerships or corporations with which he or she is associated. None of the persons named below beneficially owned, as of February 15, 2005, one percent or more of the Common Shares, except for Mr. Buehler (4.3%); Mr. Hoffman (1.2%); Mr. Lett (2.2%); and Mr. Ruckriegel (3.7%). The directors and executive officers as a group beneficially owned 16.1% of the Common Shares as of February 15, 2005. The Board has determined that each of its members, other than Mr. Schroeder, is an independent director as that term is defined by the listing standards of The Nasdaq Stock Market, Inc. ( NASDAQ ).

2

<b>Name, Present Principal Occupation and Age</b>	<b>Director Since<sup>1</sup></b>	<b>Term Expires at Annual Meeting in</b>	<b>Common Shares Beneficially Owned<sup>2</sup></b>
<b>Directors:</b>			
<b>Mark A. Schroeder*</b> President and Chief Executive Officer of the Corporation <sup>4</sup> Age 51	1991	2005	45,637 <sub>3</sub>
<b>Douglas A. Bawel</b> President and Chief Executive Officer, Jasper Engines & Transmissions <sup>5</sup> Age 49	2004	2007	601

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE FOR ALL OF THESE NOMINEES (ITEM 1 ON THE PROXY)

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<b>Name, Present Principal Occupation and Age</b>	<b>Director Since<sup>1</sup></b>	<b>Term Expires at Annual Meeting in</b>	<b>Common Shares Beneficially Owned<sup>2</sup></b>
<b>David G. Buehler</b> Chief Executive Officer of Buehler Foods, Inc. Age 65	1984	2006	472,285 <sub>6</sub>
<b>Christina M. Ernst*</b> Chairman and President, Miller Construction Company, Inc. (electrical contractor) Age 55	2004	2005	5,237 <sub>7</sub>
<b>William R. Hoffman</b> Retired Farmer; Director of Patoka Valley Feeds, Inc. Age 67	1986	2007	128,233 <sub>8</sub>
<b>U. Butch Klem</b> President and Chief Executive Officer, U.B. Klem Furniture Company Age 54	2004	2006	96,166 <sub>9</sub>
<b>J. David Lett</b> Attorney, Lett & Jones <sup>11</sup> Age 52	2000	2007	244,555 <sub>10</sub>
<b>Gene C. Mehne*</b> President and Manager, Mehne Farms, Inc. Age 60	1979	2005	19,230 <sub>12</sub>

3

<b>Name, Present Principal Occupation and Age</b>	<b>Director Since<sup>1</sup></b>	<b>Term Expires at Annual Meeting in</b>	<b>Common Shares Beneficially Owned<sup>2</sup></b>
<b>Robert L. Ruckriegel</b> President, B. R. Associates, Inc. (restaurants) Age 69	1983	2005	405,051 <sub>13</sub>
<b>Larry J. Seger*</b> President, Wabash Valley Produce, Inc. (egg and turkey production) Age 54	1990	2005	88,214 <sub>14</sub>
<b>Joseph F. Steurer</b> Chairman of the Board, JOFCO, Inc. (office furniture) Age 68	1983	2006	55,085 <sub>15</sub>
<b>Chet L. Thompson</b> President, Thompson Insurance, Inc. Age 67	1997	2007	30,472 <sub>16</sub>

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE FOR ALL OF THESE NOMINEES (ITEM # ON TH

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Name, Present Principal Occupation and Age	Director Since <sup>1</sup>	Term Expires at Annual Meeting in	Common Shares Beneficially Owned <sup>2</sup>
<b>Michael J. Voyles</b> President, Voyles Supermarket, Inc., and M.J.V. Inc. Age 56	1998	2006	65,562 <sup>17</sup>
<b>Executive Officers Who Are Not Directors:</b>			
<b>Clay W. Ewing</b> Executive Vice President - Banking <sup>19</sup> Age 49	----	----	21,306 <sup>18</sup>
<b>Stan J. Ruhe</b> Executive Vice President - Credit Administration Age 53	----	----	23,994 <sup>20</sup>
<b>Bradley M. Rust</b> Senior Vice President - Accounting and Finance <sup>22</sup> Age 38	----	----	7,109 <sup>21</sup>
<b>Kenneth L. Sendelweck</b> President/Chief Executive Officer of The German American Bank <sup>24</sup> Age 50	----	----	30,358 <sup>23</sup>
			1,739,095 <sup>25</sup>

All directors and executive officers of the Corporation as a group (17 persons)

\* Designates Nominee for Director

<sup>1</sup> Includes service on the board of directors of The German American Bank, the original bank subsidiary of the Corporation, prior to the organization of the Corporation. Does not include prior service on the board of directors of any other bank subsidiary prior to the date that such bank became a subsidiary of the Corporation.

<sup>2</sup> Common Shares Beneficially Owned includes shares that the indicated individual had the right to purchase by exercise of stock options on February 15, 2005, but only to the extent that such right was presently exercisable as of February 15, 2005, or would become exercisable within 60 days thereafter.

<sup>3</sup> Includes 9,253 shares held jointly by Mr. Schroeder and his wife and 12,515 shares Mr. Schroeder has the right to purchase upon the exercise of stock options.

<sup>4</sup> Mr. Schroeder has served as a Director of The German American Bank since 1991 and a director of each of the other subsidiaries since acquisition by the Corporation. In 2004, Mr. Schroeder was appointed to be a Director of American Community Bancorp, Inc., a publicly-held corporation that owns the Bank of Evansville, Evansville, Indiana.

<sup>5</sup> Mr. Bawel also serves as a Director of Steel Technologies, Inc., a publicly-held corporation.

<sup>6</sup> Includes 9,609 shares held jointly by Mr. Buehler and his wife; 12,899 shares held by the David G. Buehler Charitable Trust; 436,802 shares held by Buehler Foods, Inc., of which Mr. Buehler is Chief Executive Officer and majority shareholder; and 6,801 shares that Mr. Buehler has the right to purchase upon the exercise of stock options.

<sup>7</sup> Includes 519 shares held by Mrs. Ernst's spouse.

<sup>8</sup> Includes 35,024 shares owned by Mr. Hoffman's wife and 6,801 shares that Mr. Hoffman has the right to purchase upon the exercise of stock options.

