

GERMAN AMERICAN BANCORP, INC.  
Form DEF 14A  
March 29, 2012

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

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))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

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

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

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GERMAN AMERICAN BANCORP, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD MAY 17, 2012

We are pleased to notify you that we will hold the 2012 annual meeting of our shareholders on Thursday, May 17, 2012, at 6:30 P.M., Eastern Time, at the Huntingburg Event Center, 200 E 14th Street, Huntingburg, Indiana, for the following purposes:

1. to elect four directors, each to serve until the 2015 annual meeting of shareholders;
2. to approve, on an advisory basis, the appointment of Crowe Horwath LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2012; and
3. to transact such other business as may properly come before the meeting.

Our Board of Directors has established the close of business on March 9, 2012 as the "record date" for this annual meeting. This means that you are entitled to vote at this meeting (in person or by legally-appointed proxy) if our stock records show that you owned our Common Shares at that time.

**We invite you to attend this annual meeting in person. Even if you plan to attend, please complete, sign and date the accompanying proxy and return it to our agent promptly in the enclosed postage-paid envelope - or, vote by Internet or by telephone by following the instructions in the accompanying Proxy Statement.**

GERMAN AMERICAN BANCORP, INC.

**KENNETH L. SENDELWECK**

**Secretary**

April 2, 2012  
Jasper, Indiana

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## PROXY STATEMENT

### ANNUAL MEETING OF SHAREHOLDERS OF GERMAN AMERICAN BANCORP, INC.

to be held May 17, 2012

## INTRODUCTION

The Board of Directors of German American Bancorp, Inc. is soliciting proxies from shareholders for its use at the 2012 annual meeting of shareholders, and at any adjournment or adjournments of that meeting. The annual meeting is scheduled to be held on Thursday, May 17, 2012, at 6:30 P.M., Eastern Time, at the Huntingburg Event Center, 200 E 14th Street, Huntingburg, Indiana.

To improve readability, German American Bancorp, Inc., which has prepared this proxy statement, will sometimes speak in this document in the first person (using words such as "we" or "our" or "us") and will address its shareholders using second-person words (such as "you" or "your"). We will also sometimes refer to German American Bancorp, Inc., as "the Company." References to the Board of Directors of the Company in this proxy statement will usually be shortened to "our Board."

We are mailing this proxy statement, together with our 2011 annual report (Form 10-K), a proxy card and an invitation to attend our annual meeting, to our shareholders on or about April 2, 2012.

### **Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on May 17, 2012:**

This Proxy Statement and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, are available free of charge at [www.edocumentview.com/GABC](http://www.edocumentview.com/GABC).

## INFORMATION ABOUT THE MEETING AND VOTING

## Purposes of the Meeting

The purposes of the annual meeting are:

1. To elect four directors, each to serve until the 2015 annual meeting;
2. To approve, on an advisory basis, the appointment of Crowe Horwath LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2012; and
3. To transact such other business as may properly come before the meeting.

## Shareholders Entitled to Vote at the Meeting

Our Board has established the close of business on March 9, 2012 as the "record date" for this annual meeting. This means that you are entitled to vote at this meeting (and any adjournments) if our records show that you owned our Common Shares at that time. As of this record date, 12,594,993 of our common shares were issued and outstanding, held by approximately 3,524 registered shareholders of record. Each issued and outstanding Common Share as of the record date is entitled to one vote on each matter properly to come before the annual meeting and can be voted only if the record owner of that share, determined as of the record date, is present in person at the meeting or represented by proxy.

## **Voting Shares By Proxy That You Hold In Your Name**

You have three choices:

**VOTE BY INTERNET** - [www.envisionreports.com/GABC](http://www.envisionreports.com/GABC). Use the Internet to transmit your voting instructions up until 1:00 A.M. Central Time on May 17, 2012. Have your proxy card in hand when you access the web site. Follow the steps outlined on the secured website.

**VOTE BY PHONE** - 1-800-652-VOTE (8683). Call toll free within the United States, Canada, and Puerto Rico any time on a touch tone telephone up until 1:00 A.M. Central Time on May , 2012. There is **NO CHARGE** to you for the call. Have your proxy card in hand when you call. Follow the instructions provided by the recorded message.

**VOTE BY MAIL** - Mark, sign and date your proxy card and return it in the postage-paid envelope we've provided or mail it to Proxy Services, c/o Computershare Investor Services, P O Box 43102, Providence, RI 02940-5068.

## **Voting Shares That You Hold in Brokerage or Similar Accounts**

Many shareholders hold their shares through a stockbroker, bank, or other nominee rather than directly in their own name. If you hold your shares in one of these ways, you are considered a beneficial owner, not a record owner, and you therefore have no direct vote on any matter to come before the annual meeting. Your broker, bank, or nominee will send you voting instructions for you to use in directing the broker, bank or nominee in how to vote your shares. Your broker, bank or nominee may allow you to deliver your voting instructions via the telephone or the Internet.

If you hold your shares through a broker and you do not timely provide your broker with specific instructions on how to vote your shares, your broker will not be authorized to cast a vote on your behalf on Proposal 1 but will be authorized to cast a vote on your behalf, in its discretion, on Proposal 2. In such cases, a "broker non-vote" may be entered with respect to your shares on Proposal 1 to reflect that your broker was present with respect to your shares at the meeting but was not exercising voting rights on your behalf with respect to those shares.

## **Your Voting Options on Each of the Proposals**

You may vote "for" or "withhold" (meaning you choose to withhold from our Proxy Committee your authority to vote) with respect to the election of each nominee for director (Proposal 1 on the proxy card).



You may vote "for," "against" or "abstain" with respect to:

the nonbinding advisory proposal on the approval of the appointment of Crowe Horwath LLP (Proposal 2 on the proxy card), and

any other proposal that may properly be brought before the meeting (Proposal 3 on the proxy card; if you return a proxy card, you will appoint our Proxy Committee as your proxy to vote "for", "against" or "abstain" with respect to your shares, and will have no opportunity on the proxy card to direct the Proxy Committee as to such proposals due to their presently unknown nature).

### **Our Board's Voting Recommendations**

Our Board recommends that you vote:

FOR the election as directors of the four individuals named as its nominees in this proxy statement (Proposal 1 on the proxy card); and

FOR the approval, on an advisory basis, of the appointment of Crowe Horwath LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2012 (Proposal 2 on the proxy card).

If any other matter is properly brought before the annual meeting, the Company - through the individuals named on the enclosed proxy card acting as our "Proxy Committee," or their designees, and pursuant to the blanket authorization granted under the proxy card - will vote your shares on that matter in accordance with the discretion and judgment of the Proxy Committee.

### **Required Votes to Approve Each Proposal**

Four positions on our Board are scheduled to be filled by vote of the shareholders at the annual meeting. As a shareholder, you are entitled to cast one vote per share for each of up to four nominees for election as directors at the annual meeting, but you may not cumulate your votes (in other words, you may not cast votes representing four times the number of your shares entitled to vote in favor of a single nominee). Directors are elected from among the nominees by a plurality of the votes that are cast among all nominees; this means the individuals whose names are validly placed into nomination at the meeting who receive the four highest numbers of votes cast "for" their election will be elected as directors of the Company. If there are only four individuals who are validly placed into nomination at the annual meeting, and assuming a quorum is established and a vote is held on the election at which each of such nominees receives at least one vote, then all of the four nominees will be elected, regardless of the number of "broker nonvotes" or "withhold" instructions our Proxy Committee may have received with respect to one or more of such nominees on the proxy cards or voting instructions that are returned to us.

A majority of the votes cast at the meeting will approve: (i) the proposal to approve the appointment of Crowe Horwath LLP and (ii) all other matters that arise at the annual meeting.

Please note, however, that because the vote on the appointment of Crowe Horwath LLP is advisory in nature, the results of such vote will not be binding upon our Board or its committees.

### **Quorum**

Indiana law provides that any shareholder action at a meeting requires that a quorum exist with respect to that meeting. Once a share is represented for any purpose at a meeting, it is deemed by Indiana law to be present for quorum purposes for the remainder of the meeting and (unless a new record date is or must be set for any such adjournment) any adjournment of that meeting.

A majority of the common shares entitled to vote at this meeting, present either in person or by proxy, will constitute a quorum for all purposes at the meeting. If a quorum should not be present, the annual meeting may be adjourned from

time to time until a quorum is obtained.

Shares held of record by shareholders who (in person or by proxy) abstain from voting on any or all proposals (and shares represented by "broker non-votes," described above under "Voting Shares That You Hold in Brokerage or Similar Accounts") will be included in the number of shares present at the meeting for purposes of determining the presence of a quorum. However, abstentions and broker non-votes as to any proposal will not be considered to be votes that have been "cast" on that proposal and therefore will not affect the outcome of the vote on any of the five proposals described by this Proxy Statement.

#### Voting on Possible Other Matters

We are not aware that any person intends to propose that any matter, other than the two numbered proposals specifically described by this Proxy Statement, be presented for consideration or action by our shareholders at our annual meeting. If any such other matter should properly come before the meeting, however, favorable action on such matter would generally require the affirmative vote of a majority of the votes cast, unless our articles of incorporation or bylaws or applicable law require otherwise. If you vote by proxy, you will be granting our Proxy Committee authority to vote your shares on any such other matter in accordance with their discretion and judgment.

#### Revocation of Proxies or Voting Instructions

A shareholder of record who has delivered a proxy card in response to this solicitation may revoke it before it is exercised at the annual meeting by executing and delivering a timely and valid later-dated proxy, by voting by ballot at the meeting or by giving written notice to the Secretary. If a shareholder of record has voted via the Internet or by telephone, such shareholder may also change that vote with a timely and valid later Internet or telephone vote, as the case may be, or by voting by ballot at the meeting. Attendance at the meeting will not have the effect of revoking a proxy unless a shareholder gives proper written notice of revocation to the Secretary before the proxy is exercised or the shareholder votes by ballot at the meeting. Beneficial owners who have directed their broker, bank or nominee as to how to vote their shares should contact their broker, bank or nominee for instructions as to how they may revoke or change those voting directions.

#### Solicitation of Proxies

Our Board is making this solicitation of proxies for our annual meeting. Our Company will bear all costs of such solicitation, including the cost of preparing and mailing this proxy statement and the enclosed form of proxy. After the initial mailing of this proxy statement, proxies may be solicited by mail, telephone, facsimile transmission or personally by directors, officers, employees or agents of the Company. Brokerage houses and other custodians, nominees and fiduciaries will be requested to forward soliciting materials to beneficial owners of shares held by them for the accounts of beneficial owners, and we will pay their reasonable out-of-pocket expenses.

