GERMAN AMERICAN BANCORP, INC.
Form 10-Q
May 08, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
x Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period Ended March 31, 2009

Or

¨ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Transition Period from _______________ to ___________________

Commission File Number 0-11244

German American Bancorp, Inc.
(Exact name of registrant as specified in its charter)

| Indiana | 35-1547518 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

711 Main Street, Jasper, Indiana 47546
(Address of Principal Executive Offices and Zip Code)

Registrant’s telephone number, including area code: (812) 482-1314

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES x NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company:

Large Accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act):

YES ¨ NO x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class | Outstanding at May 1, 2009 |
|---|---|
| Common Stock, no par value | 11,073,063 |

CAUTION REGARDING FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS

Information included in or incorporated by reference in this Quarterly Report on Form 10-Q, our other filings with the Securities and Exchange Commission (the "SEC") and our press releases or other public statements, contains or may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Please refer to the discussions of our forward-looking statements and associated risks in our annual report on Form 10-K for the year ended December 31, 2008, in Item 1, "Business – Forward-Looking Statements and Associated Risks" and our discussion of risk factors in Item 1A, "Risk Factors" of that annual report on Form 10-K, as updated from time to time in our subsequent SEC filings, including by Item 2 of Part I of this Report ("Management's Discussion and Analysis of Financial Condition and Results of Operations") at the conclusion of that Item 2 under the heading "Forward-Looking Statements and Associated Risks," and by Part II, Item 1A of this Report ("Risk Factors").

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INDEX


| | | |
|---|---|---|
| PART I. | FINANCIAL INFORMATION | 4 |
| Item 1. | Financial Statements | 4 |
| | Consolidated Balance Sheets – March 31, 2009 and December 31, 2008 | 4 |
| | Consolidated Statements of Income and Comprehensive Income - Three Months Ended March 31, 2009 and 2008 | 5 |
| | Consolidated Statements of Cash Flows – Three Months Ended March 31, 2009 and 2008 | 6 |
| | Notes to Consolidated Financial Statements – March 31, 2009 | 7-15 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 16-23 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 24 |
| Item 4. | Controls and Procedures | 24 |
| PART II. | OTHER INFORMATION | 25 |
| Item 1A. | Risk Factors | 25 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 26 |
| Item 6. | Exhibits | 26 |
| SIGNATURES | | 27 |
| INDEX OF EXHIBITS | | 28 |

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

GERMAN AMERICAN BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited, dollars in thousands except per share data)

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| ASSETS | | |
| Cash and Due from Banks | $ 18,450 | $ 17,201 |
| Federal Funds Sold and Other Short-term Investments | 28,930 | 27,791 |
| Cash and Cash Equivalents | 47,380 | 44,992 |
| | | |
| Securities Available-for-Sale, at Fair Value | 198,526 | 175,840 |
| Securities Held-to-Maturity, at Cost (Fair value of $3,069 and $3,358 on March 31, 2009 and December 31, 2008, respectively) | 3,018 | 3,326 |
| | | |
| Loans Held-for-Sale | 13,172 | 3,166 |
| | | |
| Loans | 872,366 | 892,511 |
| Less: Unearned Income | (1,822) | (2,075) |
| Allowance for Loan Losses | (10,044) | (9,522) |
| Loans, Net | 860,500 | 880,914 |
| | | |
| Stock in FHLB of Indianapolis and Other Restricted Stock, at Cost | 10,621 | 10,621 |
| Premises, Furniture and Equipment, Net | 21,970 | 22,330 |
| Other Real Estate | 2,367 | 1,818 |
| Goodwill | 9,655 | 9,655 |
| Intangible Assets | 2,920 | 3,141 |
| Company Owned Life Insurance | 23,579 | 23,338 |
| Accrued Interest Receivable and Other Assets | 10,595 | 11,687 |
| TOTAL ASSETS | $ 1,204,303 | $ 1,190,828 |
| | | |
| LIABILITIES | | |
| Non-interest-bearing Demand Deposits | $ 149,197 | $ 147,977 |
| Interest-bearing Demand, Savings, and Money Market Accounts | 448,550 | 439,305 |
| Time Deposits | 354,744 | 354,468 |
| Total Deposits | 952,491 | 941,750 |
| | | |
| FHLB Advances and Other Borrowings | 130,036 | 131,664 |
| Accrued Interest Payable and Other Liabilities | 13,723 | 12,240 |
| TOTAL LIABILITIES | 1,096,250 | 1,085,654 |
| | | |
| SHAREHOLDERS' EQUITY | | |
| Preferred Stock, $10 par value; 500,000 shares authorized, no shares issued | — | — |
| Common Stock, no par value, $1 stated value; 20,000,000 shares authorized | 11,073 | 11,030 |
| Additional Paid-in Capital | 68,446 | 68,371 |
| Retained Earnings | 24,417 | 23,019 |