- 9 Includes 19,745 shares owned jointly by Mr. Klem and his wife; 24,285 shares owned by Mr. Klem's wife; and 16,534 shares held by U.B. Klem Furniture Company, of which Mr. Klem is President and Chief Executive Officer.
- 10 Includes 833 shares held jointly by Mr. Lett and his wife; 1,793 shares owned by Mr. Lett's wife; 229,293 shares held by the estate of Mr. Lett's mother; and 4,310 shares that Mr. Lett has the right to purchase upon the exercise of stock options.
- 11 Lett & Jones represents the Union Banking Division of Peoples Bank, a subsidiary of the Corporation, as legal counsel.
- 12 Includes 3,157 shares owned by Mr. Mehne's wife; 1,778 shares held by the Mehne Farms, Inc. qualified plan; and 6,801 shares that Mr. Mehne has the right to purchase upon the exercise of stock options.
- 13 Includes 57,524 shares owned by Mr. Ruckriegel's wife, Lovella Ruckriegel; 5,553 shares held in the Robert Ruckriegel 2003 GRAT and 18,924 shares held in the Lovella Ruckriegel 2003 GRAT; 181,187 shares held by a limited partnership controlled by Mr. Ruckriegel and his wife; and 6,801 shares that Mr. Ruckriegel has the right to purchase upon the exercise of stock options.
- 14 Includes 8,610 shares held jointly by Mr. Seger and his wife; 117 shares held jointly by Mr. Seger and his son; 37,785 shares owned by certain corporations of which Mr. Seger is a shareholder and an executive officer of their retirement plans; and 6,801 shares that Mr. Seger has the right to purchase upon the exercise of stock options.
- 15 Includes 8,330 shares held in trust by Mr. Steurer's wife; and 6,801 shares that Mr. Steurer has the right to purchase upon the exercise of stock options.
- 16 Includes 7,475 shares owned by Mr. Thompson's wife; 8,243 shares held jointly by Mr. Thompson and his wife; and 6,801 shares that Mr. Thompson has the right to purchase upon the exercise of stock options.
- 17 Includes 2,831 shares held jointly by Mr. Voyles and his wife; 35,461 shares held by a generation skipping trust of which Mr. Voyles is trustee; and 6,801 shares that Mr. Voyles has the right to purchase upon the exercise of stock options.
- 18 Includes 8,650 shares that Mr. Ewing has the right to purchase upon the exercise of stock options.
- 19 Mr. Ewing has served as Executive Vice President - Banking since May 1999 and as a director of First American Bank, a subsidiary of the Corporation, since May 1999. Mr. Ewing was President and Chief Executive Officer of First State Bank, Southwest Indiana (First State Bank), a subsidiary of the Corporation, from 1994 until March 2001, and has continued since that date as First State Bank's Chairman of the Board.
- 20 Includes 8,177 shares that Mr. Ruhe has the right to purchase upon the exercise of stock options.
- 21 Includes 5,447 shares held jointly by Mr. Rust and his wife and 1,662 shares that Mr. Rust has the right to purchase upon the exercise of stock options.
- 22 Mr. Rust has served as Senior Vice President of the Corporation - Accounting and Finance, since April 2002, and in that capacity has functioned as the Corporation's principal accounting officer since April 2002 and as the Corporation's principal financial officer since January 2003. From September 1999 until April 2002, Mr. Rust had served as Vice President and Controller of the Corporation.

5

- 23 Includes 7,640 shares held jointly by Mr. Sendelweck and his wife; and 11,380 shares that Mr. Sendelweck has the right to purchase upon the exercise of stock options.
- 24 Mr. Sendelweck has been President, Chief Executive Officer and a director of The German American Bank, a subsidiary of the Corporation, since May 1999. Mr. Sendelweck is also Secretary/Treasurer of the Corporation, a position that he has held since May 2000, and Chairman/Secretary of German American Financial Advisors & Trust Company, a subsidiary of the Corporation, a position that he has held since July 2002.
- 25 Includes 101,102 shares that the directors and named executive officers of the Corporation have the right to acquire upon the exercise of stock options that were exercisable at February 15, 2005 or that were scheduled to become exercisable within 60 days thereafter, and 1,186,651 shares as to which voting and/or investment powers were shared by members of the group with spouses or others.

#### **Subsidiary Board Memberships**

Certain members of the Board also serve on the board of directors of one or more of the Corporation's subsidiaries as follows: Mr. Schroeder, all subsidiary Boards of Directors; Messrs. Buehler, Hoffman, Mehne, Ruckriegel, Seger and Steurer, The German American Bank Board of Directors; Mr. Voyles, Citizens State Bank Board of Directors; Messrs. Lett and Thompson, Peoples Bank Board of Directors; and Mrs. Ernst, First American Bank Board of Directors.

**Committees and Attendance**

The Board held eleven meetings during 2004. All of the directors, except Mr. Bawel, attended at least 75% of the aggregate number of meetings of the Board and the committees on which he or she served during 2004.

The Corporation has standing audit, compensation and nominating committees:

The Audit Committee, presently consisting of Directors Hoffman, Mehne, Steurer and Thompson, met five times in 2004. Each of the members of the Audit Committee is an independent director, as that term is defined by NASDAQ listing standards, and satisfies the additional independence requirements specified by those listing standards for audit committee members. The Audit Committee oversees the Corporation's accounting and financial reporting processes and the audits of the Corporation's financial statements.

The Corporation's Human Resources Committee, presently consisting of Directors Steurer, Buehler, Ruckriegel and Seger, met three times during 2004. The Human Resources Committee sets compensation for officers of the Corporation other than its executive officers, and makes recommendations to the Board with respect to the compensation of the Corporation's executive officers. The Corporation's Stock Option Committee, presently consisting of Directors Steurer and Seger, did not meet, but instead took action by written consent four times during 2004. The Stock Option Committee makes grants of options and other equity awards under the Corporation's 1999 Long-Term Equity Incentive Plan.

The Governance/Nominating Committee, presently consisting of Directors Seger, Hoffman, Lett, Buehler and Voyles, met four times in 2004. The Governance/ Nominating Committee assists the Board with respect to the composition, performance and functioning of the Board (including the recommendation of nominees for election or appointment to the Board) and the effectiveness of the Corporation's corporate structure and governance.

Each of the members of the Human Resources Committee, the Stock Option Committee and the Governance/Nominating Committee is an independent director, as that term is defined by the revised listing standards of NASDAQ.

**Director Nominations Process**

In March 2004, the Board adopted a charter for the Governance/Nominating Committee. The charter directs the Governance/Nominating Committee to evaluate candidates for nomination by the Board for election to the Board, and specifies that the Board will consider for nomination for election to the Board only those candidates who are recommended for nomination by the Governance/Nominating Committee. A current copy of the charter is available for review by shareholders in the Investors section of the Corporation's web site, [www.germanamericanbancorp.com](http://www.germanamericanbancorp.com).