PROPOSAL 1  
ELECTION OF DIRECTORS

Our full Board currently consists of eleven directors, all of whom served on our Board at the time of the 2011 annual meeting of the Company's shareholders. Our Board is divided into three classes, and directors in each class serve a three-year term. The terms of each class expire at successive annual meetings so that the shareholders elect one class of directors at each annual meeting. The current classification of our Board is:

Terms expiring at this annual meeting:	Richard E. Forbes, U. Butch Klem, Chris A. Ramsey, and Michael J. Voyles
Terms expiring at the 2013 annual meeting:	Douglas A. Bawel, Marc D. Fine, J. David Lett, and Thomas W. Seger
Terms expiring at the 2014 annual meeting:	Christina M. Ernst, Gene C. Mehne, and Mark A. Schroeder

Our Board, on the recommendation of the Governance/Nominating Committee, has nominated Messrs. Forbes, Klem, Ramsey, and Voyles for re-election at this year's annual meeting. If re-elected, each of our Board's four nominees will serve on our Board until the annual meeting in 2015, or until his successor is duly elected and qualified in accordance with the Company's Bylaws. If any of these nominees should become unable to accept election, our Proxy Committee may vote for other person(s) selected by our Board. Our Board has no reason to believe that any of the nominees will be unable to accept election.

The tables below present certain information concerning our Board's nominees for election at this year's annual meeting, followed by information concerning those Board members who are not standing for election this year. This information includes their present principal occupations, which have been the same for the last five years, unless otherwise noted. The biographies of each of the nominees and continuing directors below contains information regarding the experiences, qualifications, attributes or skills that caused the Governance/Nominating Committee and our Board to determine that the person should be re-elected (or should continue to serve even if not standing for re-election) as a director for the Company in 2012.

Following these tables is information concerning our corporate governance and committee structures. We have noted in the tables the Committee memberships of those directors who serve on those standing committees about which information is provided elsewhere in this document, namely our Compensation/Human Resources, Audit, and Governance/Nominating Committees. Our directors also serve on other committees of our Board and the board of directors of the Company's banking subsidiary that are not required to be described by this Proxy Statement and which are therefore not identified in these listings.

Elsewhere in this proxy statement you will find information concerning the numbers of our common shares that are beneficially owned by each of our directors (see "OWNERSHIP OF OUR COMMON SHARES BY OUR DIRECTORS AND EXECUTIVE OFFICERS") and information regarding the compensation of our directors (see "EXECUTIVE AND DIRECTOR COMPENSATION)." We urge you to review all of this information when deciding how to vote on Proposal 1.

Our Board recommends that you vote FOR all four of the nominees named below.

Nominees for Election at the 2012 Annual Meeting:

*Richard E. Forbes*

Richard E. Forbes, 64, has served as a director of the Company since 2006, and is the Chairman of its Audit Committee. Certified as a public accountant in 1970, Mr. Forbes became chief financial officer of MasterBrand Cabinets, Inc., a cabinet-manufacturing subsidiary of Fortune Brands (a Fortune 500 company), in 1987, and later became that subsidiary's President (2000) and CEO (2002). From January 2007 until his retirement from active employment in January 2010, Mr. Forbes led another subsidiary of Fortune Brands, namely Fortune Brands Home and Security, Inc., as its President and Chief Executive Officer. Our Board values Mr. Forbes's business backgrounds in manufacturing as well as his knowledge and experience in finance and accounting matters (he has been designated as the Audit Committee's "audit committee financial expert" since his election to our Board). Mr. Forbes also sits on the board of a private manufacturing company in Georgia.

*U. Butch Klem*

U. Butch Klem, 61, has served as a director of the Company since 2004, and is Chairman of its Compensation/Human Resources Committee and its Governance/Nominating Committee. Mr. Klem, President and CEO of U.B. Klem Furniture Company, a furniture manufacturer based in Jasper, Indiana, founded that company in 1973, and has grown it to a medium-sized manufacturer employing over 100 people. In the course of managing that growth, Mr. Klem has gained experience in sales, human resources, accounting and finance. Mr. Klem has been our Board's "lead independent director" since 2009, and he provides our Board with leadership as well as his business insights gained from his successful entrepreneurial activities.

*Chris A. Ramsey*

Chris A. Ramsey, 55, has served as a director of the Company since his election to a newly-created board seat, effective January 1, 2011.. Mr. Ramsey is president of Ramsey Development Corp. of Indiana, Inc. (a real estate company based in Tell City, Indiana) and the owner of several businesses in the construction and real estate industry with over 26 years' experience in real estate. Mr. Ramsey has served on the boards of directors of the former Bank of Evansville and the former Tell City National Bank (Tell City, Indiana). Mr. Ramsey therefore brings valuable bank director experience as well as real estate experience to our Board.

*Michael J. Voyles*

Michael J. Voyles, 63, has served as a director of the Company since 1998 (and as a member of the board of a predecessor banking company for 13 years prior to its affiliation with the Company), and is a member of its

Governance/Nominating Committee and Audit Committee. Mr. Voyles, who currently is President of Voyles Properties, LLC (real estate holdings) and M.J.V. Inc. (rental properties), was President of Voyles Supermarket, Inc. (retail groceries) based in Petersburg, Indiana, from 1985 through its sale on January 2009. Our Board has benefited and expects to continue to benefit from Mr. Voyles' s varied business experiences as well as his knowledge of the Petersburg (and surrounding Pike County) Indiana community.



**Continuing Directors of the Class with Terms Expiring at the 2013 Annual Meeting:**

***Douglas A. Bawel***

Douglas Bawel, 56, a director of the Company since 2004 and a member of its Compensation/Human Resources Committee, is Chairman and Chief Executive Officer of Jasper Engines & Transmissions, a \$220 million privately-held manufacturer based in Jasper, Indiana, with over 1,500 employees. Mr. Bawel previously served from January 1999 to June 2007 as an outside director of Steel Technologies, Inc., a publicly-held company and served as Chair of its Marketing Management Group and a member of its audit committee. Our Board values Mr. Bawel's insights gained from his years of management experience with Jasper Engines and Transmission, and his past experience in serving on another publicly-held company's board of directors.

***Marc D. Fine***

Marc D. Fine, 52, has served as a director of the Company since his election to a newly-created Board seat, effective January 1, 2011. Mr. Fine was a director of the former Bank of Evansville, having been among its founding director group in 2001. Mr. Fine has practiced business law in Evansville, Indiana since 1984 and was a founding partner of the law firm of Rudolph, Fine, Porter & Johnson, LLP, in Evansville, of which he is presently the Managing Partner. He is also active in many civic and community organizations and is a Commissioner of the Indiana Gaming Commission (since 2008), an official agency of the State of Indiana that oversees the state's gaming industry. Our Board believes that Mr. Fine's experience in business (including the banking business), state government, and law, in addition to his involvement in the Evansville business and civic communities, is of significant benefit to it.

***J. David Lett***

J. David Lett, 59, a director of the Company since 2000 and a member of its Governance/Nominating Committee, has practiced law for over 30 years with Lett & Jones, a law firm in Martin County, Indiana (part of the Company's southern Indiana market area) that provides legal services to a wide range of individual, governmental and organizational clientele in Martin, Daviess and Dubois Counties, including the Company and its subsidiaries. Mr. Lett's professional and civic relationships and stature within these communities position him well to offer valuable insight and perspective on a variety of matters relating to the Company's banking, insurance, investment, and trust services.

***Thomas W. Seger***

Thomas W. Seger, 54, has served as a director of the Company since his election to a newly-created board seat, effective August 16, 2010 and is a member of our Board's Compensation/Human Resources Committee and Governance/Nominating Committee. Mr. Seger is vice president of Wabash Valley Produce, a large poultry producer, headquartered in Dubois, Indiana, and president of Simple Transport, which is also located in Dubois. As a result of Mr. Seger's 33 years' of experience in poultry and agriculture, Mr. Seger brings to our Board unique perspectives

based on his knowledge of the agricultural industry on a local, regional, and national level.

**Continuing Directors of the Class with Terms Expiring at the 2014 Annual Meeting:**

*Christina M. Ernst*

Christina M. Ernst, 62, has been a director of the Company since 2004 and presently serves as a member of its Compensation/Human Resources Committee. She has served since 1988 as Chairman and President of Miller Construction Company, Inc., an electrical power line contractor based in Vincennes, Indiana, with approximately 100 employees. Among her duties is overseeing the investment of approximately \$525 million of assets of a Taft Hartley benefit fund as a trustee and member of the investment committee. Ms. Ernst previously served on the board of directors of another publicly held community bank holding company based in Vincennes, Indiana, prior to its acquisition by a larger bank in 1998. Our Board believes that Ms. Ernst brings varied business and investment management experiences, and knowledge of the Knox County community, to it.

*Gene C. Mehne*

Gene C. Mehne, 67, has served as a director of the Company and its predecessors since 1979, and has been a member of its Audit Committee most of that time through the present. Mr. Mehne, a Purdue University graduate with a degree in Agriculture, represents the agricultural community within the Company's southern Indiana markets, having served as Manager of his family's farm corporation, Mehne Farms, Inc., since 1979 and its President since 1997. Mr. Mehne is also active in Dubois County agricultural associations. Our Board believes that Mr. Mehne brings agribusiness knowledge to it, as well as significant institutional knowledge of the businesses of the Company and the Bank as a result of his long tenure on our Board.

*Mark A. Schroeder*

Mark A. Schroeder, 58, has served as a director of the Company since 1991, as its Chief Executive Officer since 1999 and as its Chairman since 2009. Mr. Schroeder, who was certified as a public accountant in Indiana in 1995, has 39 years of day-to-day banking experience as the Company's chief lending officer and as the Company's chief financial officer and chief operating officer. Mr. Schroeder is active in Indiana and national industry organizations, including the boards of directors of leading state (1999-2010) and national (2004-2010) community banking industry associations, and since 2007 has served on the Board of Members of the Indiana Department of Financial Institutions, an official agency of the State of Indiana that oversees the banking and finance industry. Our Board believes that Mr. Schroeder's banking industry knowledge and experience, and his insights as CEO, are invaluable to it.

## Board Leadership Structure

Our Board is led by a lead independent director and by a Chairman of the Board. The lead independent director assists our Board in assuring effective corporate governance and serves as chairperson of meetings of the independent directors that are held without the presence of any directors who may at that time be deemed not to be independent. The lead independent director also chairs meetings of our Board during any meetings or portions of meetings if the Chairman of the Board is absent. The Chairman of the Board chairs meetings of our Board (other than the separate sessions only of the Board's independent directors) and of our shareholders. Mr. Klem is our Board's lead independent director and Mr. Schroeder (our Chief Executive Officer) is our Chairman of the Board.

Our Board believes that this leadership structure is the most appropriate for our Company. Our Board believes that it benefits by the efficiencies achieved in having the role of CEO and Chairman combined in the same individual (Mr. Schroeder), and that the detailed knowledge of our day-to-day operations and business possessed by our Chairman of the Board as a result of his also acting as our CEO greatly enhances the decision-making processes of our Board as a whole. The independence of the Board as a whole is not compromised, however, as a result of the active involvement of Mr. Klem as the designated lead independent director, who is in a position to ensure that the powers and duties of the Chairman are being handled responsibly despite the dual role held by the Chairman as CEO. Furthermore,

consistent with NASDAQ listing requirements, the independent directors regularly meet in independent sessions without Mr. Schroeder in attendance.

