NovaRock Global Research

Equity Research Note — German American Bancorp, Inc. (GABC) — Initiating Coverage

REVIEWED AND APPROVED — 2026-10-17

Current Price	$48.79 (as of 2026-10-14)
Fair Value (Excess-Return Base Case)	$40.57 (as of report date)
Implied vs. Current Price	-16.8%
Rating	HOLD (excess-return grid; price near the top of the range) (sensitivity range: $30-$50/share)
Assumptions Used	10.0% discount rate, 3.0% terminal growth
Capital Return	Dividend Yield 2.4% | Buyback Yield 0.0% (Total Shareholder Yield: 2.4%)

Rating Definitions: BUY: every combination in the valuation sensitivity grid implies a fair value above the current price - i.e. even the most conservative reasonable assumptions still suggest the stock is cheap. SELL: every combination implies a fair value below the current price - even the most generous reasonable assumptions still suggest it's expensive. HOLD: the current price falls inside the sensitivity grid's range - reasonable analysts using different defensible assumptions could land on either side, so a confident directional call isn't supported by this analysis. This is a narrower, more literal use of these labels than some research uses - a HOLD here specifically means the valuation math doesn't clear a bar in either direction, not a vague default.

Investment Note

German American Bancorp, Inc. (GABC) - Valuation Note

Rating: HOLD (excess-return grid; price near the top of the range). At $48.79 (as of 2026-10-14, supplied by NovaRock) GABC trades at 2.27x computed tangible book of $21.48 per share. Our excess-return model on tangible common equity gives a base-case fair value of $40.57, which is 16.8% below the price, inside a sensitivity range of $29.85 to $49.84 (cost of equity 9% to 12%, terminal growth 2.0% to 3.5%). The price sits inside the range, so the rule gives HOLD, but only just: it is 2.2% below the top of the range, and the base case alone would indicate the shares are priced above intrinsic value. A fade case, in which the return on tangible equity declines to the 10% cost of equity over five years after the forecast window, gives $33.99. The price implies tangible equity earning about 16.0% every year for ten years, against 17.6% on trailing net income over June 30 tangible equity and 14.0% in our year-ten assumption. The rating and the base case point in different directions and we state that rather than blend them.

Results: Six-month net income was $71.3M against $41.9M a year earlier, and diluted EPS was $1.90 against $1.16 (10-Q p.8). Trailing twelve-month net income is $142.1M and diluted EPS $3.80 (fiscal 2025 plus the six-month change; FY2025 net income $112.6M and EPS $3.06, 10-K p.60), so the shares trade at 12.84x trailing earnings. Annual net income was $85.9M in 2023, $83.8M in 2024 and $112.6M in 2025 (10-K p.60). Total assets rose from $6.30B at December 31, 2024 to $8.39B at December 31, 2025 and goodwill from $179.0M to $375.5M (10-K p.59), a step-up consistent with an acquisition; the transaction note was not part of this extraction, so we do not describe the deal.

Operating trends: The efficiency ratio was 47.38% in the second quarter of 2026 and 49.26% for the six months (10-Q p.59), against 52.28% for fiscal 2025 (10-K p.53). Net interest margin was 4.30% in the second quarter (10-Q p.49; a second table on the next page shows 4.28%) against 4.02% for fiscal 2025 (10-K p.37). Non-performing loans were 0.45% of loans at June 30, 2026, 0.50% at December 31, 2025 and 0.27% a year before that (10-Q p.56; 10-K p.50);

the allowance was 1.32% of loans at year-end 2025 (10-K p.49). The company's non-GAAP return on average tangible common equity was 19.43% in the second quarter and 18.26% for the six months (10-Q p.60). The period assigned to each column of these four-column and two-column rows follows the standard layout of the filing's tables (three months, prior three months, six months, prior six months).

Guidance: No forward guidance, earnings-call notes or analyst Q&A were supplied. The July 27, 2026 earnings release was retrieved but its tables could not be read automatically, so reported tangible book value, CET1 and any outlook language are not cited; nothing has been invented. The company declared a quarterly cash dividend of $0.31 per share on July 27, 2026, payable August 20 (8-K Item 8.01).