6

The charter provides that, in evaluating candidates for membership on the Board, the Governance/Nominating Committee shall consider favorably those candidates who, in the Governance/Nominating Committee's judgment, (a) possess demonstrated business and financial judgment, strategic thinking, general management experience or perspective, leadership, experience in industry with comparable complexities, general knowledge of financial services industry, and familiarity with local, state, regional and national issues affecting business; (b) have a background that serves the Board's interest in a membership comprised of individuals with varied occupational experience and perspective; (c) have sufficient time to devote to the Corporation's business; (d) possess the highest moral and ethical character and agree to uphold and assure compliance of the Corporation's Code of Business Conduct; (e) have a history of community involvement and civic-mindedness; (f) are not engaged (directly or indirectly) in any activity adverse to, and do not serve on the board of directors of (or have any material ownership interest in), any other company whose interests are adverse to, or in conflict with, the Corporation's interests; and (g) possess the ability to oversee, as a director, the business and affairs of the Corporation for the benefit of all constituencies of the Corporation.

The charter further specifies that, in connection with each annual meeting of shareholders, the Governance/Nominating Committee will consider candidates (based on individual qualifications and the needs of the Board as determined from time to time by the Governance/Nominating Committee) that have been recommended by shareholders for nomination at the annual meeting, if the recommendations are submitted by letter addressed to the attention of the Chairman of the Governance/Nominating Committee in care of the Secretary of the Corporation, mailed by registered or certified mail (return receipt requested), and received by the Secretary at the Corporation's principal executive offices on or before December 1 of the year preceding the annual meeting for which the recommendation is made.

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In addition to considering candidates who are recommended by shareholders, the Governance/Nominating Committee will meet from time to time with members of the Board, including the chief executive officer and other officers who may be members of the Board, and with other executive officers of the Corporation with a view to identifying persons who may be qualified to serve on the Board. The charter specifies that the Governance/Nominating Committee may also in its discretion engage a third-party search firm to assist in identifying and evaluating potential candidates. All candidates (regardless of whether identified through shareholder recommendations) shall be evaluated according to the same standards, except that (a) incumbent directors who are standing for re-election may receive preference on account of their prior experience with the business and affairs of the Corporation, and (b) candidates who may be considered for election to the Board pursuant to any understanding or agreement negotiated by the Corporation with any third party may receive preference in accordance with the special terms of such understanding or agreement.

The charter provides that the Governance/Nominating Committee shall not recommend any candidate to the Board as a nominee for election as director unless such candidate (a) will be at least 25 years of age at the time of election, (b) will not serve, at the time of election, as a director of more than two other companies that file reports with the Securities and Exchange Commission under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, (c) in the judgment of the members of the Governance/Nominating Committee, has the ability to read and understand fundamental financial statements, including a balance sheet, income statement, and cash flow statement, (d) has not been involved in any legal proceedings of the type described by Item 401(f) of Regulation S-K of the Securities and Exchange Commission which legal proceedings would be disclosable in the Corporation's next proxy statement, and (e) will satisfy the director qualification requirements established from time to time by the Corporation's Bylaws, unless the Governance/Nominating Committee has determined that it would be in the best interests of the Corporation for the Board to waive such Bylaws qualification requirements in respect of that particular candidate. In addition, the charter provides that the Governance/Nominating Committee shall consider candidates with a view to ensuring that at least two thirds of the members of the Board (assuming that all candidates recommended by the Governance/Nominating Committee are elected to the Board) will, as a result of prior service on the Board or otherwise, have business experience in the banking, insurance, or securities industries.

7

Acting pursuant to its charter, the Governance/Nominating Committee in September 2004 recommended the election of (and the Board so elected) Douglas A. Bawel, U. Butch Klem and Christina M. Ernst to fill newly-created vacancies on the Board, for terms expiring in various years. Each of these individuals was recommended to the Governance/Nominating Committee by members of the Board who were not executive officers and by its Chief Executive Officer. Ms. Ernst's initial term expires at the Annual Meeting and the recommendation that she be elected by the shareholders for a new three-year term was made by the entire Governance/Nominating Committee on its own motion as part of its review of the candidacy of the incumbent directors whose terms expired at the Annual Meeting.

### **Compensation of Directors**

The Corporation compensates its directors for their service to the Corporation and the Corporation's subsidiary banks through annual retainers paid in cash and stock options (which are earned regardless of the number of meetings held or attended, and regardless of committee membership or attendance) and attendance fees (paid for meetings attended). In payment of the annual retainers for the year that commenced at the annual organization meeting of the Board in 2004, the Corporation (a) awarded each of its directors, including Mr. Schroeder, an option to purchase 1,000 Common Shares exercisable for ten years at an exercise price of \$16.26 per share, which was not less than the market value of the stock at the date of grant, and (b) paid each of its directors, including Mr. Schroeder, a cash payment of \$13,500. The Corporation paid the three directors who were appointed in September 2004 a pro rata portion of the annual cash retainer payment based on the number of months remaining until the 2005 annual organization meeting of the Board, but did not award them any stock option for their service during the partial year. Directors are paid an additional \$500 for each meeting of the Board that they attend.

All of the members of the Board (except Mr. Bawel and Mr. Klem) served on the board of directors of at least one of the subsidiary banks during 2004, as disclosed above under Subsidiary Board Memberships. Each of such directors (other than Mr. Schroeder, who as a salaried employee of the Corporation was ineligible) received additional compensation for his service to such subsidiaries during 2004 in the form of fees for meetings actually attended of \$500. Mrs. Ernst received additional compensation for her services to First American Bank during 2004 prior to her joining the Corporation's Board on the same basis as other directors of First American Bank (who were not also directors of the Corporation) were compensated. Following Mrs. Ernst's joining the Board of the Corporation in September 2004, First American Bank paid her only the Board meeting fee described above for her services to First American Bank.

### **Communication with Directors and Director Attendance at Annual Meetings**



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The Board in March 2004 adopted a procedure by which shareholders may send communications to the Board. A copy of that procedure is available for review by shareholders in the Investors section of the Corporation's web site, [www.germanamericanbancorp.com](http://www.germanamericanbancorp.com). Further, the Board in March 2004 adopted a resolution that declares that it is the policy of this Board that all members of the Board, regardless of whether they are standing for re-election at any such meeting, are strongly encouraged to attend each annual meeting of the shareholders of the Corporation that occurs during their tenure on the Board. All of the members of the Board who were then in office attended the 2004 Annual Meeting of Shareholders.

### PRINCIPAL ACCOUNTANT FEES AND SERVICES

**Audit Fees.** The Corporation has paid, or expects to pay, fees (including cost reimbursements) to Crowe Chizek and Company LLC ( Crowe Chizek ) for the audit of the Corporation's consolidated financial statements for the calendar years 2004 and 2003, the integrated audit over internal controls as required under Section 404 of the Sarbanes-Oxley Act applicable in 2004, and the review of the interim consolidated financial statements included in quarterly reports during the years 2004 and 2003 of \$230,000 for 2004 and \$105,000 for 2003.