#### Director Independence

In accordance with rules of The NASDAQ Stock Market, our Board affirmatively determines the independence of each Director and nominee for election as a Director. Our Board has determined that each of the Directors of the Company (identified above) is independent under the definitions and interpretations of NASDAQ because none of them have any relationship with the Company that, in the opinion of our Board, would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a director, except that Mark A. Schroeder is not independent because he is the Chairman and Chief Executive Officer of the Company.

Our Board has not established its own definitions (different from the definitions and interpretations of NASDAQ) for determining whether its members are independent, but rather reviews such independence determinations on the basis of the total mix of information available to our Board at the time of the making of each such determination. Included in this information are any relationships (such as the ordinary course loan transactions by the Company's bank subsidiary with members of our Board and their related persons, or the membership of directors in law firms that may provide legal services to the Company and its subsidiaries) that the Company has or may have with its directors that are disclosed in the Company's most recent proxy statement or that become known to our Board from time to time after the issuance of that proxy statement.

In considering the independence of Directors Fine and Lett, the Board reviewed the Company's relationships with the law firms of which those directors are partners. Both of those law firms have their offices in the geographic markets served by the Company's banking and other subsidiaries. Mr. Lett's firm has served as counsel for the Company's subsidiaries in the past and expects that it may continue to do so in the future. Payments by the Company and its subsidiaries to Mr. Lett's firm for that firm's services during 2011 did not exceed \$10,000 and are not expected to exceed \$10,000 on an annualized basis in the future. Mr. Fine's firm from time to time represents the interests of the Company and its subsidiaries in legal matters arising in the Evansville area. The Company, however, does not expect that its payments to either of these two law firms will exceed the threshold dollar amounts that are specified by the related person transaction reporting rules of the Securities and Exchange Commission for reporting such transactions in the Company's annual meeting proxy statements, or by the rules of NASDAQ for determining when such payments might affect director independence. On the basis of this review, our Board determined that these law firm relationships did not interfere with the ability of either of those two directors to exercise his independent judgment in carrying out his responsibilities as a director of the Company.

#### Subsidiary Board Memberships

All members of our Board also serve on the board of directors of German American Bancorp, our wholly-owned bank subsidiary. In addition:

several of our directors participate in selected meetings of the separate advisory boards of certain banking regions of our bank subsidiary, as follows: Mr. Ramsey, East Region; Mr. Voyles, West Region; Mr. Fine, South Region; and Mr. Klem, floats between Regions.

Directors Ernst, Mehne, Schroeder, Ramsey and Voyles are members of the boards of directors of two of our other principal operating subsidiaries, German American Financial Advisors & Trust Company and German American Insurance, Inc.

#### Risk Oversight

All members of our Board oversee the management of our Company's affairs directly and through its committees. In doing so, our Board acts at all times with a view to the best interests of our Company and our shareholders. In fulfilling its mandate, our Board, among other matters, is responsible for reviewing the principal risks of our Company's business to ensure the appropriate systems are in place to manage these risks. The Audit Committee of our Board is charged with the responsibility to assist our Board in monitoring our principal financial risks and the processes employed to manage such risks. In discharging its mandate, the Audit Committee of our Board discusses with management our major financial risk exposures and the steps management has taken to monitor and control such exposures, including our risk assessment and risk management practices.

## Committees and Attendance

Our Board held 9 meetings during 2011. All of the directors who acted as such at any time during 2011 attended at least 75% of the aggregate number of meetings of our Board and the committees on which he or she served that were held during 2011.

Our Board has standing committees that address issues relating to audit, executive compensation and nominations:

The Audit Committee, presently consisting of Directors Forbes, Mehne, and Voyles, met 5 times in 2011. The Audit Committee oversees the Company's accounting and financial reporting processes and the audits of the Company's consolidated financial statements and internal control over financial reporting.

The Compensation/Human Resources Committee, presently consisting of Directors Bawel, Ernst, Klem, and Seger, met 2 times during 2011. The Compensation/Human Resources Committee sets compensation for officers other than executive officers, and makes recommendations to our Board with respect to the compensation of executive officers.

The Governance/Nominating Committee, presently consisting of Directors Klem, Lett and Seger, met 2 times during 2011. The Governance/Nominating Committee assists our Board with respect to the composition, performance and functioning of our Board (including the recommendation of nominees for election or appointment to our Board) and the effectiveness of the Company's corporate structure and governance.

Each of the members of the Audit Committee, Compensation/Human Resources Committee and the Governance/Nominating Committee is an independent director, as that term is defined by the listing standards of NASDAQ. In addition, each member of the Audit Committee satisfies the additional independence requirements specified by those listing standards for audit committee members.

#### Corporate Governance Guidelines

In June 2011, our Board adopted Corporate Governance Guidelines (which are available for review by shareholders in the shareholder information portion of the Company's website, [www.germanamerican.com](http://www.germanamerican.com)) in replacement of a prior governance policy adopted in 2004. The guidelines address (among other matters):

• the composition and structure of the board, including the independence of directors and board leadership, each of which are discussed above;

• the criteria and procedures for assessing the effectiveness and suitability for service of directors and proposed directors;

• the responsibilities of directors;

• the identification, structure and composition of the committees of our Board;

• the policy of our Board to hold executive sessions of the independent board members (without the presence of management or other directors deemed by our Board not to be independent) in connection with each regularly scheduled Board meeting, and at other times as necessary;

- director compensation; and
  
- procedures by which shareholders may communicate with our Board.

In addition, the Corporate Governance Guidelines for the first time established expectations for ownership of our common stock by our non-employee directors and our chief executive officer. Under these guidelines, non-employee Directors are expected to attain an investment position in shares of the our common stock (measured by the same rules as are used for determining the number of shares beneficially owned in our annual meeting proxy statement) equal to a multiple of three times their current annual cash retainer and the chief executive officer is expected to attain an investment position in our common shares equal to three times his or her base salary. Exceptions to these ownership guidelines may be approved by the lead independent Director for good reason.

#### Director Nominations Process

Our Board adopted a charter for the Governance/Nominating Committee in 2004 and reviewed and confirmed the charter's continued adequacy and effectiveness at its annual reorganization meeting in June 2011. The charter directs the Governance/Nominating Committee to evaluate candidates for nomination by our Board for election to our Board, and specifies that our Board will consider for nomination for election to our 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 shareholder information portion of the Company's web site, [www.germanamerican.com](http://www.germanamerican.com).



The charter provides that, in evaluating candidates for membership on our 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 our Board's interest in a membership comprised of individuals with varied occupational experience and perspective; (c) have sufficient time to devote to the Company's business; (d) possess the highest moral and ethical character and agree to uphold and assure compliance of the Company'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 Company's interests; and (g) possess the ability to oversee, as a director, the business and affairs of the Company for the benefit of all constituencies of the Company.

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 our 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 Company, mailed by registered or certified mail (return receipt requested), and received by the Secretary at the Company's principal executive offices on or before December 1 of the year preceding the annual meeting for which the recommendation is made.

In addition to considering candidates who are recommended by shareholders, the Governance/Nominating Committee will meet from time to time with members of our Board, including the chief executive officer and other officers who may be members of our Board, and with other executive officers of the Company with a view to identifying persons who may be qualified to serve on our 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 Company, and (b) candidates who may be considered for election to our Board pursuant to any understanding or agreement negotiated by the Company 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 our 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 disc losable in the Company's next proxy statement, and (e) will satisfy the director qualification requirements established from time to time by the Company's Bylaws, unless the

Governance/Nominating Committee has determined that it would be in the best interests of the Company for our 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 our Board (assuming that all candidates recommended by the Governance/Nominating Committee are elected to our Board) will, as a result of prior service on our Board or otherwise, have business experience in the banking, insurance, or securities industries.

While the Company hopes and intends that the application of the above criteria will result in a board of directors that is comprised of individuals from different walks of life and experiences and will in that sense be a diverse group, the Governance/Nominating Committee has not adopted a diversity policy and does not consider race, gender, national origin or other traditional classifications in considering qualifications or desirability of a candidate for service on our Board of the Company.

The Governance/Nominating Committee recommended to our Board that the four nominees named in this proxy statement, each an incumbent director, be nominated for election at this year's annual meeting.

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

Our Board has adopted a procedure by which shareholders may send communications to our Board as part of the Corporate Governance Guidelines, which are available for review by shareholders in the shareholder information portion of the Company's web site, [www.germanamerican.com](http://www.germanamerican.com). Further, our Board had adopted a resolution that declares that it is the policy of this Board that all members of our 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 Company that occurs during their tenure on our Board. All of the members of our Board attended the 2011 annual meeting of shareholders except Director Bawel who was recovering from surgery.

#### OUR EXECUTIVE OFFICERS

Our executive officers are:

Name	Principal Positions	Age
Mark A. Schroeder	Chairman and Chief Executive Officer of the Company and its bank subsidiary; Director of the Company and its principal subsidiaries.	58
Clay W. Ewing	President - Commercial and Retail Banking of the Company and its bank subsidiary.	56
Kenneth L. Sendelweck	President - Private Banking and Wealth Management of the Company and its bank subsidiary; President of the Company's trust and financial advisory subsidiary; President of the Company's insurance agency subsidiary.	57
Bradley M. Rust	Executive Vice President, Chief Financial Officer, and Senior Administrative Officer, of the Company and its bank subsidiary.	45

Although the titles of our executive officers have changed from time to time during the last five years, Mr. Schroeder has been our Chief Executive Officer, and each of our other executive officers has held officer positions with management responsibilities in his current functional area of responsibility for the Company and its subsidiaries, throughout this entire period of time. In addition, Mr. Sendelweck from April, 2006, through April, 2008, was President – Commercial Banking, of the Company and its bank subsidiary, and from May, 1999 through May, 2007 was President of The German American Bank (a predecessor of the Company's current bank subsidiary). Mr.

Sendelweck has been President of the Company's trust and financial advisory subsidiary, German American Financial Advisors & Trust Company, since November, 2006, and of the Company's insurance subsidiary, German American Insurance, Inc., since March, 2008.

## OWNERSHIP OF OUR COMMON SHARES BY OUR DIRECTORS AND EXECUTIVE OFFICERS

The following table presents certain information as of March 1, 2012, regarding the beneficial ownership of our common shares by our directors and executive officers.

