

We believe

**GREAT BANKING IS ALL
ABOUT RELATIONSHIPS**



2018 ANNUAL REPORT



First Bank of Berne

We believe

IN THE VALUE OF PEOPLE





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A LETTER FROM THE PRESIDENT

WE ARE PLEASED TO REPORT STRONG FINANCIAL RESULTS IN THIS 2018 ANNUAL REPORT

with a record net income of \$13.14 million, which is an 11.2% increase over 2017. We can attribute this to the hard work and dedication of our employee owners, who serve diligently to meet and exceed the needs of our customers. Our staff has been utilizing the latest technologies, which encourages consistent growth in our organization without adding additional overhead expenses. This provides a significant competitive advantage in laying the groundwork for long-term success in our communities.

COMMITTED TO REMAINING INDEPENDENT

The environment in our markets continues to shift as competing financial institutions change names through merger transactions with out-of-state organizations. This transition of the competition provides significant opportunities for First Bank of Berne as communities struggle to deal with larger, less responsive banks. First Bank of Berne continues to operate with the same core principals since our founding year of 1891. We remain stable and responsive to our customers and have no interest in consolidating or being merged into a larger organization.

CONTINUED GROWTH AND TECHNOLOGY ADVANCEMENTS PLAY MAJOR ROLE IN BANK SUCCESS

Moderate growth works well in our culture and allows us to continue providing top level technology and financial solutions. We grew our total assets by 6.5% this year and ended 2018 with assets totaling \$711 million. This growth allows us to provide our shareholders with a strong return on their financial investment and gives us a clear path to remain a stable, independent banking institution. With the proficiency of our employees, steadfastness of our shareholders, and support of our customers and communities, the future at First Bank of Berne does indeed look positive.



Sincerely,

Kent A. Liechty
President & CEO

WAYNE TRACE FARMS | JAMIE AND TRACI BULTEMEIER

We were originally working with First Bank of Berne for a regular mortgage. When we found this particular farm, we decided it was time to put up the money we saved and buy this piece of land. We went into First Bank of Berne thinking we were going to put 20% down, buy the land and then wonder where the rest of the cash to operate would come from. After meeting with the First Bank of Berne team, we were able to stretch our basic investment into land, machinery, and barns. They helped us maximize our initial investment and, quite frankly, got us going.

We appreciate the time and energy that the staff at First Bank of Berne have put into our farm and our operation. We like the fact that we can sit down and have a business conversation with them, and that we're never worried about if they will give us what we need to progress our operation. When we sit down with First Bank of Berne, they ask us "What's your business plan?" and then determine how we can make it happen and stretch our dollar furthest to get us where we want to go.

First Bank of Berne has played a major role in helping us purchase the equipment we need, farm the way we want to farm, and make the decisions that we need to make in order to be successful.

"We have never been interested in switching to another bank. The business - the support we have right now - is not worth any little bit of financial gain. With good rates and exceptional relationships, we wouldn't ever want to bank anywhere else." - Jamie Bultemeier



We believe

IN GROWING FROM
THE GROUND UP





H
HABEGGER
FURNITURE

"Habegger Furniture has been here since the beginning in 1935"



We believe IN LASTING RELATIONSHIPS

en with First Bank of Berne

- Gary Habegger



HABEGGER FURNITURE | GARY HABEGGER, AMANDA HABEGGER SPRUNGER

Habegger Furniture has been banking with the First Bank of Berne for 83 years. The relationship with First Bank of Berne began in 1935 when they helped our forefathers secure their first business loan. This loan was crucial in getting the business off the ground and running.

Over the years, First Bank of Berne has really helped our business grow – whether it’s been the expansion of our current location, opening up a new location, or – most recently – the transition of ownership. They’ve stood behind us and taken care of all of the behind the scenes work, which allowed us to move forward with ease and focus on our business.

We believe working with a local bank is important because you feel like you’re known. First Bank of Berne always knows the right time to reach out, makes us feel important and are always there to help when we need them. They treat us as if we are more than just a bank account. They truly want to work with us and show us how we can utilize our money most efficiently.

First Bank of Berne has played an important role in the progression and future of our business. We wouldn’t be where we are today without their support and knowledge.





We believe IN SEAMLESS TRANSITIONS

LINCOLNVIEW SCHOOLS | TROY BOWERSOCK, TREASURER
JEFF SNYDER, SUPERINTENDENT

In 2018, Lincolnview sent out a RFP (Request for Proposal) to service our checking accounts and payroll needs. A major goal for us was to ensure we were maximizing the district's interest earnings and minimizing the overall cost and bank fees charged to the district. One proposal that immediately stood out to us was First Bank of Berne's. We knew they were the best fit for the school district not only because they met our needs, but also because of their detailed processes, business banking staff and onsite dedication to ensuring we had a smooth and seamless transition of accounts.

What was most impressive to us was the relationship we were able to build with them. First Bank of Berne's staff was very hands-on throughout the entire transition – most notably when they came onsite and were there to support our staff through the transition of accounts and payroll process.