**Audit-Related Fees.** The Corporation has paid, or expects to pay, fees (including cost reimbursements) to Crowe Chizek for audit-related services rendered during 2004 and 2003 of \$26,225 for 2004 and \$29,700 for 2003. These services included employee benefit plan audits, Federal Home Loan Bank collateral verification audit procedures, reading press releases of the Corporation, participating in meetings of the Corporation's Disclosure Committee and assistance with various accounting and reporting matters.

8

**Tax Fees.** The Corporation has paid, or expects to pay, fees (including cost reimbursements) to Crowe Chizek for tax services rendered during 2004 and 2003 of \$49,985 for 2004 and \$44,860 for 2003. For both years, these services included tax return preparation, employee benefit plan information return preparation, and assistance with tax reporting matters. For 2004, these services also included assistance with a 2004 Indiana Department of Revenue audit. For 2003, these services also included preparation of amended tax returns and assistance with a cost segregation study relative to a new building.

**Other Fees.** The Corporation has paid, or expects to pay, fees (including cost reimbursements) to Crowe Chizek for all other services rendered during 2004 and 2003 of \$144,528 for 2004 and \$94,346 for 2003. For 2004, these services included consulting services related to compliance with Sarbanes-Oxley Section 404, consultation regarding the CEO/CFO certification of SEC filings, and a marketing customer information file (MCIF) software maintenance agreement. For 2003, these services included permitted internal audit outsourcing (representing completion of the 2002 engagement), assistance with capital planning, MCIF software maintenance agreement, assistance with the 2002 proxy statement stock performance graph, and consultation regarding potential acquisitions.

**Pre-Approval by Audit Committee of Principal Accountant Services.** The Audit Committee of the Board (or a member of the Audit Committee acting under authority delegated to him by the Audit Committee) approves in advance all services proposed to be performed for the Corporation or its subsidiaries by any independent registered public accounting firm that performs (or proposes to perform) audit, review or attest services for the Corporation or its subsidiaries. Under these SEC rules, the requirement for advance Audit Committee approval of services (other than audit, review or attest services) is waived if they were not recognized to be non-audit services at the time that the independent registered public accounting firm was engaged to provide those services, and certain other conditions are satisfied. Since the date of adoption of a pre-approval requirement by the Audit Committee in March 2003, none of the services of Crowe Chizek that were covered by the fees described above were performed without the prior approval of the Audit Committee (or the prior approval of a member of the Audit Committee acting under delegated authority) in reliance upon this waiver provision of the SEC rules.

### REPORT OF THE AUDIT COMMITTEE

The Audit Committee functions under a written charter that was amended and restated by the Board on March 2, 2004. The charter states that the purpose of the Audit Committee is to oversee the Corporation's accounting and financial reporting processes and the audits of the Corporation's financial statements. It is not, however, the Audit Committee's responsibility under the charter to prepare and certify the Corporation's financial statements, to guarantee the independent registered public accounting firm's report, or to guarantee other disclosures by the Corporation. Audit Committee members are not employees of the Corporation and are not performing the functions of auditors or accountants.

### **Independence of Audit Committee Members**

The Audit Committee is comprised of four members of the Board. All of the members of the Audit Committee are independent, as that term is defined by NASDAQ listing requirements that are applicable to the members of the Corporation's Audit Committee.

### **Review with Management and Independent Accountants**

Management is responsible for the Corporation's internal controls and its accounting and financial reporting processes. The independent registered public accounting firm is responsible for performing an audit of the Corporation's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and to issue a report thereon. The Audit Committee's responsibility is to oversee these processes.

In this context, the Audit Committee has met and held discussions with management and with Crowe, Chizek and Company LLC, the independent registered public accounting firm for the Corporation, with respect to the Corporation's consolidated financial statements for the calendar year 2004. Management represented to the Audit Committee that the Corporation's consolidated financial statements as of and for the year ended December 31, 2004 were prepared in accordance with U.S. generally accepted accounting principles, and the Audit Committee has reviewed and discussed these consolidated financial statements with management. The Audit Committee discussed with the independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards No. 61 (*Communication with Audit Committees*).

9

The independent registered public accounting firm also provided to the Audit Committee the written disclosures required by Independence Standards Board No. 1 (*Independence Discussions with Audit Committees*), and the Audit Committee discussed with the independent registered public accounting firm that firm's independence. The Audit Committee also considered whether the independent registered public accounting firm's provision of non-audit services to the Corporation is compatible with maintaining that firm's independence.

Based upon the discussions and reviews referred to above, the Audit Committee has recommended to the Board that the financial statements referred to above be included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2004.

SUBMITTED BY THE MEMBERS OF THE AUDIT COMMITTEE:

William R. Hoffman, Chairman  
Gene C. Mehne  
Joseph F. Steurer  
Chet L. Thompson

10

### **EXECUTIVE COMPENSATION**

The following table sets forth information regarding compensation paid for the fiscal years indicated to the Corporation's Chief Executive Officer and to each of the Corporation's other executive officers whose salary and bonus earned during 2004 exceeded \$100,000.

#### **Summary Compensation Table**

##### **Annual Compensation**

Name and Principal Position	Year	Salary	Bonus <sup>1</sup>	Other Annual Compensation	Long Term Compensation Awards	All Other Compensation
					Securities Underlying Options/SARs <sup>2</sup>	
Mark A. Schroeder, President and Chief Executive Officer	2004	\$ 225,000	\$ 43,866	\$ 34,200 <sup>3</sup>	4,975	\$ 14,588 <sup>4</sup>
	2003	\$ 225,000	\$ 35,213	\$ 11,160	6,851	\$ 25,477
	2002	\$ 212,000	\$ 50,244	\$ 7,355	14,565	\$ 24,393
Clay W. Ewing, Executive Vice President - Banking	2004	\$ 135,000	\$ 31,490	\$ 8,582 <sup>5</sup>	6,705	\$ 7,058 <sup>6</sup>
	2003	\$ 130,000	\$ 29,848	\$ 75	6,446	\$ 17,050
	2002	\$ 120,000	\$ 40,500	\$ 70	4,367	\$ 15,098
Stan J. Ruhe, Executive Vice President - Credit Administration	2004	\$ 112,500	\$ 25,185	\$ 6,980 <sup>7</sup>	5,253	\$ 5,770 <sup>6</sup>
	2003	\$ 109,000	\$ 20,568	\$ 105	8,157	\$ 14,784
	2002	\$ 105,000	\$ 38,840	\$ 100	8,814	\$ 13,540
Bradley M. Rust, Senior Vice President - Accounting and Finance <sup>10</sup>	2004	\$ 100,000	\$ 14,406	\$ 5,912 <sup>8</sup>	1,699	\$ 7,608 <sup>9</sup>
	2003	\$ 88,000	\$ 13,200	\$ 55	2,027	\$ 12,971
	2002	\$ 77,404	\$ 25,493	\$ 50	998	\$ 11,143
Kenneth L. Sendelweck, President and Chief Executive Officer of The German American Bank	2004	\$ 135,000	\$ 54,494	\$ 8,371 <sup>11</sup>	5,866	\$ 7,006 <sup>6</sup>
	2003	\$ 130,000	\$ 31,624	\$ 25	7,941	\$ 18,336
	2002	\$ 125,000	\$ 48,350	\$ 25	8,163	\$ 16,834