| | | |
|---|---|---|
| Accumulated Other Comprehensive Income | 4,117 | 2,754 |
| TOTAL SHAREHOLDERS' EQUITY | 108,053 | 105,174 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 1,204,303 | $ 1,190,828 |
| End of period shares issued and outstanding | 11,073,063 | 11,030,288 |

See accompanying notes to consolidated financial statements.

GERMAN AMERICAN BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(unaudited, dollars in thousands except per share data)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2009 | 2008 |
| INTEREST INCOME | | |
| Interest and Fees on Loans | $ 13,394 | $ 15,459 |
| Interest on Federal Funds Sold and Other Short-term Investments | 17 | 186 |
| Interest and Dividends on Securities: | | |
| Taxable | 2,190 | 1,995 |
| Non-taxable | 256 | 185 |
| TOTAL INTEREST INCOME | 15,857 | 17,825 |
| | | |
| INTEREST EXPENSE | | |
| Interest on Deposits | 4,005 | 6,187 |
| Interest on FHLB Advances and Other Borrowings | 1,211 | 1,519 |
| TOTAL INTEREST EXPENSE | 5,216 | 7,706 |
| | | |
| NET INTEREST INCOME | 10,641 | 10,119 |
| Provision for Loan Losses | 750 | 1,344 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 9,891 | 8,775 |
| | | |
| NON-INTEREST INCOME | | |
| Trust and Investment Product Fees | 390 | 587 |
| Service Charges on Deposit Accounts | 1,060 | 1,183 |
| Insurance Revenues | 1,487 | 1,903 |
| Other Operating Income | 742 | 750 |
| Net Gains on Sales of Loans and Related Assets | 565 | 324 |
| Net Gain on Securities | — | 285 |
| TOTAL NON-INTEREST INCOME | 4,244 | 5,032 |
| | | |
| NON-INTEREST EXPENSE | | |
| Salaries and Employee Benefits | 5,614 | 5,327 |
| Occupancy Expense | 867 | 854 |
| Furniture and Equipment Expense | 662 | 618 |
| FDIC Premiums | 335 | 26 |
| Data Processing Fees | 357 | 406 |
| Professional Fees | 607 | 564 |
| Advertising and Promotion | 288 | 233 |
| Supplies | 135 | 135 |
| Intangible Amortization | 221 | 222 |
| Other Operating Expenses | 995 | 963 |
| TOTAL NON-INTEREST EXPENSE | 10,081 | 9,348 |
| | | |
| Income before Income Taxes | 4,054 | 4,459 |
| Income Tax Expense | 1,112 | 1,439 |

| | | | | |
|---|---|---|---|---|
| NET INCOME | $ | 2,942 | $ | 3,020 |
| | | | | |
| COMPREHENSIVE INCOME | $ | 4,305 | $ | 4,183 |
| | | | | |
| Earnings Per Share and Diluted Earnings Per Share | $ | 0.27 | $ | 0.27 |
| Dividends Per Share | $ | 0.14 | $ | 0.14 |

See accompanying notes to consolidated financial statements.