Name	Common Shares Beneficially Owned <sup>1</sup>		Percentage of Outstanding Shares	
Douglas A. Bawel	21,277	2	*	
Christina M. Ernst	22,813	3	*	
Marc D. Fine	21,000		*	
Richard E. Forbes	17,630	4		
U. Butch Klem	167,302	5	1.33	%
J. David Lett	196,456	6	1.56	%
Gene C. Mehne	19,932	7	*	
Chris A. Ramsey	153,724	8	1.22	%
Mark A. Schroeder	73,727	9	*	
Thomas W. Seger	373,200	10	2.96	%
Michael J. Voyles	84,456	11	*	
Clay W. Ewing	35,357		*	
Bradley M. Rust	17,905	12	*	
Kenneth L. Sendelweck	50,773	13	*	
All directors and executive officers as a group (14 persons)	1,255,640	14,15	9.97	%

\* Represents less than one percent.

<sup>1</sup> Common Shares Beneficially Owned includes shares that the indicated individual had the right to purchase by exercise of stock options on 2-28-2012, all of which were then fully vested and exercisable. Unless otherwise indicated in a footnote, each person possesses sole voting and investment powers with respect to the shares indicated as beneficially owned by him or her, and he or she 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.

<sup>2</sup> Includes 18,607 shares held by Mr. Bawel's children, and 2,000 shares that Mr. Bawel has the right to purchase upon the exercise of stock options.

<sup>3</sup> Includes 2,561 shares held by Ms. Ernst's spouse and 2,000 shares that Ms. Ernst has the right to purchase upon the exercise of stock options

<sup>4</sup> Includes 1,000 shares that Mr. Forbes has the right to acquire upon the exercise of stock options.

<sup>5</sup> Includes 23,245 shares owned jointly by Mr. Klem and his wife; 67,805 shares owned by Mr. Klem's wife; and 2,000 shares that Mr. Klem has the right to purchase upon the exercise of stock options

<sup>6</sup> Includes 886 shares held jointly by Mr. Lett and his wife; 2,368 shares owned by Mr. Lett's wife; 179,533 shares held by the estate of Mr. Lett's mother; and 5,152 shares that Mr. Lett has the right to purchase upon the exercise of stock options.

<sup>7</sup> Includes 4,169 shares owned by Mr. Mehne's wife; 1,778 shares held by the Mehne Farms, Inc. qualified plan; and 5,152 shares that Mr. Mehne has the right to purchase upon the exercise of stock options. Of these shares, 2,485 are pledged.

<sup>8</sup> Includes 140,036 shares held by companies of which Mr. Ramsey is an officer.

<sup>9</sup> Includes 20,019 shares held jointly by Mr. Schroeder and his wife and 4,050 shares Mr. Schroeder has the right to purchase upon the exercise of stock options.

<sup>10</sup> Includes 44,552 shares owned by Mr. Seger's spouse, 175,425 held jointly by Mr. Seger and his wife, 15,401 shares held by Mr. Seger's children, 44,802 shares held in a Foundation of which Mr. Seger is administrator, and 92,667 shares owned by companies of which Mr. Seger is an officer. Of these shares, 35,500 are pledged.

<sup>11</sup> Includes 3,739 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 5,152 shares that Mr. Voyles has the right to purchase upon the exercise of stock options.

<sup>12</sup> Includes 9,773 shares held jointly by Mr. Rust and his wife

<sup>13</sup> Includes 23,601 shares held jointly by Mr. Sendelweck and his wife, and 2,134 shares held by Mr. Sendelweck's grandchildren. Of these shares, 8,144 are pledged.

<sup>14</sup> Includes 26,510 shares that the directors and named executive officers of the Company have the right to acquire upon the exercise of stock options (all of which were exercisable at February 28, 2012) and 908,562 shares as to which voting and/or investment powers were shared by members of the group with others. Of these shares, an aggregate of 46,129 are pledged.

<sup>15</sup> Also includes an aggregate of 93,176 shares that are held by the Company's trust subsidiary in fiduciary accounts for customers. Our directors (by Board action) and executive officers may be deemed to have the power to direct the trust subsidiary's voting decisions with respect to all of these fiduciary shares, and to direct the trust subsidiary's disposition decisions with respect to all of these fiduciary shares. Our directors and executive officers have no pecuniary interest in any of these trust subsidiary shares. Further, any exercise by them of any power to direct the voting or disposition of these shares by the trust company would be subject to the trust company's fiduciary duties under applicable law and the governing fiduciary instruments.

#### PRINCIPAL OWNERS OF COMMON SHARES

Listed below are the only individuals and entities known by the Company to beneficially own more than 5% of the outstanding common shares of the Company as of March 1, 2012 (assuming that their holdings have not changed from such other date as may be shown below):

Name	Common Shares Beneficially Owned	Percentage of Outstanding Shares	
BlackRock, Inc. <sup>1</sup>	736,226	5.85	% <sup>2</sup>

<sup>1</sup> Based solely on BlackRock, Inc.'s statement on Schedule 13G (Amendment No. 2) of beneficial ownership as of December 31, 2011, which was filed on February 13, 2012, with the Securities and Exchange Commission. The address of BlackRock, Inc. is 40 East 52<sup>nd</sup> Street, New York, New York 10022.

<sup>2</sup> The percentage is calculated on the basis of 12,594,993 common shares outstanding as of March 1, 2012.

#### PRINCIPAL ACCOUNTANT FEES AND SERVICES

**Audit Fees.** The Company has paid, or expects to pay, fees (including cost reimbursements) to Crowe Horwath LLP ("Crowe Horwath") for the audit of the Company's consolidated financial statements for the calendar years 2011 and 2010, the integrated audit over internal controls as required under Section 404 of the Sarbanes-Oxley Act for 2011 and 2010, the review of the interim consolidated financial statements included in quarterly reports during the years 2011 and 2010, and review of registration statements and providing related consents of \$223,500 for 2011 and \$224,914 for 2010.

**Audit-Related Fees.** The Company has paid, or expects to pay, fees (including cost reimbursements) to Crowe Horwath for audit-related services rendered during 2011 and 2010 of \$45,700 for 2011 and \$21,196 for 2010. These services included employee benefit plan audits, HUD audit, reading press releases of the Company, participating in meetings of the Company's disclosure committee and assistance with various accounting and reporting matters.



**Tax Fees.** The Company has paid, or expects to pay, fees (including cost reimbursements) to Crowe Horwath for tax services rendered during 2011 and 2010 of \$97,100 for 2011 and \$76,980 for 2010. These services included tax return preparation for the company as well as acquired entity, employee benefit plan information return preparation, implementation of investment and insurance subsidiaries, and assistance with tax reporting matters and consulting.

**Other Fees.** The Company has paid, or expects to pay, fees (including cost reimbursements) to Crowe Horwath for all other services rendered during 2011 and 2010 of \$27,415 for 2011 and \$3,430 for 2010. In 2011 this included fees for accounting research software which is consistent with 2010 and consultation on corporate finance and capital planning matters.

**Pre-Approval by Audit Committee of Principal Accountant Services.** The Audit Committee of our Board (or a member of the Audit Committee acting under authority delegated to him or her by the Audit Committee) approves in advance all services proposed to be performed for the Company or its subsidiaries by any independent registered public accounting firm that performs (or proposes to perform) audit, review or attest services for the Company 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. None of the services of Crowe Horwath 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

Our Board adopted an amended and restated charter for the Audit Committee in 2004 and reviewed and confirmed the charter's continued adequacy and effectiveness at its annual reorganization meeting in 2011. The Audit Committee charter is available at the shareholder information portion of the Company's website, [www.germanamerican.com](http://www.germanamerican.com). The charter states that the purpose of the Audit Committee is to oversee the Company's accounting and financial reporting processes and the audits of the Company's consolidated financial statements and internal control over financial reporting. It is not, however, the Audit Committee's responsibility under the charter to prepare and certify the Company's financial statements, to guarantee the independent registered public accounting firm's report, or to guarantee other disclosures by the Company. Audit Committee members are not employees of the Company and are not performing the functions of auditors or accountants. The Audit Committee has designated Mr. Forbes as the "Audit Committee Financial Expert."

## Independence of Audit Committee Members

The Audit Committee is currently comprised of three members of our 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 Company's Audit Committee.

#### Review with Management and Independent Accountants

Management is responsible for the Company's internal controls and its accounting and financial reporting processes. The independent registered public accounting firm is responsible for performing audits of the Company's consolidated financial statements and internal control over financial reporting 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 Horwath, the independent registered public accounting firm for the Company, with respect to the Company's consolidated financial statements for the calendar year 2011. Management represented to the Audit Committee that the Company's consolidated financial statements as of and for the year ended December 31, 2011, 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).

The independent registered public accounting firm also provided to the Audit Committee the written disclosures required by Public Company Accounting Oversight Board (PCAOB) Rule 3520, 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 Company is compatible with maintaining that firm's independence.

Based upon the discussions and reviews referred to above, the Audit Committee has recommended to our Board that the consolidated financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

SUBMITTED BY THE MEMBERS OF THE AUDIT COMMITTEE:

Richard E. Forbes, Chairman  
Gene C. Mehne  
Michael J. Voyles

## EXECUTIVE AND DIRECTOR COMPENSATION

### Compensation Discussion and Analysis

#### Our Compensation Objectives

We seek to compensate our executives in a fair, reasonable and competitive manner. In designing and implementing our compensation program for our executive officers, we primarily intend to:

- attract and retain highly-skilled executives in a competitive environment; and
- provide financial incentives intended to align the executive officers' interests with those of our shareholders.

The primary components of each named executive's compensation are:

- base salary;
- incentive cash compensation; and
- long-term equity incentive compensation (paid in the form of cash compensation and restricted stock grants).

#### How We Set Executive Compensation

None of the Named Executive Officers has an employment agreement with the Company. As a result, the Committee has considerable discretion in recommending to the Board the annual compensation of the Named Executive Officers.

In setting the compensation of the Named Executive Officers for 2011, the Committee reviewed data (included in a published financial institution compensation survey that included financial institutions of comparable sizes in Illinois, Indiana, Kentucky, Michigan and Ohio) concerning the compensation provided to similarly situated executives.

In addition (as discussed below), the Committee established the short-term and long-term incentive goals for 2011 that were reflected in the balanced scorecards for 2011 based, in part, on the financial performance of the Company relative to a peer group of larger bank holding companies that it refers to as the Midwest Banking Peer Group.

The companies comprising the Midwest Banking Peer Group for the 2011 calendar year were:

Horizon Bancorp	S.Y. Bancorp, Inc	LCNB Corp.	Ohio Valley Banc Corp.
Bank of Kentucky Financial Corporation	First Mid-Illinois Bancshares, Inc.	Peoples Bancorp Inc.	MainSource Financial Group
First Financial Corporation	1 <sup>st</sup> Source Corp	Firstbank Corporation	Farmers National Banc Corp.
Lakeland Financial Corporation	Community Trust Bancorp	First Busey Corp	

#### Compensation Components

The executive compensation program consists of three basic elements:

- base salary;
- short-term cash incentive awards for annual performance; and

• long-term incentive awards granted under the 2009 LTI Plan for performance over a longer period (historically, three years).