Cash flow and the DCF basis: Free cash flow is not a meaningful valuation basis for a bank: operating cash flow is dominated by deposit and loan movements, and capital expenditure is small ($5.3M in fiscal 2025, 10-K p.63). The valuation is an excess-return model on tangible common equity instead. It starts from tangible book of $21.48 per share (equity $1,211.6M less goodwill $375.5M and intangibles $28.9M, over 37,578,808 cover shares; 10-Q p.6). Return on tangible equity starts at 18.0% (below the 18.26% six-month figure and the 17.6% trailing figure above) and fades to 14.0% by year nine, with a 13% terminal return, a 10% cost of equity and 3% terminal growth. The payout of dividends plus buybacks starts at 35% and rises to 60% by year ten: dividends were 38.4% of net income in fiscal 2025 and 31.5% on a trailing basis, and no repurchases were found, so the rise assumes surplus capital is returned over time. A flat 35% payout gives $42.60 and a 33%-to-70% path $40.19, so the choice of payout path moves the base case by about $2.41. Terminal value is 19.4% of total value. These are NovaRock judgments, not company guidance.

Balance sheet: At June 30, 2026 total assets were $8.44B, deposits $7.00B and shareholders' equity $1,211.6M, with goodwill of $375.5M and intangibles of $28.9M, leaving tangible equity of $807.2M (10-Q p.6). Intangibles fell from $33.8M at year-end. On November 18, 2025 the company gave notice to redeem the $40.0M of 4.50% subordinated notes due 2029 on December 30, 2025 (8-K Item 8.01). CET1 and the other regulatory capital ratios were not extracted and are an open item. This balance-sheet context is informational and is not deducted anywhere in the valuation.

Comparable companies: The peers (SYBT, LKFN, FRME) were chosen by NovaRock. Trailing P/E is 13.08x for LKFN, 12.47x for FRME and 19.10x for SYBT; applied to GABC's $3.80 these imply $49.70, $47.39 and $72.58 (median $49.70). LKFN and FRME are computed from each peer's own FY2025 10-K and Q2 2026 10-Q; SYBT's EPS (fiscal 2025 $3.67, six months $2.55 against $2.28) and tangible book ($31.39 per share at June 30, 2026) were supplied by NovaRock from its filings and were not reproduced by our extraction tool; prices are 2026-10-14 closes supplied by NovaRock. On tangible book, LKFN trades at 1.85x (computed tangible book $30.86) and SYBT at 2.40x, which imply $39.74 and $51.55 on GABC's tangible book; FRME's tangible book could not be completed (its intangibles and preferred rows were not read), so its 1.28x is excluded. The excess-return value of $40.57 sits close to the LKFN-based tangible-book value and below the median earnings-multiple value; SYBT stands well above the other two on both measures, and we show every peer rather than average the methods. EV/EBITDA and net debt are deliberately not used for a bank: deposits are operating liabilities and interest is an operating cost, so P/E, P/TBV and return on tangible equity are the comparison metrics.

Shareholder base and changes: The cover share count moved from 37,496,537 on February 15, 2026 to 37,578,808 on August 1, 2026 (+0.2%); the proxy record-date count was 37,575,555 on March 4, 2026. Per the 2026 proxy ownership table (DEF 14A pp.27-28, record date March 4, 2026) the directors and executive officers as a group (19 persons) hold 1,212,029 shares, 3.2%; BlackRock, Inc. holds 2,420,398 shares, 6.4% (Schedule 13G/A filed April 24, 2025); and The Vanguard Group holds 2,281,704 shares, 6.1% (based on a Form 13F filed January 29, 2026). There is no controlling holder. Later SEC filings, shown separately and dated: BlackRock, Inc. Schedule 13G/A filed July 28, 2026 reports 2,863,160 shares, 7.6%; Franklin Resources, Inc. Schedule 13G filed April 29, 2026 reports 1,880,546 shares, 5.0%; and The Vanguard Group Schedule 13G/A filed March 26, 2026 reports 0%. Form 4 insider activity

was not collected.