<sup>1</sup> Represents cash incentive awards that were earned during the indicated year under the Corporation's Executive Management Incentive Plan (see Committee Report on Executive Compensation - Cash Incentive Awards below). These cash incentive awards are generally paid (subject to the executive's continued employment) to the executives in quarterly installments during the year following the year in which they were earned. Also includes for 2004 only a special bonus (representing less than 4% of each employee's base salary or wage) that was paid to all employees and was not part of any incentive program.

<sup>2</sup> Shares underlying stock option grants during each indicated year include those that underlie both new grants made under the Corporation's Executive Management Incentive Plan (see Committee Report on Executive Compensation - Stock Option Awards, below) and replacement options (see note 1 to the table included in Option/SAR Grants in Last Fiscal Year for a description of the Corporation's replacement option program). The numbers of shares underlying options have been retroactively adjusted to reflect subsequent stock dividends and are rounded to the nearest whole share.

<sup>3</sup> Represents \$13,443 paid as a retirement allowance (in lieu of contributions to the Profit Sharing Plan that had been paid in prior years and had been reported under All Other Compensation in prior years proxy statements); director compensation of \$17,500; \$165 as a longevity payment; and \$3,092 of matching contributions under the Nonqualified Savings Plan.

<sup>4</sup> Represents matching contributions of \$8,200 under the 401(k) Plan, and \$6,388 in above-market interest credited on deferred director fees.

11

<sup>5</sup> Represents \$8,502 paid as a retirement allowance (in lieu of contributions to the Profit Sharing Plan paid in prior years and reported under All Other Compensation in prior years proxy statements) and \$80 as a longevity payment.

<sup>6</sup> Represents matching contributions under the 401(k) Plan.

<sup>7</sup> Represents \$6,870 paid as a retirement allowance (in lieu of contributions to the Profit Sharing Plan that had been paid in prior years and had been reported under All Other Compensation in prior years proxy statements) and \$110 as a longevity payment.

<sup>8</sup> Represents \$5,852 paid as a retirement allowance (in lieu of contributions to the Profit Sharing Plan that had been paid in prior years and had been reported under All Other Compensation in prior years proxy statements) and \$60 as a longevity payment.

<sup>9</sup>

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Represents matching contributions of \$4,916 under the 401(k) Plan and \$2,692 under an Executive Supplemental Retirement Income Agreement.

<sup>10</sup> Mr. Rust became Senior Vice President--Accounting and Finance of the Corporation (an executive officer position) in April 2002. Mr. Rust's compensation information included in this Proxy Statement includes all amounts earned by him for services during 2002 in all capacities.

<sup>11</sup> Represents \$8,341 paid as a retirement allowance (in lieu of contributions to the Profit Sharing Plan that had been paid in prior years and had been reported under "All Other Compensation" in prior years' proxy statements) and \$30 as a longevity payment.

### Option/SAR Grants In Last Fiscal Year

The following table presents information on the stock option grants that were made during 2004 to the executive officers pursuant to the German American Bancorp 1999 Long-Term Equity Incentive Plan (the "1999 Plan"). The numbers of options and per share exercise prices have been retroactively adjusted to reflect subsequent stock dividends and fractional shares have been ignored. The potential realizable values set forth in the table are rounded to the nearest dollar and are presented in accordance with SEC requirements and are not intended to forecast possible future appreciation of the Corporation's Common Shares.

<u>Name</u>	<u>Number of Securities Underlying Options/SARs Granted<sup>1</sup></u>	<u>% of Total Options/SARs Granted to Employees in Fiscal Year</u>	<u>Exercise Price</u>	<u>Market Price at Time of Issuance</u>	<u>Expiration Date</u>	<u>Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term</u>	
						<u>5%</u>	<u>10%</u>
Mark Schroeder	2,975 <sup>2</sup>	3.39%	\$17.51	\$17.51	2/15/2009	\$14,392	\$31,802
	1,000 <sup>3</sup>	1.14%	\$16.26	\$16.26	6/1/2014	\$10,225	\$25,914
	1,000 <sup>4</sup>	1.14%	\$17.51	\$17.51	6/3/2007	\$ 2,760	\$ 5,795
Clay Ewing	5,500 <sup>2</sup>	6.27%	\$17.51	\$17.51	2/15/2009	\$26,607	\$58,795
	1,205 <sup>4</sup>	1.37%	\$17.51	\$17.51	7/1/2005	\$ 1,054	\$ 2,109
Stan Ruhe	3,475 <sup>2</sup>	3.96%	\$17.51	\$17.51	2/15/2009	\$16,810	\$37,147
	360 <sup>4</sup>	0.41%	\$17.51	\$17.51	2/15/2006	\$ 646	\$ 1,323
	10 <sup>4</sup>	0.01%	\$17.51	\$17.51	2/15/2007	\$ 27	\$ 57
	1,408 <sup>4</sup>	1.61%	\$17.51	\$17.51	7/1/2005	\$ 1,232	\$ 2,465
Bradley Rust	1,400 <sup>2</sup>	1.60%	\$17.51	\$17.51	2/15/2009	\$ 6,772	\$14,966
	133 <sup>4</sup>	0.15%	\$17.51	\$17.51	2/15/2007	\$ 367	\$ 770
	166 <sup>4</sup>	0.19%	\$17.51	\$17.51	2/15/2006	\$ 297	\$ 610
K. Sendelweck	5,500 <sup>2</sup>	6.27%	\$17.51	\$17.51	2/15/2009	\$26,607	\$58,795
	366 <sup>4</sup>	0.42%	\$17.51	\$17.51	7/1/2005	\$ 320	\$ 640

12

<sup>1</sup> All options granted under the 1999 Plan (including all options granted during 2004 that are described in this table) provide that if an optionee tenders Common Shares already owned by the optionee as payment, in whole or in part, of the exercise price for the Common Shares that the optionee has elected to purchase under the option, then the Corporation is obligated to issue a "replacement option" of the same type (incentive or non-qualified option), with the same expiration date as the option that was exercised, and covering a number of Common Shares equal to the number of Common Shares tendered. The per share exercise price of the replacement option equals the fair market value of a Common Share of the Corporation on the date of exercise of the original option. Replacement options are generally not exercisable for a period of 12 months following the date of grant and are subject to cancellation if during such 12-month period the optionee sells any Common Shares of the Corporation other than in payment of the exercise price of another option under a stock option

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plan or, in the case of replacement options granted during 2004, in connection with the tender of shares in the Corporation's 2004 self tender offer. The 1999 Plan also provides that if a corporate reorganization would result in the termination of the 1999 Plan and unexercised options, then all unexercised options will become immediately exercisable regardless of any vesting requirements.

