2016 Annual Report

First Bank of Berne

We believe
THERE IS ALWAYS A BETTER WAY
TO SERVE THE CUSTOMER.

PRESIDENT'S LETTER 04

AGRIBUSINESS 06

BUSINESS BANKING 08

PERSONAL BANKING 09

EXECUTIVE LEADERSHIP 10

BOARD OF DIRECTORS 11

BALANCE SHEET 12

INCOME STATEMENT 13

OUR PEOPLE 15

# At First Bank of Berne, we believe there is always a better way to serve the customer.

We are constantly looking for opportunities to improve our customers' banking experience – in 2016 we found that opportunity through technology.

We realized that by upgrading and modernizing our operating systems, we could position the bank for future growth and success. Not only could we improve internal efficiency and productivity, but we could offer exciting new digital products and services to our customers, including mobile deposit and PopMoney.

Of course, any new technology comes with a learning curve. The conversion process was challenging for the bank. Through it all, the employees of First Bank of Berne used the challenges to stretch their customer service abilities and strengthen customer relationships.

However, our increased attention on technology implementation did not distract from our performance. First Bank of Berne ended the year with a strong net income of $11.28 million. We also increased the total assets of the bank to $666.22 million, while meeting the deposit, loan and cash management needs of our communities.

Many late nights and long hours challenged everyone, but provided us with new opportunities to assist our customers with the enhanced capabilities. We already know these efforts will be rewarded as we capitalize on future growth opportunities. We want to thank the employee team for their incredible work ethic and strong attention to detail throughout the process. First Bank of Berne also wants to thank every customer for showing patience and understanding as we worked to find our technological stride.

We look forward to 2017 and believe we will continue to improve as an organization. Please feel free to come to us with any questions or concerns you may have about your bank, First Bank of Berne.

Sincerely,

Kent A. Liechy
President & CEO

We believe
IN A STRONG WORK ETHIC AND
ATTENTION TO DETAIL.

# *We believe* A LITTLE EXTRA ATTENTION GOES A LONG WAY.

The 2016 grain farming season was not an easy one for our local farmers and agriculture businesses. As we talked to customers and prospects throughout the communities we serve, we realized we had an opportunity to deepen our customer relationships by reassuring them that First Bank of Berne was right beside them through this challenging season.

We started by taking the extra time to go over financial records, developing a financial plan that targeted long-term success, not just temporary relief. By spending the extra time, we gave our customers confidence that they would weather 2016 and many seasons to come.

(Left to Right):
**Dan Buuck,** Agribusiness Banker/Crop Insurance Services, Decatur
**Rex Journay,** Agribusiness Banker, Portland
**Tim Tobias,** Sr. Agribusiness Banker/Crop Insurance Services, Berne
**Roger Cline,** Agribusiness Banker, Kokomo
**Rick Gentis,** Chief Ag/Commercial Banking Officer
**Lori Liechty,** Loan Assistant
**Nathan Liechty,** Agribusiness Banker, Berne
**Michelle Dahlinghaus,** Agribusiness Banker/Crop Insurance Services, Portland
**Kody Kumfer,** Agribusiness Banker, Bluffton
**Jamie McDonald,** Loan Officer, Berne

The Agribusiness Department also worked on building a personal approach that took us out of the office and onto the farms. Bank Managers and Agribusiness Bankers signed documents at kitchen tables, often after enjoying a tour of the farm. We even delivered meals and rode in combines during harvest time.

Many customers and prospects alike noticed, saying that no other bank had ever visited them like that before.

Customer branch visits gave us an opportunity to introduce First Bank of Berne employees on a first name basis. We listened to them carefully before matching them with an expert who could provide suggestions and solutions quickly and accurately.

Recognizing the opportunity to build stronger relationships, and taking the extra time to actually do it. We believe that is how Agribusiness should be done, and in 2016, First Bank of Berne did just that.

# *We believe* THAT TECH SHOULD NEVER REPLACE TOUCH.

First Bank of Berne Business Banking Department welcomed the new upgrade as an obvious opportunity to improve our customers' banking experience. But we also realized that "better and faster" would be useless if they were accompanied by "frustrating and confusing." We anticipated the questions and challenges our business customers would face and prepared them in advance of the upgrade.

