German American Bancorp, Inc.

NEWS RELEASE

German American Bancorp Reports Record 2005 Earnings

2006-02-01

JASPER, Ind.--(BUSINESS WIRE)--Feb. 1, 2006--German American Bancorp, (NASDAQ:GABC) reported today that 2005 earnings achieved record levels in terms of both net income and earnings per share. The Company's 2005 net income of $9,721,000, or $0.89 per share, represents the highest level of earnings in the Company's history and approximates a 35% increase over last year's net income of $7,239,000, or $0.66 per share.

2005 fourth quarter earnings continued the Company's recent trend of solid quarterly financial performance with net income of $2,431,000, or $0.22 per share, increasing significantly from the $579,000, or $0.05 per share, recorded in the fourth quarter of 2004. The prior year fourth quarter results were reduced by the recording of a non-cash, other than temporary impairment charge related to certain securities held in the Company's investment portfolio.

In addition to the effect of the securities impairment charge, the earnings comparison of 2005 to 2004 was positively impacted by improvements in both net interest income and tax-equivalent net interest margin, as well as increases in the level of other non-interest income. The Company's net interest income increased by approximately $1 million while the net interest margin improved to 3.92% in 2005 from 3.86% in 2004.

Non-interest income (not including net gain on the sales of loans and related assets and net loss on securities) increased in 2005 by nearly $900,000, representing a 7% increase in this growing component of the Company's revenue. The combined increases in net interest income and other non-interest income of approximately $1.9 million were somewhat offset by increased operating expenses of slightly over $800,000, the majority of which was attributable to higher employee health insurance costs.

Mark A. Schroeder, President & Chief Executive Officer of German American, commenting on the Company's record

financial performance stated, "It is extremely gratifying to have been able to deliver record financial performance during 2005 for the benefit of our shareholders. The historic low level of interest rates and difficult economic conditions over the past several years has certainly presented a challenging environment relative to our Company's financial and stock performance."

Schroeder continued, "Throughout this period, we have maintained our focus on growing and enhancing shareholder value with a long-term perspective, and we are pleased that our steadfast commitment has been rewarded in terms of this achievement of the highest level of reported annual net income and earnings per share in the Company's history. We're hopeful that the combination of this past year's record financial performance and our stock's extremely attractive dividend yield will positively impact our stock's long-term performance."

The Company also announced its Board of Directors has declared a regular quarterly cash dividend of $0.14 per share which will be payable on February 20, 2006 to shareholders of record as of February 10, 2006.

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. Including Stone City Bank, which was acquired January 1, 2006, the Company now operates six affiliated community banks with 29 retail banking offices in the nine contiguous Southwestern Indiana counties of Daviess, Dubois, Gibson, Knox, Lawrence, 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

German American's statements in this press release regarding financial performance, dividend yield, and long-term stock 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. Actual results and experience could differ materially from the anticipated results or other expectations expressed or implied by these forward-looking statements as a result of a number of factors, including but not limited to, those discussed in the press release. Factors which could cause actual results and experience to differ from these expectations include changes in interest rates; changes in competitive conditions; the introduction, withdrawal, success and timing of asset/liability management strategies or of mergers and acquisitions and other business initiatives and 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 German American undertakes no obligation to update any such forward-looking statement to reflect events or circumstances that occur after the date hereof.

GERMAN AMERICAN BANCORP
(unaudited, dollars in thousands except per share data)

Consolidated Balance Sheets

	December 31, 2005	2004
ASSETS		
Cash and Due from Banks	$27,644	$23,312
Short-term Investments	5,287	24,354
Investment Securities	189,834	194,994
Loans Held-for-Sale	1,901	3,122
Loans, Net of Unearned Income	651,956	629,793
Allowance for Loan Losses	(9,265)	(8,801)
Net Loans	642,691	620,992
Stock in FHLB and Other Restricted Stock	14,095	13,542
Premises and Equipment	20,233	20,231
Goodwill and Other Intangible Assets	6,201	4,172
Other Assets	38,581	37,375
TOTAL ASSETS	$946,467	$942,094
LIABILITIES		
Non-interest-bearing Demand Deposits	$130,383	$123,127
Interest-bearing Demand, Savings, and Money Market Accounts	307,664	305,341
Time Deposits	308,774	321,915