- <sup>2</sup> These options grants were made to the executive officers by the Stock Option Committee under the Executive Management Incentive Plan, and therefore were not exercisable on the date of grant but become exercisable in accordance with a vesting schedule that permits the holders to exercise 20% of the options granted following the first anniversary of the grant date, with an additional 20% vesting on each of the next four anniversaries.
- <sup>3</sup> This option grant was awarded to Mr. Schroeder by the Board under the annual director retainer program and therefore was exercisable immediately upon granting.
- <sup>4</sup> Signifies replacement options (described by note 1 above).

### Aggregated Option/SAR Exercises In Last Fiscal Year and Fiscal Year-End Option/SAR Values

The following table sets forth information with respect to options exercised during 2004 and the December 31, 2004, values of the holdings of in-the-money options by the named executive officers. An option is considered to be in-the-money if and to the extent that the December 31, 2004, market value of the Common Shares exceeded the applicable option exercise price. (Numbers of options and per share exercise prices have been retroactively adjusted to reflect subsequent stock dividends and are rounded to the nearest dollar).

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Unexercised Options/SARs at Fiscal Year-End (#) Exercisable/ Unexercisable	Value of Unexercised In-the-money Options/ SARs at Fiscal Year-End (\$) Exercisable/ Unexercisable
Mark A. Schroeder	1,174	\$ 3,040	10,921 / 14,815	\$ 15,097 / \$ 7,310
Clay W. Ewing	1,770	\$ 9,878	9,578 / 15,935	\$ 22,609 / \$ 15,851
Stan J. Ruhe Bradley M. Rust	2,582 392	\$ 14,075 1,624	7,699 / 13,885 767 / 3,902	15,675 \$ 0 / \$ 2,381
Kenneth L. Sendelweck	538	\$ 3,002	12,371 / 18,116	\$ 27,002 / \$ 19,184

### Committee Report on Executive Compensation

#### Overall Compensation Policy

The Human Resources Committee of the Board has the responsibility for establishing all compensation for the Corporation's officers, except that (a) the entire Board, by the vote of a majority of its members who are independent as that term is defined by the NASDAQ listing standards, determines, with the recommendation of the Human Resources Committee, the salaries and incentive cash payment awards of the Corporation's executive officers, including the CEO, (b) the Stock Option Committee of the Board makes the awards of any stock options or other grants that may be made to executive officers under the Corporation's 1999 Long Term Equity Incentive Plan, and (c) the grant of options, stock awards, and other compensation to the CEO in his capacity as a member of the Board is determined by the entire Board without recommendation of the Human Resources Committee. The Board did not modify or reject in any material way any action or recommendation of the Human Resources Committee in respect of the compensation of the CEO or any other executive officer for 2004.

The Human Resources Committee is currently composed of four members, all of whom are independent as that term is defined by NASDAQ listing standards. Two of the members of the Human Resources Committee (each of whom is an independent director under NASDAQ listing standards) are also members of the Stock Option Committee.

Consistent with past practice, an independent compensation consulting firm, Hay Group, Inc., was retained by the Corporation to advise the Human Resources Committee and Stock Option Committee on all compensation matters for the year 2004.

The primary goals of the Human Resources Committee and the Stock Option Committee in determining compensation policy are to provide a level of compensation that will attract, motivate and help retain well-qualified executive officers and to further enhance shareholder return by more closely aligning the interests of executive officers with the interests of the Corporation's shareholders. The Human Resources Committee and Stock Option Committee attempt to attain these goals by setting total compensation at competitive levels considering an executive officer's individual performance while also providing effective incentives tied to the Corporation's overall financial performance. The executive compensation program consists of three basic elements: (1) base salary, (2) cash incentive awards, and (3) stock option awards. In addition, during 2004 the Human Resources Committee made available to executive officers an optional nonqualified savings plan.

#### **Base Salary**

The Corporation attempts to provide the executive officers with a base salary that is competitive with the salaries offered by the other bank holding companies of comparable size in Indiana and the surrounding states. For 2004, the Human Resources Committee (without the participation of the CEO) recommended to the entire Board the amount of the base salary of the CEO. The base salaries of the Corporation's other executive officers for 2004 were determined by the Human Resources Committee with recommendations from the CEO.

When the Human Resources Committee determined 2004 salaries, it first determined salary ranges for each executive position based on estimated compensation data provided by the Hay Group, Inc. From this data, the Human Resources Committee established salary ranges for the CEO and each other executive position within the organization for 2004. These salary ranges ranged from 80% to 120% of a midpoint value, which represented approximately the median of the estimated base salaries paid to comparable positions. Within these ranges, the Human Resources Committee determined 2004 base salary for the executive officers in accordance with the guidelines of the Corporation's salary administration program and performance review system.

The Human Resources Committee determined its recommended CEO base salary for 2004 by applying the methodology described in the preceding paragraph. Accordingly, the Human Resources Committee determined a salary range between 80% and 120% of the median estimated 2004 base salary of the CEO's of other Midwest bank organizations. The Human Resources Committee then recommended to the Board that the CEO's 2004 base salary be fixed within that range, and the Board accepted this recommendation. The Human Resources Committee did not act with reference to any specific corporate or individual financial performance measure in recommending the CEO's 2004 base salary.

#### **Cash Incentive Awards**

During 2004, the Corporation continued to maintain an Executive Management Incentive Plan for certain key officers, including the executive officers named in the above Summary Compensation Table. Under this Plan, the Corporation pays additional compensation in the form of annual cash incentive awards and option grants, contingent upon the achievement of certain goals. The Human Resources Committee assigns each officer a scorecard under the Plan, which establishes specific corporate and shareholder-related performance goals balanced by the officer's area of responsibility, his or her business unit, and his or her expected individual level of contribution to the Corporation's achievement of its corporate goals. Cash incentive payments that are authorized to be paid to eligible executive officers under the Executive Management Incentive Plan are payable in quarterly installments during the year following the year in which the services were performed, and are contingent only upon such executive officer's continued employment with the Corporation through the date of payment of each quarterly installment.

