

## Letter to Our Shareholders

Dear Shareholders,

We were pleased to report quarterly earnings of \$11.1 million, or \$0.48 per share in the second quarter of 2018. This level of quarterly earnings performance was an increase of approximately \$1.3 million, or 12% on a per share basis, over second quarter 2017 net income of \$9.8 million, or \$0.43 per share. On a year-to-date basis, reported earnings for the first six months of 2018 were \$22.9 million, or \$1.00 per share, which represents an increase of \$3.5 million, or 18% on a per share basis, over the first half 2017 net income of \$19.4 million, or \$0.85 per share. 2018 second quarter earnings included \$904,000 (\$727,000 or \$0.03 per share, on an after-tax basis) for acquisition related expenses in connection with the previously announced five-branch acquisition that closed on May 18, 2018, and the pending acquisition of First Security, Inc. that was announced on May 22, 2018.

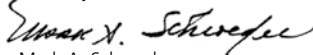
2018 second quarter enhanced financial performance relative to that of the same quarter last year was largely attributable to a \$2.7 million, or 11%, increase in net interest income, which was driven by the Company's higher level of average loans outstanding. Average loans outstanding during the second quarter of 2018 increased by \$218.5 million, or 11%, relative to the average loans outstanding during the second quarter of 2017. This increase in average loans was driven by organic loan growth from the Company's existing branch footprint, and, to a lesser extent, from the growth related to the branch acquisition the Company completed during the current quarter.

The second quarter of 2018 marked another period of strong growth for our Company. During the quarter, we grew total end-of-period loan balances, on an organic basis, by over \$50 million, or 10% on an annualized basis, and acquired approximately \$116 million in end-of-period loans and \$123 million in end-of-period deposits as a result of the previously noted five-branch network acquisition in the Columbus and Greensburg, Indiana markets. Furthermore, we also announced a pending merger transaction during the quarter with Owensboro, Kentucky-based First Security, Inc., which reported total assets of approximately \$600 million, total loans of approximately \$400 million and total deposits of approximately \$450 million, as of the announcement date.

This combination of First Security and German American, which is expected to be completed during the fourth quarter of this year, represents our entry into Owensboro, Bowling Green, and Lexington, Kentucky, three of the largest and most vibrant metropolitan markets in the Commonwealth of Kentucky. Following completion of this transaction, German American's consolidated total assets are projected to be nearly \$4.0 billion, with a projected total loan portfolio of approximately \$2.7 billion and total deposit balances of approximately \$3.0 billion.

We are extremely pleased with the pattern of consistent organic and acquisition-related balance sheet growth and earnings improvement we've generated, not only during the past quarter, but over an extended period of time. We look forward to further enhancement of long-term shareholder value through a continuation of this historic pattern of ongoing earnings and balance sheet growth in the coming months and years.

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 July 30, 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](http://www.germanamerican.com), by clicking on the tab "Investor Relations." These forward-looking statements speak only as of August 9, 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 August 9, 2018.

2018  
2nd  
Quarter  
Report

FOUNDATION OF  
Success



German American Bancorp, Inc.

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## Consolidated Balance Sheets

