German American Bancorp, Inc.

NEWS RELEASE

# German American Bancorp Reports 24% Increase in Earnings and Declares Quarterly Cash Dividend

2005-04-27

JASPER, Ind.--(BUSINESS WIRE)--April 27, 2005--German American Bancorp (NASDAQ:GABC) announced today that its first quarter earnings increased by 24% over last year's first quarter results, achieving the highest level of quarterly net income since the first quarter of 2003 and continuing the previously reported trend of strong performance improvement.

The Company's net income for the quarter was $2,411,000, or $0.22 per share, comparing very favorably to and increasing by $459,000 over the $1,952,000, or $0.18 per share reported in the first quarter of 2004.

The comparison of the two periods was positively impacted by improvements in both the Company's net interest income and non-interest income. Net interest income increased by $521,000, or 7%, in the current year's first quarter over that recorded in the same period last year.

Non-interest income increased by $593,000 during 2005 compared to 2004, or approximately 20%. Within the Company's sources of non-interest related revenue, insurance revenues increased by 10%, trust and investment product fees increased by 24%, and net gains on the sales of loans improved by nearly 30%. The comparison of non-interest income was also positively impacted by recording in the first quarter of 2005 a $267,000 recovery of previous mortgage servicing rights impairment; while during the first quarter of 2004, the Company recorded a $117,000 mortgage servicing rights impairment charge.

Commenting on the Company's strong first quarter results, Mark A. Schroeder, German American President & CEO, stated, "We are extremely pleased that the operating fundamentals on which we have remained steadfastly focused during recent quarters have culminated into the level of financial performance that we are reporting for the first quarter of 2005. As we have stated in a number of our previous announcements, German American has,

throughout the recent years' historically low levels of interest rates, maintained a long-term perspective and we've positioned the Company to be poised to take advantage of the opportunities that we believed would occur in a stronger and more normal economic environment. It is extremely gratifying to see our shareholders now reap the rewards of these efforts in terms of an increase in net income and earnings per share growth."

The Company also announced that its Board had declared a regular quarterly cash dividend of $0.14 per share which will be payable on May 20, 2005 to shareholders of record as of May 10, 2005.

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, and Spencer. The Company also operates German American Financial Advisors & Trust Company, a trust, brokerage and financial planning subsidiary operating from the banking offices of the bank subsidiaries and German American Insurance, Inc., a full-line property and casualty insurance subsidiary with five independent insurance offices throughout its market area. The Company's lines of business include retail and commercial banking, mortgage banking, comprehensive wealth management, full service brokerage and trust administration, title insurance, and a full range of personal and corporate insurance products.

Forward-Looking Statements

The Company's statements in this press release regarding its financial performance may be deemed to include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that, by their nature, forward-looking statements are based on assumptions and are subject to risks, uncertainties, and other factors. Changes in the Company's net interest income and net interest margin may vary materially from those that are presently expected, if interest rates should decline or not increase. Other factors that could cause net interest income, net interest margin and earnings to vary from those that are expected, or those that have historically been achieved in recent periods, include the effects of changes in competitive conditions; the introduction, withdrawal, success and timing of asset/liability management strategies or of business initiatives and business strategies; changes in customer borrowing, repayment, investment and deposit practices; changes in fiscal, monetary and tax policies; changes in financial and capital markets; changes in general economic conditions, either nationally or regionally, resulting in, among other things, credit quality deterioration; capital management activities; actions of the Federal Reserve Board; changes in accounting principles and interpretations; and legislative and regulatory actions and reforms. These forward-looking statements speak only as of the date of this press release and the Company undertakes no obligation to update any such forward-looking statement to reflect events or circumstances that occur after the date hereof.

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(unaudited, dollars in thousands except per share data)

Consolidated Balance Sheets

| | March 31, 2005 | 2004 |
|---|---|---|
| ASSETS | | |
| Cash and Due from Banks | $ 18,951 | $ 23,939 |
| Short-term Investments | 5,533 | 11,075 |
| Investment Securities | 200,375 | 208,831 |
| Loans Held-for-Sale | 3,517 | 651 |
| Loans, Net of Unearned Income | 619,497 | 608,497 |
| Allowance for Loan Losses | (8,968) | (8,436) |
| Net Loans | 610,529 | 600,061 |
| Stock in FHLB and Other Restricted Stock | 13,686 | 13,106 |
| Premises and Equipment | 19,708 | 21,502 |
| Other Assets | 40,173 | 38,924 |
| TOTAL ASSETS | $ 912,472 | $ 918,089 |
| LIABILITIES | | |
| Non-interest-bearing Demand Deposits | $ 122,873 | $ 114,692 |
| Interest-bearing Demand, Savings, and Money Market Accounts | 294,282 | 271,982 |
| Time Deposits | 304,286 | 337,572 |
| Total Deposits | 721,441 | 724,246 |
| Borrowings | 96,630 | 98,425 |

| | | |
|---|---|---|
| Other Liabilities | 11,287 | 11,242 |
| TOTAL LIABILITIES | 829,358 | 833,913 |
| SHAREHOLDERS' EQUITY | | |
| Common Stock and Surplus | 77,347 | 78,694 |
| Retained Earnings | 6,664 | 4,846 |
| Accumulated Other Comprehensive Income/(Loss) | (897) | 636 |
| TOTAL SHAREHOLDERS' EQUITY | 83,114 | 84,176 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 912,472 | $ 918,089 |
| BOOK VALUE PER SHARE | $ 7.64 | $ 7.69 |
| END OF PERIOD SHARES OUTSTANDING | 10,880,948 | 10,940,803 |

Consolidated Statements of Income

| | Three Months Ended March 31, | |
|---|---|---|
| | 2005 | 2004 |
| INTEREST INCOME | | |
| Interest and Fees on Loans | $ 9,914 | $ 9,705 |
| Interest on Short-term Investments | 87 | 28 |
| Interest and Dividends on Investment Securities | 2,003 | 2,043 |
| TOTAL INTEREST INCOME | 12,004 | 11,776 |
| INTEREST EXPENSE | | |
| Interest on Deposits | 2,889 | 3,133 |
| Interest on Borrowings | 1,116 | 1,165 |

| | | |
|---|---|---|
| TOTAL INTEREST EXPENSE | 4,005 | 4,298 |
| Net Interest Income | 7,999 | 7,478 |
| Provision for Loan Losses | 482 | 402 |
| Net Interest Income after Provision for Loan Losses | 7,517 | 7,076 |
| NON-INTEREST INCOME | | |
| Other Operating Income | 3,405 | 2,861 |
| Net Gain on Sales of Loans and Related Assets | 236 | 182 |
| Net Gain on Securities | - | 5 |
| TOTAL NON-INTEREST INCOME | 3,641 | 3,048 |
| NON-INTEREST EXPENSE | | |
| Salaries and Benefits | 4,596 | 4,615 |
| Other Operating Expenses | 3,342 | 3,235 |
| TOTAL NON-INTEREST EXPENSE | 7,938 | 7,850 |
| Income before Income Taxes | 3,220 | 2,274 |
| Income Tax Expense | 809 | 322 |
| NET INCOME | $ 2,411 | $ 1,952 |
| EARNINGS PER SHARE & DILUTED EARNINGS PER SHARE | $ 0.22 | $ 0.18 |
| WEIGHTED AVERAGE SHARES OUTSTANDING: | | |
| Basic | 10,894,953 | 10,936,799 |
| Diluted | 10,911,363 | 10,976,988 |

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SOURCE: German American Bancorp