In addition, we offer a 401(k) retirement plan and certain executive officers are eligible for certain nonqualified deferred compensation plans. One executive officer is a participant in a frozen tax-qualified defined benefit plan.

#### Base Salary

The Company 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.

When the Committee determined its recommended 2011 salaries, it established salary ranges for the CEO and each other executive officer within the organization. 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. This midpoint value was validated by the Committee by reference to the annual compensation survey of Midwest financial institutions published by a major consulting firm. Within these ranges, the Committee determined 2011 base salary for the CEO and each other executive officer in accordance with the guidelines of the Company's salary administration program and performance review system. The Committee then recommended to the Board that the CEO's and each executive officer's 2011 base salary be fixed within that range, and the Board accepted this recommendation. The Committee did not act with reference to any specific corporate or individual financial performance measure in recommending the CEO's or each executive officer's 2011 base salary.

#### Short-Term Cash Incentive Awards

For services rendered during 2011, the Company continued to maintain an Executive Management Incentive Plan (a "Plan") for certain key officers, including the executive officers named in the Summary Compensation Table below. Under this Plan, the Company pays additional compensation in the form of annual cash incentive awards rewarding performance, contingent upon the achievement of certain goals.

Generally, the Plan (as it was continued for 2011) assigns each officer a "balanced scorecard." The "balanced scorecard" 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 Company'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 Company through the date of payment of each quarterly installment.

At a February 28, 2011 special meeting of the Board, the Board (by the vote of the members of the Board who are not "interested directors" within the meaning of NASDAQ's independence rules, and at the recommendation of the Committee) established target cash incentive awards for executive officers as percentages of their 2011 base salary (which ranged from 30% to 50% of base salary, depending upon the executive), with maximum awards (payable only if performance and other criteria were substantially exceeded) of as much as 200% of the target awards. The scorecard of Mark A. Schroeder, Chairman and Chief Executive Officer of the Company (the "CEO"), specified a target award of 50% of his base salary for 2011. As a result, if all targeted corporate and individual performance criteria were deemed to have been exceeded by the requisite amount with respect to the CEO's scorecard during 2011, the CEO could have earned a cash incentive award for his services during 2011 equal to 100% of his 2011 base salary.

Cash incentive award entitlements for services during 2011 under the scorecards were based on:

- formula assessments of 2011 corporate performance; and
- formula and/or discretionary assessments of personal or departmental performance during 2011.

Corporate performance accounted for 80% of the potential cash incentive scorecard award for each Named Executive Officer other than Kenneth L. Sendelweck, President, Private Banking and Wealth Management. For Mr. Sendelweck, corporate performance accounted for 50% of his cash incentive award.

For 2011, the five selected short-term corporate performance criteria were:

- Income/revenue measures (applied to all Named Executive Officers):

Fully-diluted earnings per common share growth (20% weight);

Revenue per salary and benefits (20% weight); and

Non-interest income to total revenue ratio (10% weight).

- Consolidated balance sheet measures (applied to all Named Executive Officers other than Mr. Sendelweck):

Growth in core organic taxable loans (15% weight); and

Growth in core organic deposits and repurchase agreements (15% weight).

For 2011, discretionary/individual measures (20% weight for Named Executive Officers other than Mr. Sendelweck and 50% weight for Mr. Sendelweck) were based on overall performance of the executive based on the Board's assessment (of the CEO's performance) and the CEO's assessment (of the performance of the other Named Executive Officers).

Our three income/revenue measures were recommended by the Committee and approved by the Board. The threshold fully-diluted earnings per common share growth rate was fixed at 3%, the target was at 6% and the maximum was at 10%. The threshold revenue per salary and benefits was fixed at \$2.75, the target was at \$2.85 and the maximum was at \$3.00. The threshold non-interest income to total revenue ratio was fixed at 25%, the target was at 27.5% and the maximum was at 30%. The Company's actual 2011 results for these three measures were 33.1% fully-diluted earnings per common share growth, \$3.08 revenue per salary and benefits and 26.2% for non-interest income to total revenue ratio.

We defined core organic taxable loan growth to mean the growth in the average balance of our consolidated core organic taxable loans in December 2011 as compared to our average balances of our consolidated core organic loans in December 2010. The threshold percentage growth was 1%, the target was 3% and the maximum was 5%. The Company's actual 2011 core organic taxable loan growth was -1.8%.



We defined core organic deposit and repurchase agreement growth to mean the growth in the average balance of our consolidated core organic deposits and repurchase agreements in December 2011 as compared to our average balances of our consolidated core organic deposits and repurchase agreements in December 2010. The threshold percentage growth was 1%, the target was 3% and the maximum was 5%. The Company's actual 2011 core organic deposit and repurchase agreement growth was 12.2%.

In addition, other discretionary/individual performance measures or business unit or department performance is considered. The criteria relating to business unit performance or departmental performance (if such performance was applicable to a particular executive's scorecard) were geared to performance of the business unit or department headed by each particular executive. These criteria were assigned a weighting percentage based on the executive's position and authority. For Mr. Sendelweck, discretionary/individual measures (50% weight) included the achievement of specific individual initiatives of the investment services division of the Company and other individual performance measures related to the private banking business.

In the first quarter of 2012, the Board, upon the recommendation of the Committee, determined the cash incentive award amounts payable in 2012 to the executive officers, including the CEO, for their services during 2011, and such amounts are included in the 2011 information in the Summary Compensation Table that appears below. The Committee's recommendations were based on the Committee's assessment of the degree to which the corporate and personal goals established by the 2011 scorecards of the executive officers were achieved. The executive officers received awards that were in each case determined in accordance with the formulas relating to the short-term corporate performance criteria established by the respective 2011 scorecards and, for those officers with a discretionary component on their 2011 scorecards, a discretionary award within the targeted ranges.

#### Long-Term Incentive Awards

The 2009 LTI Plan provides for the award of incentive and non-qualified stock options and other equity-based awards, including restricted stock ("LTI Awards"). The purpose of granting LTI Awards is to provide long-term incentive compensation to complement the short-term focus of annual cash incentive awards.

Scorecard target amounts of LTI Awards are established upon recommendation of the Committee based upon the executive officer's level of responsibility, and are earned in proportion to the extent to which the Company has achieved certain corporate financial targets on an average basis over the three-year period ending in the year for which the scorecard is established.

At a special meeting of the Board on February 28, 2011, the Board (by the vote of the members of the Board who are not "interested directors" within the meaning of the rules of the NASDAQ Stock Market, Inc., and at the

recommendation of the Committee) established target long-term incentive awards for executive officers as percentages of their 2011 base salary (which ranged from 30% to 50% of base salary, depending upon the executive), with maximum awards (payable only if the stated corporate criteria were substantially exceeded) of as much as 200% of the target awards. The scorecard of the CEO, specified a target award of 50% of his base salary for 2011. If all targeted corporate performance criteria were deemed to have been substantially exceeded by the requisite amount with respect to the CEO's scorecard during 2011, the CEO could have earned an LTI Award for his services during 2011 equal to 100% of his 2011 base salary.

LTI Award targets for services during 2011 under the scorecards were based on the following selected long-term corporate performance criteria, each as measured over the three-year period ending December 31, 2011 and benchmarked against a peer group (the "Long-Term Corporate Performance Criteria"):

- return on common equity (50% weight); and
- fully-diluted earnings per common share growth (50% weight).

We determined the extent to which the Company achieved the return on common equity measure by determining the percentile rankings of the Company for return on common equity within the Midwest Banking Peer Group for each of the years 2009, 2010, and 2011 and then averaging those three percentile rankings. The threshold average percentile ranking was fixed at the 50th percentile, the target was at the 75th percentile, and the maximum was at the 85th percentile. The Company's actual three-year average percentile ranking for return on common equity when benchmarked against the Midwest Banking Peer Group was at the 90th percentile.

We determined the extent to which the Company achieved the fully-diluted earnings per common share growth measure by determining the percentile rankings of the Company for fully-diluted earnings per common share growth within the Midwest Banking Peer Group for each of the years 2009, 2010, and 2011 and then averaging those three percentile rankings. The threshold average percentile ranking was fixed at the 50th percentile, the target was at the 75th percentile, and the maximum was at the 85th percentile. The Company's actual three-year average percentile ranking for fully-diluted earnings per common share growth when benchmarked against the Midwest Banking Peer Group was at the 59th percentile.

In addition, the projected LTI Awards are further subject to a "Return on Common Equity" payout trigger, based on the Company's 2011 percentile ranking for return on common equity with the Midwest Banking Peer Group. The threshold percentile ranking was set at the 60th percentile, and the target percentile ranking was set at the 80th percentile. The Company's actual 2011 percentile ranking for return on common equity when benchmarked against the Midwest Banking Peer Group was at the 94th percentile.

At a special meeting of the Board on March 2, 2012, the Board determined that the corporate goals established by the scorecards for the LTI Awards were met, at least the threshold level, for both the return on common equity and fully-diluted earnings per common share growth criteria and for the Return on Common Equity trigger for the payment of any LTI Award for the three-year period under consideration. As a result, the Board approved the grant of Restricted Stock Awards to the four Named Executive Officers at 134% of their respective target levels in satisfaction of their LTI Awards under the 2009 LTI Plan. Each Restricted Stock Award consisted of:

newly-issued common stock of the Company (subject to certain restrictions and forfeiture conditions) having an aggregate fair market value of approximately 50% of each Named Executive Officer's total LTI Award (rounded up to the nearest 25-share block); and

rights to receive cash payments in a dollar amount approximately equal to the dollar value of the restricted stock (which cash rights are subject to similar forfeiture conditions).

Holders of the common stock issued as part of the Restricted Stock Award (which were issued effective March 15, 2012, at fair market value) are entitled to dividends on such shares unless and until the shares are forfeited in accordance with the terms of the Restricted Stock Awards. All the Restricted Stock Awards will fully vest on December 5, 2012, assuming continued service of each of the holders through that time.

Retirement/Deferred Compensation Benefits

*German American Bancorp 401(k) Savings Plan.* The 401(k) Plan is a tax-qualified defined contribution plan that enables eligible employees to defer income taxation on up to 60% of their compensation (not to exceed \$16,500 (for 2011) or \$22,000 (for 2011) for employees age 50 or older). We currently provide fully vested matching contributions equal to 100% of each employee's pre-tax contributions up to the first 3% of compensation plus 50% of the employee's pre-tax contributions up to the next 2% of compensation.

Participants in the plan direct the investment of their account balances and are eligible for loans, certain in-service withdrawals, and distributions upon termination of employment. All four Named Executive Officers participate in the 401(k) Plan.

*German American Bancorp Nonqualified Savings Plan.* Under the German American Bancorp Nonqualified Savings Plan, established in 2004 (the "Nonqualified Savings Plan"), highly compensated or management employees of the Company and its subsidiaries who are specifically designated from time to time by the Committee as eligible to participate in the Plan may, through payroll deduction, make employee deferral contributions between 1% and 60% of their regular earnings. Participants in the plan direct the investment of their account balances. The Plan was amended in 2008 to bring it into technical compliance with the requirements of section 409A of the Internal Revenue Code of 1986, as amended.