unaudited, dollars in thousands except per share data

## Consolidated Statements of Income

unaudited, dollars in thousands except per share data

	June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Cash and Due from Banks	\$ 60,244	\$ 36,833	\$ 26,308	\$ 22,602	\$ 50,258	\$ 44,864
Short-term Investments	11,038	7,204				
Investment Securities	739,834	740,578	54	27	110	54
Loans Held-for-Sale	9,552	9,844				
Loans, Net of Unearned Income	2,318,510	2,031,743				
Allowance for Loan Losses	(15,637)	(15,320)				
Net Loans	2,302,873	2,016,423				
Stock in FHLB and Other Restricted Stock	13,048	13,048				
Premises and Equipment	66,641	49,249				
Goodwill and Other Intangible Assets	65,978	56,607				
Other Assets	75,336	75,017				
<b>TOTAL ASSETS</b>	<b>\$3,344,544</b>	<b>\$3,004,803</b>	<b>31,533</b>	<b>27,401</b>	<b>60,678</b>	<b>54,434</b>
<b>Liabilities</b>						
Non-interest-bearing Demand Deposits	\$ 629,724	\$ 557,535				
Interest-bearing Demand, Savings, and Money Market Accounts	1,611,583	1,453,512				
Time Deposits	360,133	352,274				
Total Deposits	2,601,440	2,363,321				
Borrowings	354,803	263,469				
Other Liabilities	17,761	23,059				
<b>TOTAL LIABILITIES</b>	<b>2,974,004</b>	<b>2,649,849</b>				
<b>Shareholders' Equity</b>						
Common Stock and Surplus	188,885	187,613				
Retained Earnings	194,994	163,181				
Accumulated Other Comprehensive Income (Loss)	(13,339)	4,160				
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>370,540</b>	<b>354,954</b>				
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$3,344,544</b>	<b>\$3,004,803</b>				
End of Period Shares Outstanding	22,967,898	22,929,627				
Tangible Book Value per Share <sup>(1)</sup>	\$ 13.26	\$ 13.01				
<b>Interest Income</b>						
Interest and Fees on Loans	\$ 26,308	\$ 22,602				
Interest on Short-term Investments	54	27				
Interest and Dividends on Investment Securities	5,171	4,772				
<b>TOTAL INTEREST INCOME</b>	<b>31,533</b>	<b>27,401</b>				
<b>Interest Expense</b>						
Interest on Deposits	2,848	1,626				
Interest on Borrowings	1,216	962				
<b>TOTAL INTEREST EXPENSE</b>	<b>4,064</b>	<b>2,588</b>				
<b>NET INTEREST INCOME</b>	<b>27,469</b>	<b>24,813</b>				
Provision for Loan Losses	1,220	350				
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>26,249</b>	<b>24,463</b>				
<b>Non-interest Income</b>						
Net Gain on Sales of Loans	905	959				
Net Gain on Securities	74	-				
Other Non-interest Income	7,903	6,838				
<b>TOTAL NON-INTEREST INCOME</b>	<b>8,882</b>	<b>7,797</b>				
<b>Non-interest Expense</b>						
Salaries and Benefits	12,019	11,460				
Other Non-interest Expenses	9,689	7,536				
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>21,708</b>	<b>18,996</b>				
Income before Income Taxes	13,423	13,264				
Income Tax Expense	2,326	3,425				
<b>NET INCOME</b>	<b>\$ 11,097</b>	<b>\$ 9,839</b>				
Basic Earnings per Share	\$ 0.48	\$ 0.43				
Diluted Earnings per Share	\$ 0.48	\$ 0.43				
<b>Weighted Average Shares Outstanding</b>	<b>22,968,178</b>	<b>22,929,426</b>				
<b>Diluted Weighted Average Shares Outstanding</b>	<b>22,968,178</b>	<b>22,929,426</b>				
<b>Interest Income</b>						
Interest and Fees on Loans	\$ 50,258	\$ 44,864				
Interest on Short-term Investments	110	54				
Interest and Dividends on Investment Securities	10,310	9,516				
<b>TOTAL INTEREST INCOME</b>	<b>60,678</b>	<b>54,434</b>				
<b>Interest Expense</b>						
Interest on Deposits	5,131	3,069				
Interest on Borrowings	2,468	1,827				
<b>TOTAL INTEREST EXPENSE</b>	<b>7,599</b>	<b>4,896</b>				
<b>NET INTEREST INCOME</b>	<b>53,079</b>	<b>49,538</b>				
Provision for Loan Losses	1,570	850				
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>51,509</b>	<b>48,688</b>				
<b>Non-interest Income</b>						
Net Gain on Sales of Loans	1,555	1,646				
Net Gain on Securities	344	-				
Other Non-interest Income	16,475	14,339				
<b>TOTAL NON-INTEREST INCOME</b>	<b>18,374</b>	<b>15,985</b>				
<b>Non-interest Expense</b>						
Salaries and Benefits	24,145	22,904				
Other Non-interest Expenses	18,018	15,128				
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>42,163</b>	<b>38,032</b>				
Income before Income Taxes	27,720	26,641				
Income Tax Expense	4,810	7,246				
<b>NET INCOME</b>	<b>\$ 22,910</b>	<b>\$ 19,395</b>				
Basic Earnings per Share	\$ 1.00	\$ 0.85				
Diluted Earnings per Share	\$ 1.00	\$ 0.85				
<b>Weighted Average Shares Outstanding</b>	<b>22,954,367</b>	<b>22,919,094</b>				
<b>Diluted Weighted Average Shares Outstanding</b>	<b>22,954,367</b>	<b>22,919,094</b>				

<sup>(1)</sup> Tangible Book Value per Share is defined as Total Shareholders' Equity less Goodwill and Other Intangible Assets divided by End of Period Shares Outstanding.