First Bank of Berne has always been excellent at listening. But listening is only part of the equation. In 2016, we focused on listening, and then asking the right questions. The right questions not only ensure that we understand the customer's needs and goals, it also can uncover a better way that the customer didn't realize was there.

By combining the same technology found in larger banks with the personal touch only a local bank can deliver, First Bank of Berne was able to surprise, delight and support every business customer that came through our doors.

(Left to Right)
**Sean LaFontaine**, Cash Management Specialist
**Tyler Phillips**, Business Banker, Peru
**Jenilee Bransteter,** Business Banker, Berne
**Gary Reichert,** Business Banker, Van Wert
**Kody Kumfer**, Business Banker, Bluffton

(Left to Right)
**Tracy Huelskamp,** Branch Manager/Consumer Lender, Portland
**Becky Stepleton,** Branch Manager, Van Wert,
**Jennifer Ash**, Branch Manager/Mortgage Loan Officer
**Penny Parrish**, Branch Manager/Loan Officer, Decatur
**Erica Bennett,** Branch Manager, Bluffton
**Kyle White,** Retail Banking Manager

# *We believe* THAT MAKING OPPORTUNITIES IS BETTER THAN TAKING ORDERS.

In 2016, we realized that personal banking provided many opportunities if we looked beyond the daily transactions. Our employees are encouraged to help customers uncover solutions to their long-term banking needs by asking the right questions. By listening carefully to the answers, our employees were able to offer real solutions to the every day financial challenges our customers face.

We also took banking out of the bank, finding ways to bring transactions to them. By increasing accessibility, First Bank of Berne saw a noticeable increase in personal banking deposits, and a genuine deepening of customer relationships.

Best of all, every offer, every decision was made from the perspective of "what's best for the customer?" By focusing on integrity, customer relationships and personal relationships, First Bank of Berne's Personal Banking is building a strong community of loyal, happy customers.

# Good leaders go first. Not in order, but in actions. We rely on our leaders to set a tone of service for the rest of the First Bank of Berne family.

Every member of First Bank of Berne's executive leadership has presented a consistent example of community service and participation. They are united under the same goal to see that First Bank of Berne provides the same high level of attention to every community we serve.

Since our earliest days, strong customer relationships and a commitment to knowledgeable, personal attention have set First Bank of Berne apart from other community banks. We owe this solid reputation to every employee on our team, from the front desk to the back office. We couldn't sustain this level of service without consistent, confident leadership to set our direction. Every day, our leadership sets the example for the rest of us to follow – a commitment to community growth, prosperity with integrity and genuine relationships. With this leadership in place, First Bank of Berne has a clear, steady course for today and for the years to come.

(Left to Right)
**Rick Gentis,** Chief Ag/ Commercial Banking Officer
**Sharon Neuenschwander,** Human Resources Director
**Kent Liechty,** President & Chief Executive Officer
**Deon Shoaf,** Chief Operations Officer

**David Baumgartner**
Chairman of the Board
Attorney

**Kent Liechty**
President/Chief Executive Officer
First Bank of Berne

**Daryl Martin**
Retired Executive Director
Swiss Village

**Lindsey R. Beer**
Operations Manager
Zurcher's Best-One Tire

**Lisa Girod**
CPA
Honegger, Ringger & Co.

**Matthew Subler**
Sales Manager
Berne Ready Mix

**Paul D. Zuercher**
Retired Business Executive
and Consultant

**Roger Muselman**
Chairman DRG, Inc.

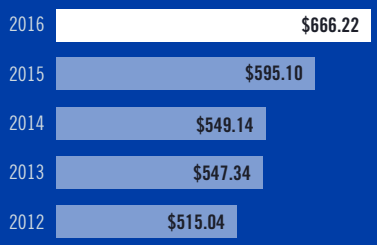
**Greg Smitley**
Vice President for Business
& Finance/Treasurer
Huntington University

# *We believe* THAT LOCAL WISDOM MAKES LEADERS WISER.

The Board of Directors at First Bank of Berne brings together local business leaders who are more than experts in their fields. They are friends and neighbors. Not only do they know what it takes to succeed in our communities, they share our vision of what it takes to make Northeast Indiana a better place to live. As a result, our customers enjoy the confidence of knowing that First Bank of Berne is personally invested in their everyday lives. Every decision we make is centered on what is best for our communities – because we live here too.