In the first quarter of 2005, the Board, upon the recommendation of the Human Resources Committee, determined the cash incentive award amounts payable in 2005 to the executive officers, including the CEO, for their services during 2004, and such amounts are included in the 2004 information in the Summary Compensation Table. The Human Resources Committee's recommendations were based on the Human Resources Committee's assessment of the degree to which the corporate and personal goals established by the 2004 scorecards of the executive officers were achieved. According to the CEO's 2004 scorecard, the CEO's targeted cash incentive payment was equal to 50% of his 2004 base salary (representing a targeted cash payment of \$112,500), and could have been more or less depending upon the extent to which the Human Resources Committee determined that the targeted criteria were exceeded or not satisfied in whole or in part. Under the scorecard, 75% of the targeted cash incentive payment was to be determined by the Corporation's 2004 performance as measured against certain corporate financial targets (relating to return on equity, revenue growth and earnings per share growth), and the remaining 25% was to be determined in the discretion of the Human Resources Committee in view of the CEO's overall performance, without necessarily referring to any objective performance measure. The Corporation did not achieve the level of financial performance required for payout under the financial formula portion of the CEO's scorecard in 2004. The Human Resources Committee, based on its determination that the CEO's personal performance merited payment under the discretionary portion of the targeted cash incentive payment, recommended to the Board that the CEO's 2004 incentive cash award be fixed at 31% of the targeted amount (resulting in a incentive cash award of \$35,213).

Also in the first quarter of 2005, the Board, upon the recommendation of the Human Resources Committee, approved the payment to other executive officers of cash incentive payments based on the discretionary portion of the targeted cash incentive payments established by their respective 2004 scorecards. The Corporation did not achieve the level of consolidated company financial performance required for payout under the financial formula portion of the scorecards of executive officers in 2004.

### **Stock Option Awards**

The Corporation's 1999 Long Term Equity Incentive Plan (the 1999 Plan) provides for the award of incentive and non-qualified stock options and other equity-based awards. The purpose of granting options is to provide long-term incentive compensation to complement the short-term focus of annual cash incentive awards. The exercise price of these stock options is fixed at a price that is equal to or more than the estimated fair market value of a Common Share of the Corporation on the date of grant. The Stock Option Committee administers the 1999 Plan and the Corporation's prior stock option plan.

As part of its duties under the 1999 Plan, the Stock Option Committee considers and approves the grants of new stock options that are earned annually by executive officers under the terms of the Executive Management Incentive Plan. The numbers of shares covered by the new stock option grants awarded each year under the Executive Management Incentive Plan are determined pursuant to the prior year's scorecards. Scorecard target amounts of stock options are established by the Stock Option Committee based upon the executive officer's level of responsibility, and are earned in proportion to the extent to which the Corporation has achieved certain corporate financial targets (relating to return on equity, revenue growth, and earnings per share growth) on an average basis over the three-year period ending in the year for which the scorecard is established. The Stock Option Committee does not vary the number of shares covered by any grant of options to an executive officer that are earned pursuant to the scorecard corporate financial targets established under the Executive Management Incentive Plan based on discretionary factors. New stock option grants made under the Executive Management Incentive Plan terminate on the fifth anniversary of date of grant and become exercisable (subject to continued employment and usual and customary acceleration and forfeiture provisions) in 20 percent increments on each of the five anniversaries of the date of grant.

15

Employees and others who hold options that have been granted under the 1999 Plan and the Corporation's prior stock option plan (including the executive officers of the Corporation) are automatically entitled by the terms of their original options, without the exercise of any discretion by the Stock Option Committee, to receive replacement options if and to the extent that they tender Common Shares of the Corporation in payment of the exercise price of the original options. For a more detailed description of the Corporation's replacement option program, see note 1 to the above table headed Option/SAR Grants in Last Fiscal Year (the Option Grant Table).

During 2004, the Stock Option Committee granted new options to each of the Corporation's executive officers under the Executive Management Incentive Plan, based on the extent to which the scorecard financial targets of the Corporation for the three-year period ended December 31, 2003 were met. Details regarding these 2004 grants (and additional grants of replacement options made during 2004) are included in the above table headed Option/SAR Grants in Last Fiscal Year.

### **Nonqualified Savings Plan**

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Under the German American Bancorp Nonqualified Savings Plan, established in 2004 (the Nonqualified Savings Plan), highly compensated or management employees of the Corporation and its subsidiaries who are specifically designated from time to time by the Human Resources Committee as eligible to participate in the Plan may, through automatic payroll deduction, make employee deferral contributions between 1% and 60% of their regular earnings. The Corporation is obligated to make matching contributions under the following formula: 100% of the first 3% of the participant's eligible compensation contributed to the Nonqualified Savings Plan and the German American Bancorp 401(k) Savings Plan (401(k) Plan) as Deferral Contributions (as defined under the respective plans) for the plan year, plus 50% of the next 2% of the participant's eligible compensation contributed to the Nonqualified Savings Plan and the 401(k) Plan as Deferral Contributions (as defined under the respective plans) for the plan year; provided, however, that in no event may the aggregate employer matching contributions on behalf of any participant in any plan year, considering both the matching contribution under the Nonqualified Savings Plan and any employer matching contribution under the 401(k) Plan, exceed 4% of such participant's eligible compensation, with any excess, if any, reducing the matching contribution under the Nonqualified Savings Plan. As elected by the participant, each participant (or his or her beneficiary) will receive a lump sum or installment distribution from the Nonqualified Savings Plan, beginning upon termination of employment, retirement, early retirement or disability. The Nonqualified Savings Plan contains certain provisions which may accelerate the timing of distributions that would be triggered by certain changes of control of the Corporation. During 2004, the CEO was the only executive officer named in the Summary Compensation Table who elected to defer compensation under the Nonqualified Savings Plan and the Corporation's matching contribution in respect of the CEO's deferral is included in the Summary Compensation Table for 2004.

### SUBMITTED BY THE MEMBERS OF THE HUMAN RESOURCES COMMITTEE:

Joseph F. Steurer, Chairman  
David G. Buehler  
Robert L. Ruckriegel  
Larry J. Seger

### SUBMITTED BY THE MEMBERS OF THE STOCK OPTION COMMITTEE:

Larry J. Seger  
Joseph F. Steurer

### **Compensation Committee Interlocks and Insider Participation**

During 2004, no person other than Joseph F. Steurer, David G. Buehler, Robert L. Ruckriegel or Larry J. Seger served as a member of the Human Resources Committee or of the Stock Option Committee, except George W. Astrike. Mr. Astrike served on the Human Resources Committee until his retirement from the Board at the 2004 Annual Meeting of Shareholders. Mr. Astrike also served as Chairman of the Board of the Corporation until the 2004 Annual Meeting of Shareholders. Mr. Astrike retired from employment as chief executive officer of the Corporation in 1999. For information concerning certain expected real estate lease renewals during 2005 with companies that are affiliated with Mr. Buehler or with Mr. Ruckriegel, see Certain Business Relationships and Transactions, below, which is incorporated herein by reference.

