German American Bancorp, Inc.

NEWS RELEASE

German American Bancorp and Stone City Bancshares, Inc., to Merge

2005-10-27

JASPER, Ind.--(BUSINESS WIRE)--Oct. 27, 2005--German American Bancorp, Jasper, Indiana, (NASDAQ:GABC) and Stone City Bancshares, Inc., announced today that German American has agreed to acquire Stone City and its subsidiary bank, Stone City Bank of Bedford, Indiana, through a merger transaction. Stone City Bank will continue operations as an independent, state chartered banking institution.

Under the terms of the merger agreement, Stone City shareholders are to receive a combination of stock and cash consideration representing a total transaction value of approximately $11 million. The proposed merger is subject to the approval of bank regulatory authorities and other conditions. The parties contemplate that the merger will be effective in the first quarter of 2006.

The transaction, which is expected to be accretive to German American's earnings per share within the first twelve months following the transaction, will allow German American to expand its geographic footprint to the South Central Indiana markets of Bedford and Lawrence County.

Mark A. Schroeder, President & Chief Executive Officer of German American stated, "The addition of Stone City Bank affords German American the opportunity for a logical expansion of our geographic base to a growing market area immediately adjacent to our existing footprint. As a community-focused financial services holding company, German American is firmly committed to a strategic operating philosophy which focuses on the winning combination of local management decision-making coupled with a full array of financial products and services. I am pleased to welcome Stone City Bank, which has served the customers of Bedford and Lawrence County since 1890, to the growing number of community banks which comprise the German American Bancorp family."

Gary C. Hilderbrand, Chairman of Stone City Bancshares, commented, "We are very pleased to have the opportunity

to become part of German American's community-focused organization, a financial services holding company comprised of smaller community banks which together can be more competitive. Our Board of Directors strongly believes that the merger of our two firms is in the best interests of our shareholders, employees, customers, and the local community."

Robert F. Richards, President of Stone City Bank, who will continue to lead Stone City Bank after the merger, made the following comments regarding the merger, "Our historic philosophy of community banking and service to our customers is consistent with that of the entire German American organization. Through this affiliation with German American, we will be able to provide access to a broader offering of financial products and services, not only to our consumer customers but also to our small business, farm, and commercial clients. German American's commitment to community banking and to the communities served by its affiliate banks was an important element in our decision to join their organization."

German American's legal adviser for the transaction was Ice Miller, an Indianapolis-based firm, while Stone City was represented by Jenkens & Gilchrist PC as legal counsel and Howe Barnes Investments, Inc., acting as financial adviser.

Stone City Bank has been headquartered in Lawrence County, Indiana since its establishment in 1890 and operates two banking offices located in Bedford, Indiana. Stone City Bancshares had consolidated total assets of approximately $60 million, total deposits of $46 million, and total shareholder's equity of $6 million as June 30, 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 28 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

German American's statements in this press release regarding the anticipated success of the Stone City Bancshares, Inc., merger transaction (including the expectation of German American's management that this

transaction will be accretive to German American's earnings per share) 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 future results to differ from these expectations include the following: general economic conditions; deposit flows; the costs of funds; general market rates of interest; demand for deposit and loan products; demand for financial services; changes in accounting policies or guidelines; changes in the quality or composition of German American's and Stone City Bank's loan and investment portfolios; and the timing of the closing of the transaction and the timing and success of merger integration efforts once the transaction is complete. 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.

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

SOURCE: German American Bancorp