GERMAN AMERICAN BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, dollars in thousands)

| | Three Months Ended March 31, 2009 | Three Months Ended March 31, 2008 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Income | $ 2,942 | $ 3,020 |
| Adjustments to Reconcile Net Income to Net Cash from Operating Activities: | | |
| Net Accretion on Securities | (111) | (399) |
| Depreciation and Amortization | 898 | 834 |
| Loans Originated for Sale | (46,525) | (29,326) |
| Proceeds from Sales of Loans Held-for-Sale | 36,995 | 28,734 |
| Loss in Investment in Limited Partnership | 41 | 43 |
| Provision for Loan Losses | 750 | 1,344 |
| Gain on Sale of Loans, net | (565) | (324) |
| Gain on Securities Sales, Net | — | (285) |
| Loss on Sales of Other Real Estate and Repossessed Assets | 57 | 6 |
| Loss / (Gain) on Disposition and Impairment of Premises and Equipment | 11 | (18) |
| Increase in Cash Surrender Value of Company Owned Life Insurance | (241) | (203) |
| Equity Based Compensation | 118 | — |
| Change in Assets and Liabilities: | | |
| Interest Receivable and Other Assets | 2,591 | 1,225 |
| Interest Payable and Other Liabilities | (636) | 1,070 |
| Net Cash from Operating Activities | (3,675) | 5,721 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Maturities of Securities Available-for-Sale | 9,042 | 23,704 |
| Proceeds from Sales of Securities Available-for-Sale | — | 16,130 |
| Purchase of Securities Available-for-Sale | (29,587) | (30,865) |
| Proceeds from Maturities of Securities Held-to-Maturity | 309 | 404 |
| Purchase of Loans | (550) | (16,259) |
| Proceeds from Sales of Loans | 3,603 | 1,048 |
| Loans Made to Customers, Net of Payments Received | 15,885 | 23,971 |
| Proceeds from Sales of Other Real Estate | 111 | 309 |
| Property and Equipment Expenditures | (333) | (1,047) |
| Proceeds from Sales of Property and Equipment | — | 56 |
| Net Cash from Investing Activities | (1,520) | 17,451 |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Change in Deposits | 10,756 | 39,269 |
| Change in Short-term Borrowings | (1,600) | (24,690) |
| Advances of Long-term Debt | — | 25,000 |
| Repayments of Long-term Debt | (29) | (24) |
| Dividends Paid | (1,544) | (1,544) |
| Net Cash from Financing Activities | 7,583 | 38,011 |

| | | | | |
|---|---|---|---|---|
| Net Change in Cash and Cash Equivalents | | 2,388 | | 61,183 |
| Cash and Cash Equivalents at Beginning of Year | | 44,992 | | 27,914 |
| Cash and Cash Equivalents at End of Period | $ | 47,380 | $ | 89,097 |

See accompanying notes to consolidated financial statements.

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(unaudited, dollars in thousands except per share data)

Note 1 – Basis of Presentation

German American Bancorp, Inc. operates primarily in the banking industry. The accounting and reporting policies of German American Bancorp, Inc. and its subsidiaries conform to U.S. generally accepted accounting principles. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. All adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the periods reported have been included in the accompanying unaudited consolidated financial statements, and all such adjustments are of a normal recurring nature. Certain prior year amounts have been reclassified to conform with current classifications. It is suggested that these consolidated financial statements and notes be read in conjunction with the financial statements and notes thereto in the German American Bancorp, Inc. December 31, 2008 Annual Report on Form 10-K.