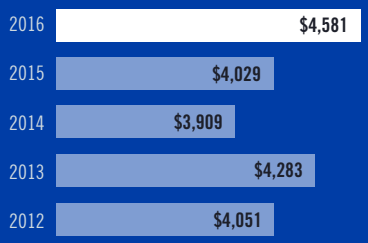
## ASSETS

As of December 31, Dollars (In millions)



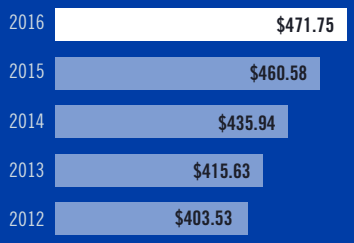

## STOCK TRADE PRICE

As of December 31, (In dollars)



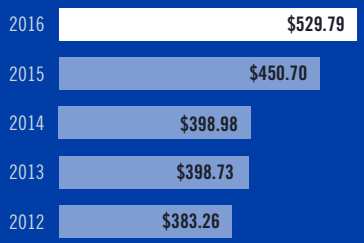

## GROSS LOANS

As of December 31, Dollars (In millions)




## DEPOSITS

As of December 31, Dollars (In millions)




# CONSOLIDATED STATEMENT OF CONDITION (000'S)

Close of Business December 31, 2016 & December 31, 2015

| ASSETS | 2016 | 2015 |
|---|---|---|
| Cash and cash equivalents | $52,320 | $37,256 |
| Investment Securities | $123,878 | $76,450 |
| Loan (net of valuation reserve) | | |
| ($5,925 in 2016 & $5,623 in 2015) | $465,820 | $454,955 |
| Premises & Equipment, net | $12,290 | $12,248 |
| Accrued Income | $3,416 | $2,998 |
| Other Assets | $8,498 | $11,193 |
| TOTAL ASSETS | $666,222 | $595,100 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Non-Interest Bearing Deposits | $97,587 | $63,579 |
| Interest Bearing Deposits | $432,200 | $387,122 |
| TOTAL DEPOSITS | $529,787 | $450,701 |
| Other Liabilities | $4,346 | $3,513 |
| Federal Home Loan Bank Advances | $30,000 | $37,110 |
| Other Short Term Borrowings | $39,814 | $43,771 |
| TOTAL LIABILITIES | $603,947 | $535,095 |
| **STOCKHOLDERS' EQUITY** | | |
| Capital Stock | $1,600 | $1,600 |
| Additional Paid-in Capital | $7,951 | $7,698 |
| Retained Earnings | $86,206 | $82,731 |
| Unearned ESOP Compensation | ($0) | ($298) |
| Treasury Stock | ($31,670) | ($31,761) |
| Unrealized Gain/Loss on Securities | ($1,812) | $35 |
| TOTAL LIABILITIES | $62,275 | $60,005 |
| TOTAL LIABILITIES & STOCKHOLDERS' EQUITY | $666,222 | $595,100 |

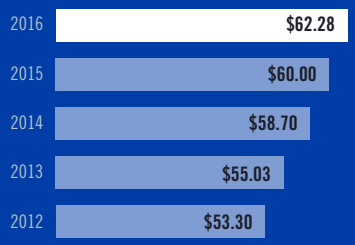
# CONSOLIDATED STATEMENT OF INCOME (000'S)

Years Ended December 31, 2016 & December 31, 2015

| INCOME | 2016 | 2015 |
|---|---|---|
| Interest Income | $24,157 | $23,388 |
| Interest Expense | $1,616 | $1,164 |
| **NET INTEREST INCOME** | **$22,541** | **$22,224** |
| Provision for Loan Losses | $975 | $850 |
| **NON-INTEREST INCOME** | | |
| Service Charges on Deposit Accounts | $2,178 | $2,010 |
| Debit Card Income | $1,241 | $1,134 |
| Other Non-Interest Income | $1,712 | $1,635 |
| **TOTAL NON-INTEREST INCOME** | **$5,131** | **$4,779** |
| **NON-INTEREST EXPENSE** | | |
| Salaries and employee benefits | $7,962 | $8,066 |
| Occupancy and equipment expense | $1,873 | $1,911 |
| Other Non-Interest Expense | $5,586 | $5,169 |
| **TOTAL NON-INTEREST EXPENSE** | **$15,421** | **$15,146** |
| **NET INCOME** | **$11,276** | **$11,007** |

