

Dear Shareholders,

We are pleased to report that German American has achieved record annual earnings for the year ended on December 31, 2017, marking the 8th consecutive year of record performance. Our 2017 level of annual earnings performance resulted in an 11.6% return on shareholders' equity, representing the 13th consecutive fiscal year in which your Company has delivered double-digit returns to shareholders. We also have announced a 15% increase in our quarterly cash dividend, starting with the quarterly cash dividend payable this month.

2017 net income of \$40.7 million, or \$1.77 per share, was an increase of approximately \$5.5 million, or 13% on a per share basis, over its previous record annual net income of \$35.2 million, or \$1.57 per share, reported in 2016. Current year fourth quarter earnings of \$11.6 million, or \$0.51 per share, represented an increase of approximately 16%, on a per share basis, relative to 2016 fourth quarter results of \$10.1 million, or \$0.44 per share. The 2017 reported fourth quarter and year-to-date net income were positively impacted by a \$2.3 million net tax benefit resulting from the revaluation of the Company's deferred tax assets and liabilities related to the federal tax reform legislation enacted during the fourth quarter of 2017.

In addition to the federal tax benefit noted above, the record financial performance achieved in 2017 was largely attributable to a \$5.0 million increased level of net interest income driven primarily by a higher level of average loans outstanding. 2017 year-end loans outstanding increased by approximately \$151.6 million, or 8%, from the prior year-end level. The year-over-year increase in loans outstanding was attributable to strong organic loan growth broadly based across the Company's entire market area and within all loan categories.

It was extremely gratifying to be able to continue our pattern of record financial performance in the past year and we are very encouraged to see a further strengthening of economic growth throughout our market area in 2017. As evidenced by the double-digit annualized loan growth we experienced in the last half of the year, both business and consumer clients throughout our market area are feeling more confident in the growth potential and vibrancy of the economy. Based on the exceptionally strong growth in both loans and deposits we experienced in 2017, a strong and growing pipeline at year-end of potential future loan growth, and an expectation of accelerated overall economic growth resulting from the recent federal tax reform legislation, we have a positive outlook regarding our ability to continue this record of exceptional financial performance in 2018 and beyond.

Sincerely,



Mark A. Schroeder
Chairman & CEO

Cautionary Note Regarding Forward-Looking Statements
Our statements in this report contain 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 stated in our press release dated January 29, 2018 under the caption "Cautionary Note Regarding Forward-Looking Statements" and in our reports and other documents that we file with the Securities and Exchange Commission. That press release, and those SEC reports and other documents, are available on our website, www.germanamerican.com, by clicking on the tab "Investor Relations." These forward-looking statements speak only as of February 8, 2018 (when we finalized this report for mailing to our shareholders) and we do not promise to update any such forward-looking statements to reflect events or circumstances that occur after February 8, 2018.

2017 4th Quarter Report



German American Bancorp, Inc.

DRIVEN
by our
FUTURE

Transfer Agent:

Computershare Communications Services
Attn: Priority Processing
250 Royall Street
Canton, MA 02021
1-800-884-4225

Shareholder Information:

Contact Terri Eckerle • German American Bancorp, Inc.
P.O. Box 810 • Jasper, Indiana 47547-0810
(812)482-0703
www.germanamerican.com

Consolidated Balance Sheets

unaudited, dollars in thousands except per share data

	December 31,	
	2017	2016
Assets		
Cash and Due from Banks	\$ 58,233	\$ 48,467
Short-term Investments	12,126	16,349
Investment Securities	740,994	709,786
Loans Held-for-Sale	6,719	15,273
Loans, Net of Unearned Income	2,141,638	1,989,955
Allowance for Loan Losses	(15,694)	(14,808)
Net Loans	2,125,944	1,975,147
Stock in FHLB and Other Restricted Stock	13,048	13,048
Premises and Equipment	54,246	48,230
Goodwill and Other Intangible Assets	56,160	56,893
Other Assets	76,890	72,801
TOTAL ASSETS	\$3,144,360	\$2,955,994
Liabilities		
Non-interest-bearing Demand Deposits	\$ 606,134	\$ 571,989
Interest-bearing Demand, Savings, and Money Market Accounts	1,490,033	1,399,381
Time Deposits	387,885	378,181
Total Deposits	2,484,052	2,349,551
Borrowings	275,216	258,114
Other Liabilities	20,521	18,062
TOTAL LIABILITIES	2,779,789	2,625,727
SHAREHOLDERS' EQUITY	364,571	330,267
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$3,144,360	\$2,955,994
End of Period Shares Outstanding ⁽¹⁾	22,934,403	22,904,157
Tangible Book Value per Share ⁽¹⁾⁽²⁾	\$ 13.45	\$ 11.94