Note 2 – Per Share Data

The computations of Earnings per Share and Diluted Earnings per Share are as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2009 | 2008 |
| Earnings per Share: | | |
| Net Income | $ 2,942 | $ 3,020 |
| | | |
| Weighted Average Shares Outstanding | 11,036,942 | 11,029,484 |
| Earnings per Share | $ 0.27 | $ 0.27 |
| | | |
| Diluted Earnings per Share: | | |
| Net Income | $ 2,942 | $ 3,020 |
| | | |
| Weighted Average Shares Outstanding | 11,036,942 | 11,029,484 |
| Potentially Dilutive Shares, Net | — | 123 |
| Diluted Weighted Average Shares Outstanding | 11,036,942 | 11,029,607 |
| | | |
| Diluted Earnings per Share | $ 0.27 | $ 0.27 |

Stock options for 201,254 and 241,827 shares of common stock were not considered in computing diluted earnings per share for the quarter ended March 31, 2009 and 2008, respectively, because they were anti-dilutive.

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(unaudited, dollars in thousands except per share data)

Note 3 – Securities

The amortized cost, unrealized gross gains and losses recognized in accumulated other comprehensive income (loss), and fair value of Securities Available-for-Sale at March 31, 2009 and December 31, 2008, were as follows:

| Securities Available-for-Sale: | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| March 31, 2009 | | | | |
| U.S. Treasury and Agency Securities | $ — | $ — | $ — | $ — |
| Obligations of State and Political Subdivisions | 18,138 | 598 | (27) | 18,709 |
| Mortgage-backed Securities | 170,956 | 5,995 | (2) | 176,949 |
| Equity Securities | 3,241 | — | (373) | 2,868 |
| Total | $ 192,335 | $ 6,593 | $ (402) | $ 198,526 |
| | | | | |
| December 31, 2008 | | | | |
| U.S. Treasury and Agency Securities | $ — | $ — | $ — | $ — |
| Obligations of State and Political Subdivisions | 16,561 | 307 | — | 16,868 |
| Mortgage-backed Securities | 151,499 | 4,132 | (4) | 155,627 |
| Equity Securities | 3,620 | 44 | (319) | 3,345 |
| Total | $ 171,680 | $ 4,483 | $ (323) | $ 175,840 |

Equity securities that do not have readily determinable fair values are included in the above totals, are carried at historical cost and are evaluated for impairment on a periodic basis.

The carrying amount, unrecognized gains and losses and fair value of Securities Held-to-Maturity at March 31, 2009 and December 31, 2008, were as follows:

| Securities Held-to-Maturity: | Carrying Amount | Gross Unrecognized Gains | Gross Unrecognized Losses | Fair Value |
|---|---|---|---|---|
| March 31, 2009 | | | | |
| Obligations of State and Political Subdivisions | $ 3,018 | $ 51 | $ — | $ 3,069 |
| | | | | |
| December 31, 2008 | | | | |
| Obligations of State and Political Subdivisions | $ 3,326 | $ 32 | $ — | $ 3,358 |

Below is a summary of securities with unrealized losses as of March 31, 2009 and December 31, 2008, presented by length of time the securities have been in a continuous unrealized loss position:

| At March 31, 2009: | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |

| | | | | | | |
|---|---|---|---|---|---|---|
| U.S. Treasury and Agency Securities | $ — | $ — | $ — | $ — | $ — | $ — |
| Obligations of State and Political Subdivisions | 917 | (27) | — | — | 917 | (27) |
| Mortgage-backed Securities | 3,235 | (1) | 2 | (1) | 3,237 | (2) |
| Equity Securities | 1,650 | (373) | — | — | 1,650 | (373) |
| Total | $ 5,802 | $ (401) | $ 2 | $ (1) | $ 5,804 | $ (402) |

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(unaudited, dollars in thousands except per share data)