We make matching contributions under the Nonqualified Savings Plan according to 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.

In no event, however, 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.

As elected by the participant, each participant (or his or her beneficiary) will receive a lump sum distribution or series of installment distributions from the Nonqualified Savings Plan, beginning upon termination of employment, retirement, early retirement or disability. The Nonqualified Savings Plan contains certain provisions that may accelerate the timing of distributions that would be triggered by certain changes of control of the Company. During 2011, each of the Named Executive Officers in the Summary Compensation Table have an account under the Nonqualified Savings Plan.

*Employees Pension Plan of German American Bancorp.* The Pension Plan is a frozen tax-qualified defined benefit pension plan. The plan has been frozen (meaning that no additional employees can become participants and no additional benefits are accruing under the plan) since January 1, 1999. Of the Named Executive Officers, only the Chief Financial Officer is a participant in the Pension Plan, and he is 100% vested in the pension benefit.

*Executive Supplement Retirement Income Agreement.* The Chief Financial Officer participates in an Executive Supplement Retirement Income Agreement with the Company that provides for a supplemental retirement benefit in the amount of \$26,340 per year for fifteen years and an additional death benefit of \$10,000. The Chief Financial Officer is 100% vested in the benefit and amounts become payable upon his termination of employment or retirement. The arrangement constitutes a non-qualified deferred compensation plan. The benefit is forfeited in the event he is terminated for "Cause" as described in the agreement. This plan was amended in December 2008 to bring the arrangement into technical compliance with requirements of section 409A of the Internal Revenue Code of 1986, as amended.

*German American Bancorp Deferred Director Compensation Plan.* The Deferred Director Compensation Plan allowed members of the Company's Board to elect to defer the receipt and taxation on a portion of their director fees

while serving on the Board. The Plan was frozen as of December 31, 1996, and no additional fees have been deferred into the Plan since then. Of the Named Executive Officers, only Mr. Schroeder is a participant in the Deferred Director Compensation Plan.

#### Other Compensation

Detailed information regarding other compensation is provided in note 5 to the Summary Compensation Table below. In general, we believe that perquisites should not constitute a significant portion of any executive officer's compensation. Moreover, certain of the perquisites provided to executive officers also provide a benefit to us. For example, we reimburse certain club dues to encourage our executive officers to have a presence in the community to promote the business of the Company.

#### Tax Issues

Under Internal Revenue Code Section 162(m), subject to an exception for qualifying performance-based compensation, we cannot deduct compensation of over \$1 million in annual compensation paid to certain executive officers. We seek to avoid payments that would not be deductible under Code Section 162(m).

Compensation Committee Report

The Compensation/Human Resources Committee has reviewed and discussed with management the above "Compensation Discussion and Analysis," and, based on such review and discussion, the Committee recommended to the Board that the "Compensation Discussion and Analysis" be included in this Proxy Statement, from which it will be incorporated by reference into the Company's Annual Report on Form 10-K.

U. Butch Klem, Chairman  
Douglas A. Bawel  
Christina M. Ernst  
Thomas W. Seger

Risk Assessment

We believe that our compensatory plans or programs provide appropriate incentives for all of our employees, including but not limited to our employees engaged in marketing and selling particular types of banking, insurance, securities or other financial products or services, and our executive officers. We also believe that those plans and programs, considered individually and as a whole, neither encourage excessive or unnecessary risk that would adversely affect the long-term value or performance of our Company nor encourage employees to manipulate earnings in order to enhance the benefits payable under such plans or programs.

We believe that our annually-reconstituted Management Incentive Plan for our executive officers (described above under the heading "Compensation Discussion and Analysis", and considering both the short-term and long-term award structures created by that Plan) is well designed to align our strategic objectives with short-term and long-term shareholder value, because:

the corporate performance metrics (as specified by the balanced scorecards) take into consideration balance sheet, income statement and equity factors, and

threshold goals under such scorecards were (are) reasonably achievable with good performance, and therefore were sufficiently challenging but not overly difficult, and

specified performance metrics did (do) not include steep cliffs for not achieving nor exponential upside to achieving them;

based on peer group comparisons, the incentives payable to our executive officers under their balanced scorecards were (are) capped at reasonable levels and the maximum awards represent an appropriate portion of total pay;

our inclusion of an award based on a three-year performance period discourages activities that do not benefit us over a long term; and

denomination of long-term awards in payments of restricted Company stock (coupled with a proportionate cash entitlement) gives further incentive to our executives to focus on sustained value creation.

Similarly, we believe that the compensation programs available to our employees generally, and in our investments and insurance areas in particular (such as permitted payments for referrals, account opening incentives, and insurance, mortgage loan, and brokerage commissions and other payments based on products and services sold or provided or business developed or produced) are appropriately aligned with our Company's strategy and objectives for long-term value creation for shareholders, and properly reward various performance outcomes.

### Executive Compensation

The following tabular and other information describes the compensation of our Chief Executive Officer, our Chief Financial Officer, and our two other executive officers employed at the end of 2011 (we refer to these individuals as our "Named Executive Officers" or "NEOs"), for their services to the Company and its subsidiaries during 2011 and certain prior years.



## Summary

The following table provides a summary of compensation for 2009 through 2011 with respect to our Named Executive Officers.

## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (1) (\$)	Option Awards (2) (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-qualified Deferred Compensation Earnings (\$)	All Other Non-Compensation (5) (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Mark A. Schroeder, Chairman and Chief Executive Officer	2011	290,000	—	97,613		306,358	21,073	98,833	813,877
	2010	280,000		100,860		292,540	13,216	85,472	772,088
	2009	275,000		78,185		187,190	12,942	93,124	646,441
Clay W. Ewing, President – Commercial and Retail Banking	2011	200,000	—	53,944		165,576		41,853	461,373
	2010	190,000		54,940		164,396		34,606	443,942
	2009	185,000		42,183		97,899		41,469	366,551
Kenneth L. Sendelweck, President –Private Banking and Wealth Management	2011	190,000	—	51,375		122,969		42,451	406,795
	2010	190,000		54,940		152,996		35,818	433,754
	2009	185,000		42,183		95,457		43,317	365,957
Bradley M. Rust, Executive Vice President, Chief Financial Officer	2011	170,000	—	34,421		108,073	11,901	30,660	355,055
	2010	155,000		33,620		100,579	9,411	24,358	322,968
	2009	150,000		25,663		62,537	6,476	24,983	269,659

(1) Amounts reported in this column represent the restricted stock portion of the LTI Awards that were granted in 2012, 2011, and 2010 (based on criteria established for the three-year periods ending December 31, 2011, December

31, 2010, and December 31, 2009, respectively), and will become vested (or became vested) on December 5, 2012, December 5, 2011, and December 15, 2010, respectively. In accordance with our interpretation of SEC guidance on this subject, we report these awards for purposes of our Summary Compensation Table as being compensation for the final year of the related three-year performance period, even though we accrue the related expense in different time periods for financial reporting purposes. The cash portion of the LTI Award amounts has been reported as "Non-Equity Incentive Plan Compensation" (column (g)).

(2) No stock options were granted to the Named Executive Officers in 2009, 2010 or 2011.

(3) The amounts in this column represent: (a) short-term cash incentive awards that were earned based on performance during 2009, 2010 and 2011, respectively, under the Company's Management Incentive Plan (see "Compensation Discussion and Analysis section on Compensation Components Short-Term Cash Incentive Awards" above) (these cash incentive awards are generally paid (subject to the executive's continued employment) to the executive in quarterly installments during the year following the year in which they were earned (for instance, 2011 amounts were paid in 2012)), and (b) the cash portion of the LTI Awards that were based on performance for the three-year periods ended December 31, 2009, December 31, 2010, and December 31, 2011, respectively, that became payable and vested on December 15, 2010 or December 5, 2011 or will become payable and vested on December 5, 2012, respectively (subject to the NEOs' continued employment) (see "Compensation Discussion and Analysis section on Compensation Components Long-Term Incentive Awards" above). The table below sets forth the amounts of each award based on performance for the years ended December 31, 2009, 2010 and 2011, respectively, if any, and paid/vested on or before December 15, 2010, December 5, 2011 and December 5, 2012, respectively.

	Schroeder	Ewing	Sendelweck	Rust
To be Paid/Vested on or before 12/5/2012				
Short-Term Cash (\$)	209,670	112,320	72,504	74,154
Long-Term Cash (\$)	96,688	53,256	50,465	33,919
Long-Term Stock (\$) (a)	97,613	53,944	51,375	34,421
Paid/Vested on or before 12/5/2011				
Short-Term Cash (\$)	191,800	109,896	98,496	67,239
Long-Term Cash (\$)	100,740	54,500	54,500	33,340
Long-Term Stock (\$) (b)	100,860	54,940	54,940	33,620
Paid/Vested on or before 12/15/2010				
Short-Term Cash (\$)	108,625	55,722	53,280	36,900
Long-Term Cash (\$)	78,565	42,177	42,177	25,637
Long-Term Stock (\$) (c)	78,185	42,183	42,183	25,663

(a) These amounts reflect the value of the stock-based LTI Awards as of March 15, 2012, the date on which such awards were formally granted.

(b) These amounts reflect the value of stock-based LTI Awards as of March 15, 2011, the date of grant.

(c) These amounts reflect the value of stock-based LTI Awards as of March 15, 2010, the date of grant.

(4) With respect to Mr. Schroeder, the amounts specified in Column (h) are attributable to the above-market portion of earnings credits under our Deferred Director Compensation Plan of \$12,942 for 2009, \$13,216 for 2010 and \$21,073 for 2011. With respect to Mr. Rust, the amounts specified in Column (h) reflect (i) the increase in the present value of his accrued benefit under an Executive Supplemental Retirement Income Agreement of \$3,838 for 2009, \$5,171 for 2010, and \$5,491 for 2011 and (ii) the increase in the present value of his frozen accrued benefit under the Employees'

Pension Plan of German American Bancorp of \$2,638 for 2009, \$4,240 for 2010, and \$6,410 for 2011.