Capital return: Trailing dividends paid were $44.8M (the quarterly dividend is $0.31 per share, $1.24 annualized), a dividend yield of 2.4% on a market cap of $1,833.5M. No repurchase row appears on either cash-flow statement (10-K p.63; 10-Q p.11), so the buyback yield is 0.0%, and total shareholder yield is 2.4%. The dividend is 31.5% of trailing net income and is covered 4.07x by trailing operating cash flow less capex of $182.4M, a measure we show for context only. Returns do not exceed that cash flow.

Conclusion: We rate GABC HOLD under the grid rule, with the caveat that the price is near the top of our range and the base case of $40.57 is 16.8% below it. The price needs returns on tangible equity to stay near 16.0% for a decade, while the company is earning about 17.6% to 18.3% today and our path fades to 14.0%; earnings multiples at three peers (12.5x to 19.1x, a median value of $49.70 on GABC's earnings) support the price, while tangible-book comparisons bracket it. The rule turns to BUY below $29.85 and to SELL above $49.84. Data scope and exclusions: CET1 and the earnings-release tables were not read, FRME's tangible book is incomplete, peer prices and SYBT's figures are supplied by NovaRock rather than reproduced by our extraction, and Form 4 activity was not collected.

Key Catalysts

• Third-quarter 2026 results and 10-Q: the second quarter was released on July 27 and the 10-Q filed on August 6, so the next report is likely late October to early November (the company has not confirmed a date in the filings reviewed).

• The dividend declared with those results: the current quarterly rate is $0.31 per share (8-K Item 8.01, July 27, 2026).

• Capital deployment: no repurchase row appears on either cash-flow statement, so any buyback authorization would be new information.

Comparable Companies Cross-Check

Excess-Return implies -16.8% vs. current price; the closest-peer comparison implies +1.9% vs. current price. Excess-Return and comps roughly agree.

Three peers (LKFN, FRME, SYBT); no peer median is used for the rating and each peer is shown. Earnings multiples span 12.47x to 19.10x; the two clean tangible-book multiples bracket the price.

Peer / metric	Multiple	GABC value/sh	Role
LKFN - P/E (TTM)	13.08x	$49.70	Peer
FRME - P/E (TTM)	12.47x	$47.39	Peer
SYBT - P/E (TTM)	19.10x	$72.58	Peer (figures supplied by NovaRock)
LKFN - P/TBV	1.85x	$39.74	Peer
SYBT - P/TBV	2.40x	$51.55	Peer (figures supplied by NovaRock)
FRME - P/TBV	1.28x*	n/a	Excluded: intangibles and preferred rows not read

LKFN - 2026-10-14 - price supplied by NovaRock; EPS computed from the peer's FY2025 10-K and Q2 2026 10-Q
FRME - 2026-10-14 - price supplied by NovaRock; EPS computed from the peer's FY2025 10-K and Q2 2026 10-Q
SYBT - 2026-10-14 - price and EPS/TBV supplied by NovaRock from SYBT's filings; not reproduced by the pipeline
LKFN and FRME multiples are computed from each peer's own FY2025 10-K and Q2 2026 10-Q (evidence_pack.py v3, run Oct 16, 2026). SYBT's EPS (FY2025 $3.67; six months $2.55 vs $2.28) and tangible book ($31.39) were supplied by NovaRock from its filings and not reproduced by the pipeline.
Prices are Oct 14, 2026 closes supplied by NovaRock, not filing-verified.

Balance Sheet & Leverage

Total assets (Jun 30, 2026)	$8.44B (10-Q p.6)
Total deposits	$7.00B (10-Q p.6)
Shareholders' equity	$1,211.6M (10-Q p.6)
Goodwill + intangibles	$404.4M (10-Q p.6)
Tangible common equity (computed)	$807.2M; $21.48 per share on 37,578,808 cover shares
Non-performing loans / loans	0.45% (10-Q p.56); 0.50% at Dec 31, 2025
Allowance for credit losses / loans (Dec 31, 2025)	1.32% (10-K p.49)
CET1 and other capital ratios	not extracted: open item

Informational only. Excess-return model on tangible common equity; no net-debt or capital adjustment is made outside the model.