Note 3 – Securities (continued)

| At December 31, 2008: | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| U.S. Treasury and Agency Securities | $ — | $ — | $ — | $ — | $ — | $ — |
| Obligations of State and Political Subdivisions | — | — | — | — | — | — |
| Mortgage-backed Securities | 1,253 | (2) | 617 | (2) | 1,870 | (4) |
| Equity Securities | 1,705 | (319) | — | — | 1,705 | (319) |
| Total | $ 2,958 | $ (321) | $ 617 | $ (2) | $ 3,575 | $ (323) |

Securities are written down to fair value when a decline in fair value is not considered temporary. In estimating other-than-temporary losses, management considers the length of time and extent that fair value has been less than cost, the financial condition and near term prospects of the issuer, and the Company's ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in fair value. The Company has the intent and ability to hold these securities for the foreseeable future, and the decline in fair value is largely due to changes in market interest rates, therefore, the Company does not consider these securities to be other-than-temporarily impaired. All mortgage-backed securities in the Company's portfolio are guaranteed by government sponsored entities, are investment grade, and are performing as expected.

The Company's equity securities consist of non-controlling investments in other banking organizations. As required by SFAS 115, when a decline in fair value below cost is deemed to be other-than-temporary, the unrealized loss must be recognized as a charge to earnings. At March 31, 2009 and December 31, 2008, certain equity securities in the Company's portfolio with fair values below amortized cost were deemed to not be other-than-temporarily impaired due principally to the overall financial condition of the issuers, the near term prospects for the issuers, and the length of time that fair value has been less than cost.

Note 4 – Loans

Total loans, as presented on the balance sheet, are comprised of the following classifications:

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| Commercial and Industrial Loans | $ 510,324 | $ 505,191 |
| Agricultural Loans | 144,524 | 159,923 |
| Consumer Loans | 123,354 | 127,343 |
| Residential Mortgage Loans | 94,164 | 100,054 |
| Total Loans | $ 872,366 | $ 892,511 |
| Less: Unearned Income | (1,822) | (2,075) |

| | | | | |
|---|---|---|---|---|
| Allowance for Loan Losses | | (10,044) | | (9,522) |
| Loans, Net | $ | 860,500 | $ | 880,914 |
| | | | | |
| Information Regarding Impaired Loans: | | | | |
| | | | | |
| Impaired Loans with No Allowance for Loan Losses Allocated | $ | 1,881 | $ | 1,713 |
| Impaired Loans with Allowance for Loan Losses Allocated | | 4,015 | | 4,232 |
| | | | | |
| Amount of Allowance Allocated to Impaired Loans | | 2,039 | | 1,797 |

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(unaudited, dollars in thousands except per share data)

Note 5 – Allowance for Loan Losses

A summary of the activity in the Allowance for Loan Losses follows:

| | March 31, 2009 | March 31, 2008 |
|---|---|---|
| Balance as of January 1 | $ 9,522 | $ 8,044 |
| Provision for Loan Losses | 750 | 1,344 |
| Recoveries of Prior Loan Losses | 514 | 149 |
| Loan Losses Charged to the Allowance | (742) | (339) |
| Balance as of March 31 | $ 10,044 | $ 9,198 |

Note 6 – Segment Information

The Company's operations include three primary segments: core banking, trust and investment advisory services, and insurance operations. The core banking segment involves attracting deposits from the general public and using such funds to originate consumer, commercial and agricultural, commercial and agricultural real estate, and residential mortgage loans, primarily in the Company's local markets. The core banking segment also involves the sale of residential mortgage loans in the secondary market. The trust and investment advisory services segment involves providing trust, investment advisory, and brokerage services to customers. The insurance segment offers a full range of personal and corporate property and casualty insurance products, primarily in the affiliate banks' local markets.

The core banking segment is comprised by the Company's banking subsidiary, German American Bancorp, which operates through 28 retail banking offices. Net interest income from loans and investments funded by deposits and borrowings is the primary revenue for the core-banking segment. The trust and investment advisory services segment's revenues are comprised primarily of fees generated by German American Financial Advisors & Trust Company ("GAFA"). These fees are derived by providing trust, investment advisory, and brokerage services to its customers. The insurance segment consists of German American Insurance, Inc., which provides a full line of personal and corporate insurance products from seven offices; and German American Reinsurance Company, Ltd. ("GARC"), which reinsures credit insurance products sold by the Company's affiliate banks. Commissions derived from the sale of insurance products are the primary source of revenue for the insurance segment.