(5) The amounts specified in Column (i) include the following:

Name		Perquisites & Other Personal Benefits (a) (\$)	Relocation Expense Reimbursement (\$)	Payments/Accruals on Termination Plans (\$)	Company Contributions to Defined Contribution Plans (\$)	Cash Dividends on Restricted Stock (\$)	Life Insurance Premiums (b) (\$)
Mark A. Schroeder	2011	66,177			29,351	2,583	722
	2010	59,508			23,247	1,995	722
	2009	61,184			27,742	3,476	722
Clay W. Ewing	2011	21,983			17,741	1,407	722
	2010	18,772			14,046	1,071	717
	2009	22,120			17,038	1,943	368
Kenneth L. Sendelweck	2011	23,255			17,067	1,407	722
	2010	20,084			13,946	1,071	717
	2009	23,733			16,953	1,943	688
Bradley M. Rust	2011	16,596			12,992	861	211
	2010	13,238			10,333	662	125
	2009	14,058			9,800	1,009	116

(a) Amounts include (i) imputed income from personal use of automobile provided by the Company (for Messrs. Schroeder, Sendelweck, and Ewing), (ii) country club dues paid by the Company (for Messrs. Schroeder, Sendelweck, and Ewing), (iii) a 5% discount off the market price of Company stock purchased by the NEOs under the Company's Employee Stock Purchase Plan, (iv) a cash "retirement allowance" (intended to help salaried employees defray the cost of saving for retirement following the elimination in 2004 of a Company-funded retirement contribution to the 401(k) plan) for each year (and which, for 2011, was provided in the following amounts: \$34,942 (Schroeder), \$21,387 (Ewing), \$20,317 (Sendelweck), and \$15,467 (Rust), and for 2010, was provided in the following amounts: \$27,689 (Schroeder), \$16,712 (Ewing), \$16,646 (Sendelweck), and \$12,426 (Rust) and for 2009, was provided in the following amounts: \$32,861 (Schroeder), \$20,191 (Ewing); \$20,090 (Sendelweck), and \$13,888 (Rust)), included in the NEO's paychecks throughout the year, and a "longevity payment," paid in November, and (v) with respect to Mr. Schroeder, \$24,000 of director fees in 2009 (which includes a \$20,000 cash payment plus \$500 for each meeting of the Board actually attended by the CEO during 2009), \$27,000 in 2010 (which includes a \$20,000 cash payment plus \$500 for each meeting of the Board actually attended by the CEO during 2010) and \$24,000 in 2011 (which includes a \$20,000 cash payment plus \$500 for each meeting of the Board actually attended by the CEO during 2011).

(b) The listed NEOs receive group term life insurance coverage equal to one-times base salary. The amounts in this column reflect the imputed income on the premiums for the executive officers' coverage.

Grants of Plan-Based Awards

As noted above under the Compensation Discussion and Analysis section on "Compensation Components," our Board at a special meeting held on February 28, 2011 adopted "balanced scorecards" that substantially established, for each of our current Named Executive Officers, the Board's targeted performances during the one- and three-year periods ending December 31, 2011, by which they would be considered for short-term and long-term incentive grants at the conclusion of 2011. On March 2, 2012, and based on the extent to which the Board deemed the performance criteria to be satisfied, the Board authorized the payment of short-term incentive awards (payable quarterly in 2012 in cash) to the Named Executive Officers for 2011 performance, and LTI Awards for performance for the three-year performance period ending December 31, 2011.

The following table provides additional information regarding grants of plan-based awards for the three-year service period ending December 31, 2011 (based on the threshold, target and maximum award levels as they existed as of December 31, 2011 under the balanced scorecards) to the current Named Executive Officers.

## GRANTS OF PLAN-BASED AWARDS

Name	Grant Date*	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	(i)	(j)	(k)
(a) Mark A. Schroeder	(b) 2-28-11	(c) 108,750	(d) 218,500	(e) 435,000	(f) 2,000	(g) 4,000	(h) 7,925	(i)	(j)	(k)
Clay W. Ewing	2-28-11	120,000	240,000	228,000	1,100	2,200	4,400			
Kenneth L. Sendelweck	2-28-11	57,000	114,000	228,000	1,050	2,100	4,200			
Bradley M. Rust	2-28-11	34,250	76,500	153,000	725	1,425	2,825			

\*As explained above, the grants of short-term awards and long-term awards with respect to 2011 performance were made in March 2012, but such 2011 grants were awarded with reference to performance goals that were substantially established at a special meeting of the Board held on February 28, 2011. Solely for purposes of this presentation, the "grant date" is considered to be the date of the substantial establishment of the balanced scorecard performance goals at the February 28, 2011, meeting of the Board.

(1) These columns reflect the estimated threshold, target and maximum levels of the potential grants under the short-term incentive plan and the estimated cash portion of the long-term incentive plan (under the balanced scorecard performance goals that were substantially established by Board action on February 28, 2011). The actual amounts of the awards (as fixed by action of the Board on March 2, 2012) have been reported in the Summary Compensation Table, above, and details of these actual amounts are set forth in the table included in footnote 3 to the Summary Compensation Table.

(2) These columns reflect the estimated threshold, target and maximum levels of restricted shares that could have been awarded under the long-term incentive plan (under the balanced scorecard performance goals that were substantially established by Board action on February 28, 2011). The estimated number of restricted shares was determined by taking one-half the projected long-term incentive award and dividing this amount by the market price of the Company's common shares at the end of the Fiscal Year (based on the NASDAQ Official Closing Price of \$18.19 for the Company's common shares on December 31, 2011 then rounding up to the nearest 25-share block).

#### Option Exercises and Stock Vested

The following table provides information regarding stock options exercised and stock grants becoming vested in 2011 with respect to the Named Executive Officers. The stock grants consist of the restricted stock portion of the LTI Awards granted in March 2011, based on performance for the three-year period ending December 31, 2010. Restrictions on these shares lapsed on the vesting date of December 5, 2011.



OPTION EXERCISES AND STOCK VESTED

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
(a)	(b)	(c)	(d)	(e)
Mark A. Schroeder			6,150	113,714
Clay W. Ewing			3,350	61,942
Kenneth L. Sendelweck			3,350	61,942
Bradley M. Rust			2,050	37,905

Outstanding Equity Awards at Fiscal Year-End

The following table includes information regarding the outstanding equity awards of Mr. Schroeder at December 31, 2011. None of our other Named Executive Officers had outstanding equity awards at December 31, 2011.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards				Option Expiration Date	Stock Awards			
	Number of Unexercised Exercisable Options (#)	Number of Unexercised Non-Exercisable Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$)		Number of Shares or Units That Have Vested	Market Value of Shares or Units That Have Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (1)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Mark A. Schroeder	1,050.00			18.19	06/01/2013				
	1,000.00			16.26	06/01/2014				

1,000.00	13.14	06/01/2015
1,000.00	13.25	06/01/2016

#### Nonqualified Deferred Compensation

As noted under Compensation Discussion and Analysis above under the section entitled "Retirement/Deferred Compensation Benefits," each of the Named Executive Officers participated in the Nonqualified Savings Plan in 2011. In addition, the Chief Financial Officer was the only participant in an Executive Supplement Retirement Income Agreement that provides for a supplemental retirement benefit (which, as a defined benefit, is disclosed in the "Pension Benefits" section below).

The following table provides information regarding nonqualified deferred contribution and earnings credits for 2011 with respect to the Named Executive Officers.

## NONQUALIFIED DEFERRED COMPENSATION

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$) (3)	Aggregate Earnings in Last FY (\$) (d)	Aggregate Withdrawals/ Distributions (\$) (e)	Aggregate Balance at last FYE (\$) (f)
(a)	(b)	(c)	(d)	(e)	(f)
Mark A. Schroeder (1)	15,232	19,551	(5,434 )		195,802
(2)			26,134 )		234,738
Clay W. Ewing (4)		7,941	(222 )		22,601
Kenneth L. Sendelweck (4)		7,266	(603 )		21,760
Bradley M. Rust (4)		3,192			3,745

(1) Amounts in line (1) relate to the CEO's participation in the Nonqualified Savings Plan. Earnings reported in line (1), column (d), represent the change in market value of the investments in which Mr. Schroeder directs the investment of his account.

(2) Amounts in line (2) relate to the CEO's participation in the Deferred Director Compensation Plan, which has been frozen since December 31, 1996. Earnings reported in line (2), column (d) represent earnings under the Plan.

(3) Amounts in column (c) represent the matching contributions accrued under the Nonqualified Savings Plan in 2011 that will be contributed in 2012.

(4) Earnings reported in column (d) represent the change in market value of the investments in which Messrs. Ewing, Sendelweck and Rust direct the investment of their accounts.

## Pension Benefits

As noted under the heading in the Compensation Discussion and Analysis, above, entitled "Retirement/Deferred Compensation Benefits," we sponsor a frozen tax-qualified defined benefit plan known as the "Employees Pension Plan of German American Bancorp." Of the Named Executive Officers, only the Chief Financial Officer participates in this Plan.

In addition, the Chief Financial Officer was the only participant in the Executive Supplement Retirement Income Agreement that provides for a supplemental retirement benefit in the fixed amount (i.e., the benefit does not further increase based on either the age or the service of the Chief Financial Officer) of \$26,340 per year for fifteen years and an additional \$10,000 death benefit. The Chief Financial Officer is 100% vested in the benefit and amounts become payable upon his death, disability, termination of employment or retirement. Except in cases of death or disability, the benefit will commence on the first day of the month following his 65<sup>th</sup> birthday. If he terminates employment prior to age 65 but after age 60, he may elect to commence benefits prior to age 65 but a reduction will be applied equal to 6% per year for each year in which benefits are commenced prior to age 65. Death benefits, including a \$10,000 burial benefit, are payable to the Chief Financial Officer's beneficiary under the plan.

The following table provides information regarding benefits and distributions under the *Employees Pension Plan of German American Bancorp* with respect to the Named Executive Officers.

## PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
(a)	(b)	(c)	(d)	(e)
Mark A. Schroeder Clay W. Ewing Kenneth L. Sendelweck				
Bradley M. Rust	Employees' Pension Plan of German American Bancorp Executive Supplement Retirement Income Agreement	6	25,687	None
		18	44,640	None