After the transition of accounts, it was comforting to know that First Bank of Berne was just a phone call away – or right down the road if we needed them. It was reassuring and put our minds at ease.

"First Bank of Berne listened intently to what our goals were with the district. That was very impressive. You could tell they were really in tune with what we had to say, and they wanted to see us succeed and grow." - Jeff Snyder, Superintendent



We believe IN SECURING A LEGACY



KLEFEKER FARMS

DOUG, MATT, AND BRANDON KLEFEKER

Before switching to First Bank of Berne, we had a meeting with our ag lenders and the President of the bank. From that moment on, we knew First Bank of Berne was the correct bank to be with. Not only do their lenders care about the future of our organization, but the President of the bank also.

First Bank of Berne is different from other banks. They have a deep bench of ag lenders who have firsthand experience and knowledge, and understand our agricultural needs. From the top down, everyone we worked with had a background in farming. This was crucial for us. It meant they understood the complex part of farming – and how to best utilize our dollars year after year. They understood how cash flow can change dramatically from one year to the next – and are always looking ahead at the future of the ag industry.

First Bank of Berne's lending decisions aren't made at a big corporation – they're made local. Their entire team is deeply ingrained in the community, and they're all involved in the process.

We appreciate that First Bank of Berne is in it for the long run – just like we are.

"From the top down – the President has a background in farming. It isn't just one or two lenders – it's all the way to the top with the President knowing everything about farming."

- Doug Klefeker

We believe

OUR ACTIONS PROVE WHO WE ARE.

At First Bank of Berne, we are extremely proud of our long history. Over decades, we have built a solid reputation for outstanding service, integrity, community commitment, and lasting relationships. Our job is to make sure we continue to build on our legacy and enhance our reputation. We believe that first and foremost, this falls on the shoulders of our executive leadership and board of directors team to lead by example and do everything possible to ensure that First Bank of Berne continues to grow and succeed.



EXECUTIVE LEADERSHIP

Sharon Neuenschwander | Human Resources Director **Deon Shoaf** | Chief Operations Officer

Kent Liechty | President/Chief Executive Officer **Rick Gentis** | Chief Ag/Commercial Banking Officer **Kevin Gould** | Chief Financial Officer





BOARD OF DIRECTORS

Todd Fiechter | Owner, Fiechter Family Livestock **Lindsey R. Beer** | Operations Manager, Best-One of Monroe
Paul D. Zuercher | Retired Business Executive and Consultant **Kent Liechty** | President/Chief Executive Officer
David Baumgartner | Chairman of the Board, Attorney, Baumgartner Attorneys
Greg Smitley | Vice President for Business & Finance/Treasurer Huntington University
Lisa Girod | CPA, Honegger, Ringger & Co. **Daryl Martin** | Retired Executive Director, Swiss Village
Matthew Subler | Sales Manager, Berne Ready Mix **Roger Muselman** | Chairman, DRG, Inc.



BALANCE SHEET

ASSETS

As of December 31, Dollars (In millions)

2018	\$711.38
2017	\$667.92
2016	\$666.22
2015	\$595.10
2014	\$549.14

STOCK TRADE PRICE

As of December 31, Dollars (In Dollars)

2018	\$4,847
2017	\$4,874
2016	\$4,581
2015	\$4,029
2014	\$3,909

GROSS LOANS

As of December 31, Dollars (In millions)

2018	\$552.88
2017	\$519.67
2016	\$471.69
2015	\$460.58
2014	\$435.94

DEPOSITS

As of December 31, Dollars (In millions)

2018	\$586.20
2017	\$529.85
2016	\$529.79
2015	\$450.70
2014	\$398.98

CONSOLIDATED STATEMENT OF CONDITION

(000'S) CLOSE OF BUSINESS DECEMBER 31, 2018 & DECEMBER 31, 2017

ASSETS	2018	2017
Cash and Cash Equivalents	\$33,534	\$12,553
Investment Securities	\$108,938	\$118,399
Loan (net of valuation reserve) (\$6,674 in 2018 & \$5,830 in 2017)	\$546,209	\$513,842
Premises and Equipment, net	\$11,024	\$11,646
Accrued Income	\$4,136	\$3,493
Other Assets	\$7,539	\$7,982
TOTAL ASSETS	\$711,380	\$667,915
LIABILITIES AND STOCKHOLDERS' EQUITY		
Non-Interest Bearing Deposits	\$150,767	\$97,322
Interest Bearing Deposits	\$435,434	\$432,530
TOTAL DEPOSITS	\$586,201	\$529,852
Other Liabilities	\$3,572	\$3,001
Federal Home Loan Bank Advances	\$25,000	\$30,000
Other Short Term Borrowings	\$26,380	\$38,699
TOTAL LIABILITIES	\$641,153	\$601,552
STOCKHOLDERS' EQUITY		
Capital Stock	\$1,600	\$1,600
Additional Paid-in Capital	\$9,920	\$9,713
Retained Earnings	\$94,257	\$89,902
Unearned ESOP Compensation	(\$3,286)	(\$3,482)
Treasury Stock	(\$29,901)	(\$29,611)
Unrealized Gain/Loss on Securities	(\$2,363)	(\$1,759)
TOTAL STOCKHOLDERS' EQUITY	\$70,227	\$66,363
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$711,380	\$667,915