Capital Return Detail

Dividends paid	$44.8M (2.4% yield)
Dividend per share	$1.24
Buybacks (gross cash)	$0.0M (0.0% yield)
Total returned	$44.8M (2.4% of market cap)
Dividend payout ratio (reported net income (TTM))	31.5%
Dividend cover by free cash flow	4.1x
Total returns as % of free cash flow	25%

gross cash buybacks (not net of share issuance); market cap = price x shares outstanding.

Shareholding Pattern & Changes

Period	Shares out.	YoY	Cumulative	Buybacks ($M)	Source
Feb 15, 2026	37.50M	-	-	-	10-K cover
Mar 4, 2026 (proxy record date)	37.58M	+0.2%	+0.2%	-	proxy
Aug 1, 2026	37.58M	+0.0%	+0.2%	-	10-Q cover

Beneficial ownership - 2026 proxy statement (DEF 14A, filed Mar 18, 2026) (primary source)

Holder	Shares	% out.	As of	Source
All directors and executive officers as a group (19 persons)	1,212,029	3.20%	*March 4, 2026*	*DEF 14A p.27-28*
BlackRock, Inc.	2,420,398	6.40%	*filing April 24, 2025*	*DEF 14A p.27-28, fn.1 (Schedule 13G/A filed April 24, 2025)*
The Vanguard Group	2,281,704	6.10%	*filing January 29, 2026*	*DEF 14A p.27-28, fn.2 (Form 13F filed January 29, 2026)*

Individual percentages may overlap through shared voting authority; do not add them.

Later SEC filings (after the proxy record date)

Holder	Shares	% out.	As of	Source

BlackRock, Inc.	2,863,160	7.6%	*filing Jul 28, 2026*	*SEC Schedule 13G/A, accession 0002012383-26-002580 (sec.gov)*
Franklin Resources, Inc.	1,880,546	5.0%	*filing Apr 29, 2026*	*SEC Schedule 13G, accession 0000038777-26-000108 (sec.gov)*
The Vanguard Group	0	0%	*filing Mar 26, 2026*	*SEC Schedule 13G/A, accession 0000102909-26-001389 (sec.gov)*

BlackRock, Inc.: Newer than the 13G/A the proxy cites (Apr 24, 2025: 2,420,398 shares, 6.5% of its own share base).
Franklin Resources, Inc.: Not listed in the proxy table.
The Vanguard Group: Reports no shares after a Vanguard realignment; Vanguard unit filings were not collected.

Concentration: no controlling block; the 5%+ holders listed total 12.5% of shares; remainder 87.5%. Our arithmetic as of the proxy record date: the sum of the 5%+ holders' percentages in the proxy table. Later Schedule 13G filings (listed separately) may have changed individual holders.

Data Scope & Exclusions

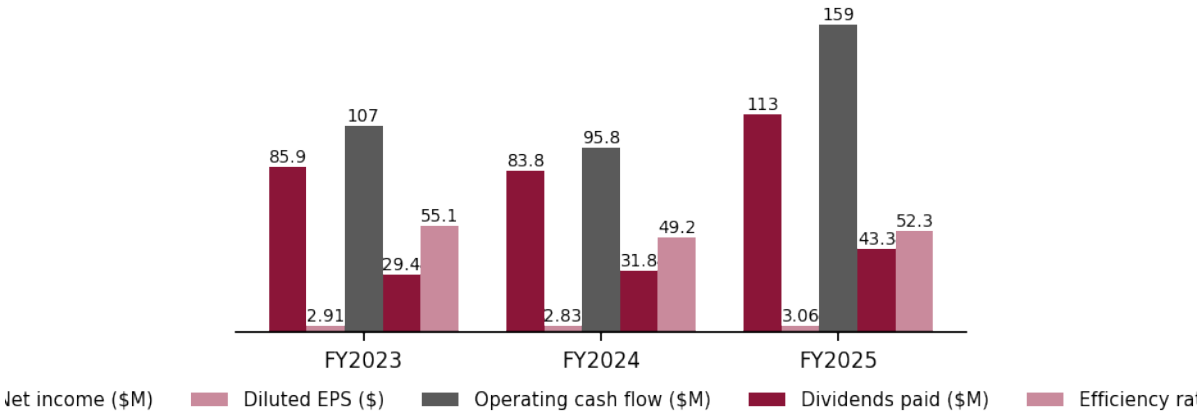
• Form 4 insider activity was not collected.