## Potential Payments on Termination or Change in Control

We are not party to any severance or other employment agreements with Named Executive Officers. In addition, we have not entered into any change in control agreements with any of the Named Executive Officers. The only potential termination/change in control benefits are as follows (determined as if the change in control occurred on December 31, 2011):

the 1999 LTI Plan provides that upon a change in control, and unless otherwise determined by the Board, all unvested awards become vested and all related restrictions lapse. All options issued under the 1999 LTI Plan are currently fully vested, and no restricted stock awards are currently outstanding under the 1999 LTI Plan (quantification is not applicable as all options issued under the 1999 LTI Plan are fully vested and there are no restricted stock awards outstanding under the 1999 LTI Plan);

the 2009 LTI Plan provides that upon a change in control, and unless otherwise determined by the Board, all unvested awards become vested and all related restrictions lapse. No options have been issued under the 2009 LTI Plan, and the restricted stock awards currently outstanding were granted under the 2009 LTI Plan (quantification is not applicable as no options have been issued under the 2009 LTI Plan and all restricted stock awards issued under the 2009 LTI Plan on or before December 31, 2011 (the date on which the change in control was deemed to occur for purposes of this presentation) were fully vested as of December 31, 2011);

as noted under Compensation Discussion and Analysis above, under the section entitled "Retirement/Deferred Compensation Benefits," each of the four Named Executive Officers were participants in the Nonqualified Savings Plan as of December 31, 2011. If elected by the participant, he (or his or her beneficiary) will receive a lump sum or installment distribution of his deferrals and matching contributions from the Nonqualified Savings Plan, beginning upon termination of employment, retirement, early retirement or disability. In the event of a change in control of the Company, any unvested amounts allocated to a participant's account shall become fully vested (the Named Executive Officers have elected to receive their account balances under the Nonqualified Savings Plan (account balances as of December 31, 2011 are disclosed in column (f) of the Nonqualified Deferred Compensation table, above) as follows: in a single lump sum payment upon the attainment of normal retirement age as defined under the Nonqualified Savings Plan (Messrs. Schroeder, Ewing and Rust) and in systematic withdrawals over a period of five years upon the attainment of early retirement age as defined under the Nonqualified Savings Plan (Sendelweck). In addition, Messrs. Sendelweck and Rust have elected to receive their benefits in a single lump sum payment upon a change in control of the Company);

as noted under Compensation Discussion and Analysis above, under the section entitled "Retirement/Deferred Compensation Benefits" and the Pension Benefit disclosure above, the Chief Financial Officer's frozen accrued benefit under the Employees' Pension Plan of German American Bancorp (which is 100% vested) will become payable as a life annuity in the event that he terminates employment (although actual payments will be delayed until he turns age 65 if he terminates employment prior to age 65) (the present value of the accumulated benefit as of December 31, 2011 is disclosed in column (d) of the Pension Benefit table, above); and

as noted under the Pension Benefit disclosure above, the Chief Financial Officer's accrued benefit under the Executive Supplement Retirement Income Agreement will become payable at age 65, unless he terminates after attaining age 60 and elects to commence a reduced early retirement benefit. Payment of the benefits under this Agreement is conditioned on the Chief Financial Officer not violating a non-competition covenant under the Agreement (the present value of the accumulated benefit as of December 31, 2011 is disclosed in column (d) of the Pension Benefit table, above).

#### Director Compensation

The Company compensates its directors for their service to the Company and the Company's subsidiaries and banking divisions based on a twelve-month period commencing with each year's annual reorganization meeting of the Board. The Governance/Nominating Committee made a recommendation with respect to director compensation to the Board and the Board approved such recommendation at its annual reorganization meeting on June 27, 2011.

For services of directors during the current annual period that commenced at the 2011 annual Board reorganization meeting, the Company has compensated its directors, including the CEO, through an annual retainer of \$20,000 paid in cash during 2011 in a lump sum (which was earned regardless of the number of meetings held or attended, and regardless of committee membership or attendance) and is paying additional attendance fees of \$500 for each meeting of the Board that they attend during this period and \$350 for each committee meeting that they attend during this period (with the exclusion of the CEO who does not receive attendance fees for meetings of committees for which he is an ex officio member). For services of directors during 2011, the Company also paid a lead director fee of \$3,500 and an annual committee chairman fee of \$3,500 for each of the following committees: Audit, Compensation/Human Resources and Credit Risk Management. For services of directors during the period commencing at the 2010 annual Board reorganization meetings and ending at the 2011 annual Board reorganization meeting, the Company compensated its directors, including the CEO, through annual retainers paid in cash in a lump sum during 2010 in the amount of \$20,000. The Company also paid an additional \$500 attendance fee for each meeting of the Board that they attended during the entirety of that period.

Members of the Board who serve as Board representatives of a regional advisory board of directors receive attendance fees of \$350 for each meeting actually attended, with the exclusion of the CEO who is not eligible for such attendance fees. Directors attending concurrent meetings of the Board and the board of directors of German American Bancorp (our bank subsidiary) are eligible to receive a single attendance fee of \$500 for each combined meeting actually

attended. Members of the Board who are not employees of the Company attending the sequential meetings of German American Insurance, Inc. and German American Financial Advisors & Trust Company are eligible to receive a single attendance fee of \$350 for each combined meeting actually attended.

The table below shows all compensation paid during 2011 to our directors who served during 2011 who were not also our employees (including, in the case of Director Mehne, the above-market portion of earnings credits under our Deferred Director Compensation Plan, which has been frozen since December 31, 1996):



## DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (\$)	Non-qualified Deferred Compensation Earnings (\$)
Douglas A Bawel	31,450	—
Christina M. Ernst	26,500	—
Marc D Fine	38,200	—
Richard E. Forbes	29,425	—
U. Butch Klem	36,650	—
J. David Lett	26,650	4,641
Gene C. Mehne	27,750	—
Chris Ramsey	36,800	—
Mark A Schroeder	24,000	
Thomas W. Seger	28,550	
Michael J. Voyles	29,800	

## TRANSACTIONS WITH RELATED PERSONS

Since January 1, 2011 (except for those transactions that are not required to be separately reported under the rules of the SEC for disclosure of related person transactions), we have not participated in any transaction or series of related transactions (and there is no currently proposed transaction as of the date of this Proxy Statement) that involved (or is proposed to involve) an amount greater than \$120,000 in which any of our directors, executive officers or members of their immediate families had (or would have) a direct or indirect material interest.

The Company's bank subsidiary has (and expects to continue to have in the future) loan transactions in the ordinary course of business with directors and officers of the Company and their associates and members of their immediate families. These loans 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 loans with persons not related to the lender and did not involve more than the normal risk of collectibility or present other unfavorable features, and none of them are disclosable by us as nonaccrual, past due, restructured or potential problems (as those terms are defined by an SEC industry guide applicable to disclosures by bank holding companies).

As required by the listing standards of NASDAQ, the Audit Committee of our Board has the authority and responsibility for reviewing and approving all related party transactions of a type and size that would be required to be reported to shareholders and the SEC under the rules of the SEC for disclosure of related person transactions. Accordingly, transactions in which we participate (or are proposed to participate) that are covered by this review and approval requirement include but are not limited to most types of financial transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements, or relationships, in which any of our directors, executive officers or members of their immediate families have a direct or

indirect material interest (as determined in accordance with the SEC rules) and involve an amount in excess of \$120,000. Certain types of transactions are not reportable in our annual meeting proxy statements under the SEC related person transaction disclosure rules, however, and therefore do not require Audit Committee review, including:

loan transactions of our Company's bank subsidiary in which our directors, executive officers or members of their immediate families may have a direct or indirect material interest, if such loans satisfy the standards (described by the preceding paragraph) for non-disclosure under the SEC rules;

payments of dividends or interest made by us to our directors and our Named Executive Officers solely as a result of their ownership of our publicly-held securities (common shares and debentures) and indebtedness owed by us to such persons that is evidenced by our publicly-issued debentures;

compensation paid by us to our directors and to our "Named Executive Officers" that is disclosable as compensation in our annual meeting proxy statements and is in fact disclosed as such; and

compensation paid to any executive officer (other than a Named Executive Officer) if he or she is not an immediate family member of another executive officer or director, such compensation would have been reportable as compensation in this proxy statement if he or she were a Named Executive Officer for the year in question, and the compensation has been approved by our Compensation/Human Resources Committee.

Neither our Board nor its Audit Committee has adopted any written statement of policies and procedures to be applied in reviewing any such related person transactions, other than the provision in the Audit Committee charter described above that defines the types of transactions requiring review and approval. The Audit Committee, however, in reviewing and approving any such related person transaction, would be bound to abide by the standards of loyalty and care established by the Indiana Business Corporation Law for directors of corporations (like the Company) that are incorporated under Indiana law. These standards require that the directors on the Audit Committee, based on the facts then known to them, discharge their duties as members of the Audit Committee in good faith; with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and in a manner that they reasonably believe to be in the best interests of the Company.

## PROPOSAL 2

### **ADVISORY VOTE ON THE APPROVAL OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

In accordance with its charter, the Audit Committee of our Board has selected the firm of Crowe Horwath LLP ("Crowe Horwath"), an independent registered public accounting firm, to be the Company's auditors for the fiscal year ending December 31, 2012, and our Board is asking shareholders (on a non-binding advisory basis) to approve that appointment. We are not required to have the shareholders approve the selection of Crowe Horwath as our independent auditor. We nonetheless are doing so because we believe it is a matter of good corporate practice. If the shareholders do not approve the selection, the Audit Committee will reconsider the retention of Crowe Horwath, but ultimately may decide to retain Crowe Horwath as the Company's independent auditor. Even if the selection is approved, the Audit Committee, in its discretion, may change the appointment at any time if it determines that such a change would be in the best interests of the Company and its shareholders.

Before selecting Crowe Horwath, the Audit Committee carefully considered that firm's qualifications as an independent registered public accounting firm for the Company. This included a review of its performance in prior years, including the firm's efficiency, integrity and competence in the fields of accounting and auditing. The Audit Committee has expressed its satisfaction with Crowe Horwath in all of these respects. The Company has been advised by Crowe Horwath that neither it nor any of its associates has any direct or material indirect financial interest in the Company.

Crowe Horwath served as independent registered public accounting firm for the Company with respect to the audits of the Company's consolidated financial statements and internal control over financial reporting for 2011 and has been engaged by the Company's Audit Committee to serve as independent registered public accounting firm for the Company with respect to the audits of the Company's consolidated financial statements and internal control over financial reporting for 2012. Representatives of Crowe Horwath 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.

Our Board recommends that shareholders vote "FOR" approval of the appointment of Crowe Horwath as the Company's independent registered public accounting firm for fiscal 2012.

Required Vote of Shareholders

The affirmative vote of a majority of the votes cast by holders of common shares who are present in person or by proxy at a meeting at which a quorum is present is required (on a non-binding advisory basis) to approve the appointment of Crowe Horwath.

Our Board recommends that you vote FOR the proposal to approve Crowe Horwath as the Company's registered independent public accounting firm (Proposal 2 on the proxy card).

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

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers and persons who beneficially own more than ten percent of the Company's Common Shares to file with the Securities and Exchange Commission reports showing ownership of and changes in ownership of the Company's Common Shares and other equity securities. On the basis of information submitted by the Company's directors and executive officers, the Company believes that its directors and executive officers timely filed all required Section 16(a) filings for fiscal 2011 and (except as disclosed in prior years' proxy statements) for prior years, except for the inadvertent failures of (a) each of Directors Ernst, Klem, Forbes, Seger, Voyles, Bawel, and Ramsey to report on a timely basis their stock purchase transactions effected automatically on their behalf on August 15, 2011, pursuant to our direct share purchase plan and (b) Director Ramsey to report on a timely basis a pair of open market sales of our shares by himself and his spouse on November 8, 2011.

SHAREHOLDER PROPOSALS FOR 2013 ANNUAL MEETING

A shareholder desiring to submit a proposal for inclusion in the Company's proxy statement for the annual meeting of shareholders to be held in the year 2013 must deliver the proposal so that it is received by the Company no later than December 15, 2012. 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, Inc., 711 Main Street, Box 810, Jasper, Indiana 47547-0810, by certified mail, return-receipt requested.