CONSOLIDATED STATEMENT OF INCOME

(000'S) YEARS ENDED DECEMBER 31, 2018 & DECEMBER 31, 2017

INCOME	2018	2017
Interest Income	\$29,130	\$25,929
Interest Expense	\$3,942	\$2,179

NET INTEREST INCOME	\$25,188	\$23,750
Provision for Loan Losses	\$1,485	\$1,105

NON-INTEREST INCOME		
Service Charges on Deposit Accounts	\$2,277	\$2,241
Debit Card Income	\$1,496	\$1,262
Other Non-Interest Income	\$1,813	\$2,101
TOTAL NON-INTEREST INCOME	\$5,586	\$5,604

NON-INTEREST EXPENSE		
Salaries and Employee Benefits	\$8,522	\$8,715
Occupancy and Equipment Expense	\$1,739	\$1,878
Other Non-Interest Expense	\$5,885	\$5,841
TOTAL NON-INTEREST EXPENSE	\$16,146	\$16,434

NET INCOME	\$13,143	\$11,815
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CAPITAL

As of December 31, Dollars (In millions)

2018	\$70.23
2017	\$66.36
2016	\$62.28
2015	\$60.00
2014	\$58.70

NET INCOME

As of December 31, Dollars (In millions)

2018	\$13.14
2017	\$11.82
2016	\$11.28
2015	\$11.01
2014	\$11.85

EARNINGS PER SHARE

As of December 31 (In dollars)

2018	\$678.52
2017	\$612.12
2016	\$587.08
2015	\$574.40
2014	\$611.58

DISTRIBUTIONS

(In dollars) for year

2018	\$453.00
2017	\$420.00
2016	\$406.00
2015	\$411.00
2014	\$471.00



"We are excited for the years ahead and confident that we will be here serving our customers decades, even centuries from now. The future at First Bank of Berne has never looked more secure." - Kent Liechty

We believe

IN REMAINING LOCALLY OWNED, OPERATED AND INDEPENDENT

For over 125 years, First Bank of Berne management, employees and shareholders have taken significant steps to ensure the stability and security of the bank. Each decision and advancement made over the years has helped the bank to remain locally focused, financially independent and committed to a strong future for all.

EMPLOYEES REPRESENT LARGEST SHAREHOLDER OF THE BANK

When you call or stop into your local First Bank of Berne location, you're not just working with 'employees', you're working directly with owners. At First Bank of Berne, our employees, collectively through their Employee Stock Ownership Plan (ESOP), represent the largest shareholder of the bank. Being owners of the company means they treat their jobs, the customers and the business differently. They play an active role in the decision-making process – and one decision they've made clear is that First Bank of Berne has a strong future and will not be selling out or closing its doors.

SIGNIFICANT FACILITY INVESTMENTS: BUILDING FOR THE FUTURE

In 2014, First Bank of Berne made a significant investment into the Berne community when the new operations center was built. In 2016, we teamed up with a major technology partner to take our core provider system, technology and security to the highest level. In order to continue to progress and give our customers the best experience, we needed the right tools, security, and facilities in place. As a bank, it's important we remain independent and steady moving into the future, and in order to do so, we knew we needed to take action and invest into next-level technology and systems.

While other banks have resisted making changes due to cost, time and effort, our employees and shareholders have continuously supported every advancement and investment we've made into our future as a bank. We look forward to serving our communities for years to come.

- Kent Liechty

BERNE

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DECATUR

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KOKOMO

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PERU

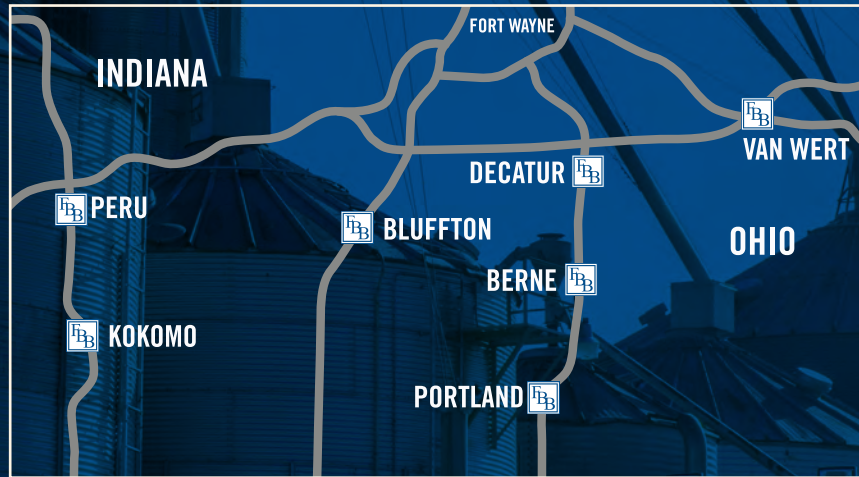
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