⁽¹⁾ As adjusted for the 3 for 2 Stock Split distributed on April 21, 2017.

⁽²⁾ Tangible Book Value per Share is defined as Total Shareholders' Equity less Goodwill and Other Intangible Assets divided by End of Period Shares Outstanding.

Consolidated Statements of Income

unaudited, dollars in thousands except per share data

	Three Months Ended December 31,	
	2017	2016
Interest Income		
Interest and Fees on Loans	\$ 23,699	\$ 22,557
Interest on Short-term Investments and Time Deposits	34	12
Interest and Dividends on Investment Securities	4,877	4,532
TOTAL INTEREST INCOME	28,610	27,101
Interest Expense		
Interest on Deposits	2,066	1,383
Interest on Borrowings	1,090	829
TOTAL INTEREST EXPENSE	3,156	2,212
NET INTEREST INCOME	25,454	24,889
Provision for Loan Losses	650	-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	24,804	24,889
Non-interest Income		
Net Gain on Sales of Loans	682	752
Net Gain on Securities	21	553
Other Non-interest Income	6,891	7,052
TOTAL NON-INTEREST INCOME	7,594	8,357
Non-interest Expense		
Salaries and Benefits	12,168	11,604
Other Non-interest Expenses	7,832	7,751
TOTAL NON-INTEREST EXPENSE	20,000	19,355
Income before Income Taxes	12,398	13,891
Income Tax Expense	777	3,826
NET INCOME	\$ 11,621	\$ 10,065
Basic Earnings per Share ⁽¹⁾	\$ 0.51	\$ 0.44
Diluted Earnings per Share ⁽¹⁾	\$ 0.51	\$ 0.44
Weighted Average Shares Outstanding ⁽¹⁾	22,930,666	22,887,567
Diluted Weighted Average Shares Outstanding ⁽¹⁾	22,930,666	22,887,567

⁽¹⁾ As adjusted for the 3 for 2 Stock Split distributed on April 21, 2017.

	Year Ended December 31,	
	2017	2016
Interest Income		
Interest and Fees on Loans	\$ 91,745	\$ 86,202
Interest on Short-term Investments and Time Deposits	134	74
Interest and Dividends on Investment Securities	19,151	17,089
TOTAL INTEREST INCOME	111,030	103,365
Interest Expense		
Interest on Deposits	7,094	5,187
Interest on Borrowings	4,027	3,274
TOTAL INTEREST EXPENSE	11,121	8,461
NET INTEREST INCOME	99,909	94,904
Provision for Loan Losses	1,750	1,200
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	98,159	93,704
Non-interest Income		
Net Gain on Sales of Loans	3,280	3,359
Net Gain on Securities	596	1,979
Other Non-interest Income	27,978	26,675
TOTAL NON-INTEREST INCOME	31,854	32,013
Non-interest Expense		
Salaries and Benefits	46,642	43,961
Other Non-interest Expenses	31,161	32,626
TOTAL NON-INTEREST EXPENSE	77,803	76,587
Income before Income Taxes	52,210	49,130
Income Tax Expense	11,534	13,946
NET INCOME	\$ 40,676	\$ 35,184
Basic Earnings per Share ⁽¹⁾	\$ 1.77	\$ 1.57
Diluted Earnings per Share ⁽¹⁾	\$ 1.77	\$ 1.57
Weighted Average Shares Outstanding ⁽¹⁾	22,924,726	22,389,137
Diluted Weighted Average Shares Outstanding ⁽¹⁾	22,924,726	22,391,115

⁽¹⁾ As adjusted for the 3 for 2 Stock Split distributed on April 21, 2017.