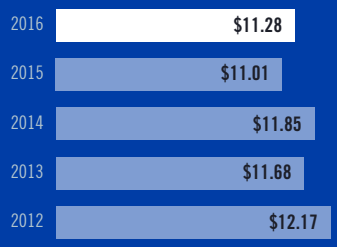
## CAPITAL

As of December 31, Dollars (In millions)



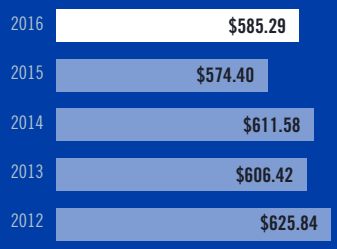

## NET INCOME

As of December 31, (In dollars)



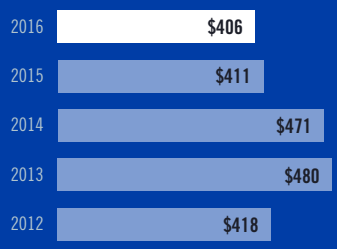

## EARNINGS PER SHARE

As of December 31, Dollars (In millions)




## DISTRIBUTIONS PER SHARE

As of December 31, Dollars (In millions)



# At First Bank of Berne, we have stayed true to our beliefs and values as a company for over 125 years.

Things like treating people the way we would want to be treated – being courteous and considerate to everyone, regardless of their account size. Why? Because as an employee-owned bank, that kind of behavior is natural. It is the result of having an authentic interest in every customer's success.