Total Deposits	746,821	750,383
Borrowings	105,394	95,614
Other Liabilities	11,997	12,428
TOTAL LIABILITIES	864,212	858,425
SHAREHOLDERS' EQUITY		
Common Stock and Surplus	74,427	77,715
Retained Earnings	9,391	5,778
Accumulated Other Comprehensive Income / (Loss)	(1,563)	176
TOTAL SHAREHOLDERS' EQUITY	82,255	83,669
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$946,467	$942,094
END OF PERIOD SHARES OUTSTANDING	10,643,514	10,898,241
BOOK VALUE PER SHARE	$7.73	$7.68

GERMAN AMERICAN BANCORP
(unaudited, dollars in thousands except per share data)

Consolidated Statements of Income

	Three Months Ended December 31,		Years Ended December 31,	
	2005	2004	2005	2004
INTEREST INCOME				
Interest and Fees on Loans	$11,249	$9,977	$41,751	$39,257
Interest on Short-term Investments	122	60	316	129
Interest and Dividends on Investment Securities	2,074	2,052	8,130	8,324
TOTAL INTEREST INCOME	13,445	12,089	50,197	47,710

INTEREST EXPENSE				
Interest on Deposits	3,991	2,810	13,389	11,747
Interest on Borrowings	1,196	1,153	4,595	4,724
TOTAL INTEREST EXPENSE	5,187	3,963	17,984	16,471
Net Interest Income	8,258	8,126	32,213	31,239
Provision for Loan Losses	178	487	1,903	2,015
Net Interest Income after Provision for Loan Losses	8,080	7,639	30,310	29,224
NON-INTEREST INCOME				
Net Gain on Sales of Loans and Related Assets	301	152	1,000	975
Net Loss on Securities	-	(3,683)	-	(3,678)
Other Non-interest Income	3,207	3,112	13,194	12,323
TOTAL NON-INTEREST INCOME	3,508	(419)	14,194	9,620
NON-INTEREST EXPENSE				
Salaries and Benefits	4,919	4,170	18,511	17,814
Other Non-interest Expenses	3,358	2,900	12,937	12,795
TOTAL NON-INTEREST EXPENSE	8,277	7,070	31,448	30,609
Income before Income Taxes	3,311	150	13,056	8,235
Income Tax Expense	880	(429)	3,335	996

NET INCOME	$2,431	$579	$9,721	$7,239
EARNINGS PER SHARE & DILUTED EARNINGS PER SHARE	$0.22	$0.05	$0.89	$0.66
WEIGHTED AVERAGE SHARES OUTSTANDING	11,009,579	10,898,241	10,890,987	10,914,622
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	11,010,866	10,930,708	10,895,655	10,948,131
EARNINGS PERFORMANCE RATIOS				
Annualized Return on Average Assets	1.03%	0.25%	1.05%	0.78%
Annualized Return on Average Equity	11.06%	2.78%	11.51%	8.77%
Net Interest Margin	3.92%	3.96%	3.92%	3.86%
Efficiency Ratio (1)	68.70%	87.20%	66.00%	72.00%
Net Overhead Expense to Average Earning Assets (2)	2.20%	3.49%	2.02%	2.46%
ASSET QUALITY RATIOS				
Annualized Net Charge-offs to Average Loans	0.32%	0.37%	0.26%	0.24%
Allowance for Loan Losses to Period End Loans			1.42%	1.40%
Non-performing Assets to Period End Assets			1.71%	0.72%
Non-performing Loans to Period End Loans			2.41%	1.04%

(1) Efficiency Ratio is defined as Non-interest Expense divided by the sum of Net Interest Income, on a tax equivalent basis, and Non-interest Income.
(2) Net Overhead Expense is defined as Total Non-interest Income less Total Non-interest Expense.

CONTACT: German American BancorpMark A. Schroeder or Bradley M. Rust, 812-482-1314

SOURCE: German American Bancorp