16

### **Stock Performance Graph**

The SEC requires the Corporation to include in this proxy statement a line-graph presentation comparing the Corporation's five-year cumulative total returns with market and industry returns. The following graph compares the Corporation's five-year cumulative total returns with those of the Russell 2000 Stock Index and the Indiana Bank Peer Group. The Indiana Bank Peer Group includes all Indiana-based commercial bank holding companies (excluding companies owning thrift institutions that are not regulated as bank holding companies) that have been in existence as commercial bank holding companies throughout the five-year period ended December 2004, the stocks of which have been traded on an established securities market (NYSE, AMEX, NASDAQ) throughout that five-year period. The returns of each company in the Indiana Bank Peer Group have been weighted to reflect the company's market capitalization.



**Certain Business Relationships and Transactions**

During 2004, the Corporation's bank subsidiaries had (and expect to continue to have in the future) banking transactions in the ordinary course of business with directors, officers and principal shareholders of the Corporation and their associates. These transactions have been made on substantially the same terms, including interest rates, collateral and repayment terms on extensions of credit, as those prevailing at the same time for comparable transactions with others and did not involve more than the normal risk of collectibility or present other unfavorable features.

The Audit Committee of the Board has determined that it would be advantageous for the Corporation to renew, for an additional five-year term, a lease on certain real estate (presently used by a subsidiary of the Corporation) that is owned by a company that is an affiliate of Robert L. Ruckriegel, when the present term of the lease expires in June, 2005. Mr. Ruckriegel is a director of the Corporation (and a member of the Human Resources Committee) who is not standing for reelection at the Annual Meeting. Total monthly rental payments that will become due to Mr. Ruckriegel's affiliated company for the 60 month renewal term will be approximately \$151,000.

17

The Audit Committee of the Board has also determined that it would be advantageous for the Corporation to renew, for an additional five-year term, a lease on certain real estate (presently used by a subsidiary of the Corporation) that is owned by a company that is an affiliate of David G. Buehler, when the present term of the lease expires in July, 2005. Mr. Buehler is a director of the Corporation and a member of its Human Resources Committee. If this lease is renewed, the total monthly rental payments that will become due to Mr. Buehler's affiliated company for the 60 month renewal term will be approximately \$94,500.

**APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Crowe, Chizek and Company LLC ( Crowe Chizek ) served as independent registered public accounting firm for the Corporation with respect to the audit of the Corporation's financial statements for 2004. Representatives of Crowe Chizek will be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

The Audit Committee of the Board, as it will be reconstituted following the Annual Meeting, will be responsible for the appointment, compensation and oversight of the work of the independent registered public accounting firm that will be chosen to audit the Corporation's financial statements for 2005. Since that Committee has not yet been reconstituted, the Corporation has not yet selected the accounting firm that will conduct the 2005 audit.

**PRINCIPAL OWNERS OF COMMON SHARES**

As of March 1, 2005, the Corporation had no knowledge of any shareholder or group of shareholders who beneficially owned more than five percent of the Corporation's outstanding Common Shares.

**SECTION 16(a): BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires the Corporation's directors and executive officers and persons who beneficially own more than ten percent of the Corporation's Common Shares to file with the Securities and Exchange Commission reports showing ownership of and changes in ownership of the Corporation's Common Shares and other equity securities. On the basis of information submitted by the Corporation's directors and executive officers, the Corporation believes that its directors and executive officers timely filed all required Section 16(a) filings for fiscal 2004 and (except as disclosed in prior years' proxy statements) for prior years, except for the inadvertent failure of (1) Mr. Seger to timely file three Form 4 reports for three transactions; (2) Mr. Buehler to timely file one Form 4 for one transaction; (3) Mr. Ruckriegel to timely file one Form 4 for one transaction; (4) Mr. Steurer to timely file one Form 4 for one transaction; and (5) Mr. Lett to timely file two Form 4 reports for seven transactions.

**OTHER MATTERS**

The Corporation knows of no matters, other than those reported above, that are to be brought before the Annual Meeting. However, if other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy in accordance with their judgment on such matters.

**EXPENSES**

The Corporation will pay all expenses in connection with this solicitation of proxies.

18

**SHAREHOLDER PROPOSALS FOR 2006 ANNUAL MEETING**

A shareholder desiring to submit a proposal for inclusion in the Corporation's proxy statement for the Annual Meeting of Shareholders to be held in the year 2006 must deliver the proposal so that it is received by the Corporation no later than December 1, 2005. Proposals should be mailed to the Chairman of the Governance/Nominating Committee of the Board of Directors, in care of the Corporate Secretary, at German American Bancorp, 711 Main Street, Jasper, Indiana 47547-0810, by certified mail, return-receipt requested.

19

**PROXY  
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS  
FOR THE 2005 ANNUAL MEETING OF SHAREHOLDERS OF  
GERMAN AMERICAN BANCORP**

I hereby appoint William R Hoffman and David G Buehler, and each of them, my proxies, with power of substitution, to vote all Common Shares of German American Bancorp that I am entitled to vote at the Annual Meeting of Shareholders to be held at German American Bancorp's Corporate Offices located at 711 Main Street in Jasper, Indiana, on April 28, 2005 at 10:00 a.m., Jasper time, and any adjournments thereof, as provided herein.

**THIS PROXY WILL BE VOTED AS SPECIFIED. IN THE ABSENCE OF SPECIFICATIONS, THIS PROXY WILL BE VOTED FOR ITEM 1. THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITEM 1.**

This proxy may be revoked at any time prior to its exercise upon compliance with the procedures set forth in the Corporation's Proxy Statement, dated March 29, 2005.

**SHAREHOLDERS SHOULD MARK, SIGN AND DATE THIS PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED POST-PAID ENVELOPE.**

**1. ELECTION OF DIRECTORS**

**FOR** all nominees listed below, as set forth in the Corporation's Proxy Statement, dated March 29, 2005 (except as marked to the contrary below - see Instructions )

Christina Miller-Ernst                      Gene C Mehne                      Larry J Seger                      Mark A Schroeder

**WITHHOLD AUTHORITY** to vote for all nominees listed above

(Instructions: To withhold authority to vote for any individual nominee, write that nominee's name in the space provided.)

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Continued, and to be signed, on reverse side

2. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

Dated:

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Signature or Signatures

(Please sign exactly as your name appears on this proxy. If shares are issued in the name of two or more persons, all such persons should sign. Trustees, executors and others signing in a representative capacity should indicate the capacity in which they sign.)