*We believe*
**IN STAYING TRUE.**

## OPERATIONS CENTER

Joanie Agler
Call Center Supervisor

Cory Aschliman
Senior Credit Analyst

Steve Bailey
E-Banking Officer

Vickie Barnard
Loan Assistant

Tim Beck
Help Desk Technician

Cletus Bulcher
Compliance Officer

Angie Bultemeier
Mortgage Loan Processor

Laura Chaffins
Call Center Agent

Susan Culy
Loan Servicing

Michelle Eicher
Mortgage Loan Processor

Elizabeth Fruechte
Loan Assistant

Zack Gagle
Security Specialist/BSA Assistant

Allison Garwood
Lead Consumer Processing Coordinator

Rick Gentis
Chief Ag/Commercial Banking Officer

Phil Goodwin
Call Center Agent

Rick Gorrell
Systems Administrator

Kevin Gould
Chief Financial Officer

Jennifer Habegger
Deposit Services

Marsha Habegger
Loan Servicing

Beth Knuth
Mortgage Loan Processor

Christa Koons
Deposit Services/EFT Processing Manager

Nancy Kuhn
Loan Servicing

Sean LaFontaine
Cash Management Specialist

Dawn Lewis
Call Center Agent

Kent Liechty
President/Chief Executive Officer

Kyle Litwiller
Loan Origination Systems Specialist

Monica Manley
Accounting Clerk

Camie McDaniel
Post Loan Closer

Sherri Minnich
Human Resources

Chad Montgomery
Marketing Director

Marie Neuenschwander
Deposit Operations

Sharon Neuenschwander
Human Resources Director

Diane Rich
Loan Servicing Supervisor

Catherine Richards
Deposit Systems Specialist

Jim Rife
Credit Administration Officer

Saretta Robbins
Retail Banking Coordinator

Jody Saige
Chief Information Officer

Peter Schmidt
Information Security Officer

Becky Schwartz
Deposit Services

Ryan Schwartz
Credit Administration Specialist

Kimberly Scott
Business and Ag Processor/Closer

Renee Shearrer
Loan Servicing

Christine Sheets
Float Teller

Deon Shoaf
Chief Operations Officer

Stephanie Simon
Call Center Agent

Josh Smith
Loan Servicing

Stacey Smith
Call Center Agent

Shad Springer
Network Administrator

Gregg Sprunger
Purchasing/Facilities Manager

Diana Stirratt
Loan Operations Manager

Mary Stuckey
Float Teller

Arlene Stump
Float Teller

Terry Troxel
Consumer Mortgage Administration

Julie Tucker
Loan Closer

Tina Wass
Lead Business/Ag Processing Coordinator

Landyn Waugh
Credit Analyst

CeAnn Weaver
Marketing

Kyle White
Retail Banking Manager

Kathy Whitehurst
Deposit Services Specialist

Janelle Yoder
Accountant

## BERNE BRANCH

Jenilee Bransteter
Branch Manager/Business Banker

Brenda Butcher
Teller

Dan Claghorn
Loan Officer

Heidi Compton
Teller

Dianna Cook
Customer Service Representative

Donna Klopfleisch
Asst Branch Manager/Retail Banking Specialist

Julie Lehman
Teller

Lori Liechty
Loan Assistant

Nathan Liechty
