German American Bancorp, Inc.

NEWS RELEASE

German American Bancorp Announces First Quarter Earnings and Declares Quarterly Cash Dividend

2003-05-01

JASPER, Ind.--(BUSINESS WIRE)--May 1, 2003--German American Bancorp has reported Net Income for the three months ended March 31, 2003 of $2,438,000 or $0.21 per share, representing approximately a 9% increase from the $2,229,000 or $.19 per share reported in the fourth quarter of 2002 and a 3% decrease from the $2,518,000 or $0.22 per share reported during the same quarter last year.

The decline in net income from last year's first quarter results is attributable principally to a decline in net interest income, increased expense relating to the impairment of the value of the Company's mortgage servicing rights caused by increased refinancings attributable to the historic low level of interest rates, and increased occupancy, furniture, equipment, and advertising expenses. These factors were offset in part by increased gains on sale of loans related to mortgage refinance activity and a $316,000 negative provision for loan losses in the Company's mortgage banking segment that was recorded principally in recognition of an unanticipated settlement of claims during the first quarter of 2003 relating to a block of previously charged-off mortgage loans. As a result of this negative provision in the mortgage banking segment, the Company recorded a consolidated negative provision for loan losses of $36,000 during the first quarter of 2003, which was a $284,000 difference compared to the consolidated provision for loan losses during the first quarter of 2002 of $248,000.

The Company's net interest margin was slightly improved during the first quarter of 2003 compared to the first quarter of 2002. The decline in net interest income was caused by a lower volume of loans during the first quarter of 2003, due principally to the reduction in the level of residential mortgage loans held by the Company as a result of the refinance activity caused by the historic low level of interest rates. Partially offsetting the decline in residential mortgage loans was a sizeable increase in the Company's commercial loan portfolio.

In commenting on the Company's first quarter results, Mark A. Schroeder, President and Chief Executive Officer of

the Company, said, "We are very pleased to be able to report solid earnings during the first quarter in a period that has proven to be a very difficult economic environment for the financial services industry in general. While many other companies within our industry are experiencing serious declines in the level of their loan quality, we have been able to maintain and improve the level of our non-performing loans. Having said that, we will remain diligent in our monitoring of our loan portfolio given the continued general economic weakness. We continue to believe a fundamental contributor to the strength of our operations is the inherent value of German American's customer-focused, community-based business model."

The Company also announced that its Board of Directors has declared the regular first quarter cash dividend of $0.14 per share. The dividend will be paid on or before May 20, 2003 to shareholders of record as of May 10, 2003.

German American Bancorp is a financial services holding company based in Jasper, Indiana. The Company's Common Stock is traded on NASDAQ's National Market System under the symbol GABC. The Company operates five affiliated community banks with 26 retail banking offices in the eight contiguous Southwestern Indiana counties of Daviess, Dubois, Gibson, Knox, Martin, Perry, Pike, Spencer and a business lending center in Evansville, Indiana. The Company also operates German American Financial Advisors and Trust Company, a trust, brokerage and financial planning subsidiary operating from the banking offices of the bank subsidiaries and The Doty Agency, Inc., a full-line property and casualty insurance subsidiary with four independent insurance offices throughout its market area. The Company's lines of business include retail and commercial banking, mortgage banking, comprehensive financial planning, full service brokerage and trust administration, title insurance, and a full range of personal and corporate insurance products.

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(unaudited, dollars in thousands except per share data)

Consolidated Balance Sheets

	March 31, 2003	2002
ASSETS		
Cash and Due from Banks	$29,088	$22,545
Short-term Investments	27,661	55,100
Investment Securities	233,697	227,200
Loans Held-for-Sale	9,418	6,013

Loans, Net of Unearned Income	598,706	637,563
Allowance for Loan Losses	(8,428)	(8,307)
Net Loans	590,278	629,256
Premises and Equipment	22,419	20,271
Other Assets	25,706	26,657
TOTAL ASSETS	$938,267	$987,042
LIABILITIES		
Non-interest-bearing Demand Deposits	$100,685	$93,976
Interest-bearing Demand, Savings, and Money Market Accounts	244,332	240,340
Time Deposits less than $100,000	301,545	324,844
Time Deposits $100,000 or more and Brokered Deposits	57,369	51,429
Total Deposits	703,931	710,589
Borrowings	138,339	165,201
Other Liabilities	12,494	10,015
TOTAL LIABILITIES	854,764	885,805
SHAREHOLDERS' EQUITY		
Common Stock and Surplus	69,280	81,865
Retained Earnings	12,706	18,944
Accumulated Other Comprehensive Income (Loss)	1,517	428
TOTAL SHAREHOLDERS' EQUITY	83,503	101,237
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$938,267	$987,042
BOOK VALUE PER SHARE	$8.02	$8.81(1)
END OF PERIOD SHARES OUTSTANDING	10,416,025	10,944,188(2)

(1) Restated for December 2002 stock dividend.
(2) End of period shares outstanding were not restated for the effect of stock dividends.

Consolidated Statements of Income

	Three Months Ended March 31,	
	2003	2002
INTEREST INCOME		
Interest and Fees on Loans	$10,888	$12,584
Interest on Short-term Investments	56	303
Interest on Investment Securities	2,505	2,574
TOTAL INTEREST INCOME	13,449	15,461
INTEREST EXPENSE		
Interest on Deposits	3,764	4,966
Interest on Borrowings	1,900	2,461
TOTAL INTEREST EXPENSE	5,664	7,427
Net Interest Income	7,785	8,034
Provision for Loan Losses	(36)	248
Net Interest Income after Provision for Loan Losses	7,821	7,786
NON-INTEREST INCOME		
Other Operating Income	1,973	2,060
Net Gain on Sales of Loans and Related Assets	537	381
Net Gain on Sales of Securities	23	-
TOTAL NON-INTEREST INCOME	2,533	2,441
NON-INTEREST EXPENSE		
Salaries and Benefits	4,422	4,445
Other Operating Expenses	2,901	2,653
TOTAL NON-INTEREST EXPENSE	7,323	7,098

Income before Income Taxes	3,031	3,129
Income Tax Expense	593	611
NET INCOME	$2,438	$2,518
EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE	$0.21	$0.22 (1)
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	11,349,481	11,539,500 (1)
Diluted	11,392,910	11,564,169 (1)

(1) Restated for December 2002 stock dividend.

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SOURCE: German American Bancorp