• The proxy pages and record date were supplied by NovaRock; the table text itself was not parsed here.

• Vanguard unit (Portfolio Management, Capital Management) Schedule 13Gs were not collected.

Multi-Year Trend

Metric	FY2023	FY2024	FY2025
Net income ($M)	$85.9M	$83.8M	$112.6M
Diluted EPS ($)	$2.91	$2.83	$3.06
Operating cash flow ($M)	$107.2M	$95.8M	$159.3M
Dividends paid ($M)	$29.4M	$31.8M	$43.3M
Efficiency ratio (%)	55.09%	49.18%	52.28%



Financial Summary (Most Recent Year)

Line item	Value	Source
Net income, FY2025 ($K)	112,635	10-K p.60 (section 61)
Operating cash flow, FY2025 ($K)	159,316	10-K p.63 (section 64)

Capex, FY2025 ($K)	5,315	10-K p.63 (section 64)
Dividends paid, FY2025 ($K)	43,278	10-K p.63 (section 64)
Total assets, Dec 31, 2025 ($K)	8,388,780	10-K p.59 (section 60)
Net income, six months 2026 ($K)	71,324	10-Q p.8 (section 8)
Total assets, Jun 30, 2026 ($K)	8,439,998	10-Q p.6 (section 6)
Total deposits, Jun 30, 2026 ($K)	6,995,763	10-Q p.6 (section 6)
Shareholders' equity, Jun 30, 2026 ($K)	1,211,560	10-Q p.6 (section 6)
Goodwill, Jun 30, 2026 ($K)	375,470	10-Q p.6 (section 6)
Intangible assets, Jun 30, 2026 ($K)	28,894	10-Q p.6 (section 6)
Cover shares, Aug 1, 2026	37,578,808	10-Q cover (section 1)

Valuation Sensitivity — Fair Value per Share ($)

Rows: discount rate. Columns: terminal growth rate.

Discount Rate	2.0%	2.5%	3.0%	3.5%
9%	$47	$48	$49	$50
10%	$40	$40	$41	$41
11%	$34	$34	$35	$35
12%	$30	$30	$30	$30

Terminal ROTCE Sensitivity — Fair Value per Share ($)

Rows: cost of equity. Columns: return on tangible common equity earned after the forecast window (a return equal to the cost of equity means no excess return).

Cost of equity	9.0%	11.0%	13.0%	15.0%
9.0%	$35	$42	$49	$55
10.0%	$30	$35	$41	$46
11.0%	$26	$30	$35	$39
12.0%	$23	$27	$30	$33

Fade case: excess return fades linearly to the cost of equity over 5 years after the window -> $33.99/share.

Methodology & Limitations

• Comps-based relative valuation included above - see Comparable Companies Cross-Check.

• Fair value is highly sensitive to the discount rate / terminal growth pair (see grid above).

• Fair value is an intrinsic-value estimate as of the report date, not a 12-month price target.

• Value is per original share on an aggregate basis: dividends and buybacks are both deducted from tangible equity, so the result does not depend on the price paid for repurchases, but it does depend on the assumed payout path being realistic for this bank.

• This note reflects NovaRock's structured multi-stage analytical process (Analyst, Risk Review, Final Edit) and was reviewed and approved by Jasvinder Singh, Founder and Principal Analyst, on 2026-10-17.

Disclosures

Full disclosures, methodology notes, and conflicts-of-interest policy are maintained on novarockcorp.com's legal pages and apply to this note. Drafting of this note used AI-assisted research tools. This report has been reviewed, finalized, and approved by Jasvinder Singh, Founder and Principal Analyst, on 2026-10-17.