Agribusiness Banker

Jamie McDonald
Loan Officer

Miranda Bird
Teller

Bethany Rigby
Customer Service Representative

Brandy Rogers
Teller

Deb Stewart
Teller

Jami Suman
Head Teller

Tim Tobias
Agribusiness Banker/Crop Insurance Services

Sue Wulliman
Teller

## BERNE DOWNTOWN

Jamie Gaskill
Teller

Darlene Paxson
Head Teller

## BLUFFTON

Kylie Gerber
Teller

Erica Bennett
Branch Manager

Mona Craighead
Teller

Lisa Gilbert
Loan Assistant

Tammy Koppelman
Assistant Branch Manager/Teller

Kody Kumfer
Agribusiness Banker

Amy Reineck
Teller

Joni Reinhard
Customer Service Representative

## DECATUR

Dan Buuck
Agribusiness Banker/Crop Insurance Services

Sharon Elzey
Teller

Kim Fosnaugh
Teller

Payton Hamrick
Teller

Jessica Jones
Teller

Beverly Lichtensteiger
Teller

Jason Moore
Mortgage Loan Originator

Penny Parrish
Branch Manager/Loan Officer

Shelly Simpson
Head Teller

MacKenzie Staten
Teller

Mina Velasco
Asst Branch Manager/
Customer Service Representative

## KOKOMO

Corina Aguirre
Branch Manager

Roger Cline
Agribusiness Banker

Dana Scarberry
Customer Service Representative

Sharon Summers
Teller

## PERU

Jennifer Ash
Branch Manager/
Mortgage Loan Officer

Stacy Hall
Asst Branch Manager/
Customer Service Representatitve

Nancy Howard
Teller

Paula Lisciotto
Teller

Tyler Phillips
Business Banker

Mary Rothermel
Teller

Brianne Timmons
Teller

## PORTLAND

Michelle Dahlinghaus
Agribusiness Banker

Karen Herron
Teller

Tracy Huelskamp
Branch Manager/Consumer Lender

Rex Journay
Agribusiness Banker

Tanner McClain
Mortgage Loan Originator

Dianna Miller
Teller

Emilee Page
Teller

Jan Rigby
Teller

Deanna Walker
Asst Branch Manager/
Customer Service Representative

## VAN WERT

Melissa Bartley
Teller

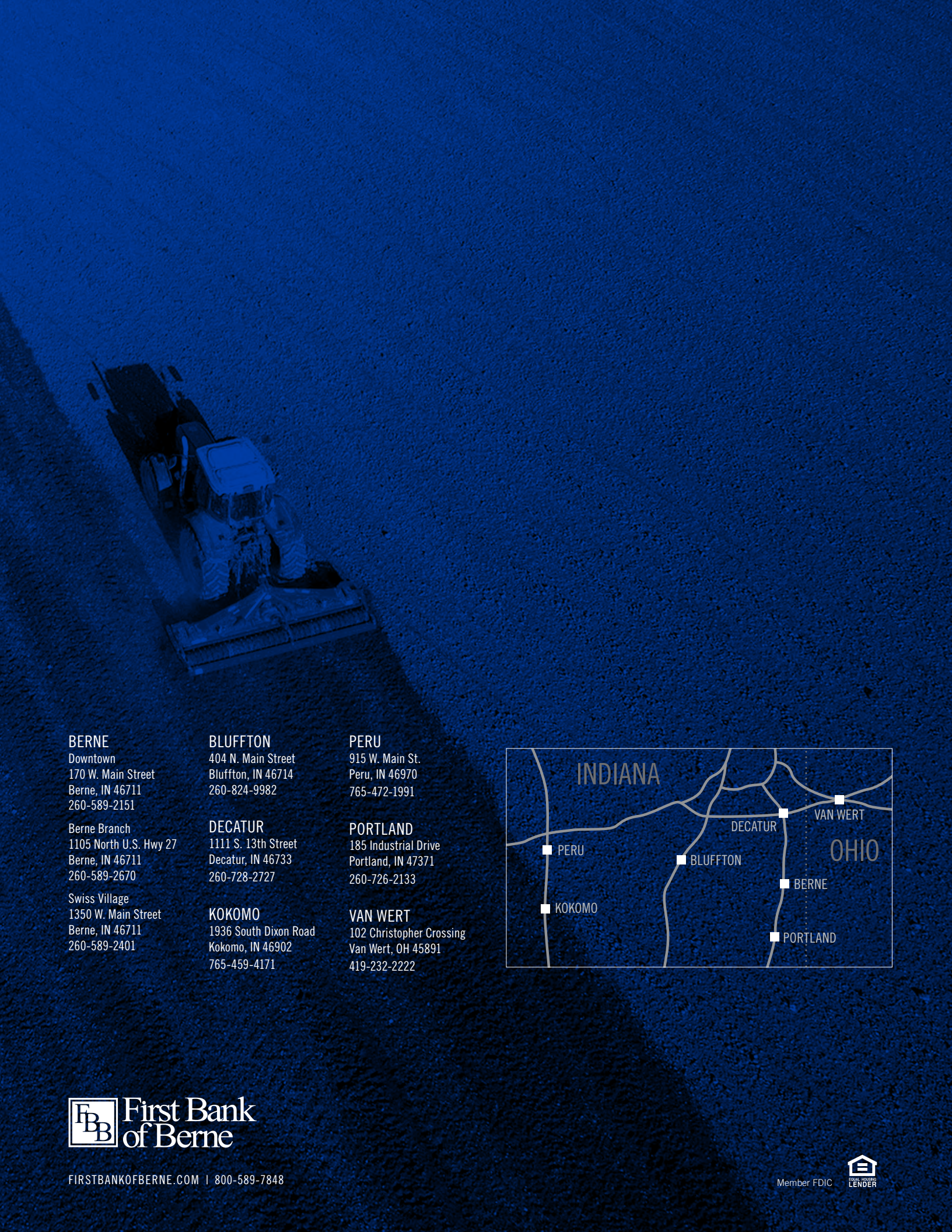
Tonya Green
Teller

Nicole Jones
Head Teller

Gary Reichert
Business Banker

Pam Schroyer
Asst Branch Manager/
Customer Service Representative

Becky Stepleton
Branch Manager/Lender



## BERNE
Downtown
170 W. Main Street
Berne, IN 46711
260-589-2151

Berne Branch
1105 North U.S. Hwy 27
Berne, IN 46711
260-589-2670

Swiss Village
1350 W. Main Street
Berne, IN 46711
260-589-2401

## BLUFFTON
404 N. Main Street
Bluffton, IN 46714
260-824-9982

## DECATUR
1111 S. 13th Street
Decatur, IN 46733
260-728-2727

## KOKOMO
1936 South Dixon Road
Kokomo, IN 46902
765-459-4171

## PERU
915 W. Main St.
Peru, IN 46970
765-472-1991

## PORTLAND
185 Industrial Drive
Portland, IN 47371
260-726-2133

## VAN WERT
102 Christopher Crossing
Van Wert, OH 45891
419-232-2222




First Bank of Berne

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EQUAL HOUSING LENDER