The following segment financial information has been derived from the internal financial statements of German American Bancorp, Inc., which are used by management to monitor and manage the financial performance of the Company. The accounting policies of the three segments are the same as those of the Company. The evaluation process for segments does not include holding company income and expense. Holding company amounts are the primary differences between segment amounts and consolidated totals, and are reflected in the column labeled "Other" below, along with amounts to eliminate transactions between segments.

| Three Months Ended March 31, 2009 | Core Banking | Trust and Investment Advisory Services | Insurance | Other | Consolidated Totals |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Net Interest Income | $ 10,747 | $ 1 | $ 13 | $ (120) | $ 10,641 |
| Net Gains on Sales of Loans and Related Assets | 565 | — | — | — | 565 |
| Net Gain on Securities | — | — | — | — | — |
| Trust and Investment Product Fees | 1 | 390 | — | (1) | 390 |
| Insurance Revenues | 16 | 2 | 1,483 | (14) | 1,487 |
| Noncash Item: | | | | | |
| Provision for Loan Losses | 750 | — | — | — | 750 |
| Depreciation and Amortization | 665 | 7 | 226 | — | 898 |
| Income Tax Expense | 1,342 | (53) | 23 | (200) | 1,112 |
| Segment Profit (Loss) | 2,950 | (80) | 36 | 36 | 2,942 |
| Segment Assets | 1,197,562 | 1,929 | 8,640 | (3,828) | 1,204,303 |

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(unaudited, dollars in thousands except per share data)

Note 6 – Segment Information (continued)

| Three Months Ended March 31, 2008 | Core Banking | Trust and Investment Advisory Services | Insurance | Other | Consolidated Totals |
|---|---|---|---|---|---|
| Net Interest Income | $ 10,395 | $ 32 | $ 20 | $ (328) | $ 10,119 |
| Net Gains on Sales of Loans and Related Assets | 324 | — | — | — | 324 |
| Net Gain on Securities | 285 | — | — | — | 285 |
| Trust and Investment Product Fees | 1 | 611 | — | (25) | 587 |
| Insurance Revenues | 19 | 2 | 1,900 | (18) | 1,903 |
| Noncash Item: | | | | | |
| Provision for Loan Losses | 1,344 | — | — | — | 1,344 |
| Depreciation and Amortization | 623 | 7 | 204 | — | 834 |
| Income Tax Expense | 1,415 | 64 | 243 | (283) | 1,439 |
| Segment Profit (Loss) | 2,829 | 98 | 396 | (303) | 3,020 |
| Segment Assets | 1,165,919 | 2,272 | 9,594 | (2,825) | 1,174,960 |

Note 7 – Stock Repurchase Plan

On April 26, 2001 the Company announced that its Board of Directors approved a stock repurchase program for up to 607,754 (as adjusted for subsequent stock dividends) of the outstanding Common Shares of the Company. Shares may be purchased from time to time in the open market and in large block privately negotiated transactions. The Company is not obligated to purchase any shares under the program, and the program may be discontinued at any time before the maximum number of shares specified by the program are purchased. As of March 31, 2009, the Company had purchased 334,965 (as adjusted for subsequent stock dividends) shares under the program. No shares were purchased under the plan during the three months ended March 31, 2009.

Note 8 – Equity Plans and Equity Based Compensation

The Company maintains two equity incentive plans under which stock options, restricted stock, and other equity incentive awards can be granted. At March 31, 2009, the Company has reserved 620,144 shares of Common Stock (as adjusted for subsequent stock dividends and subject to further customary anti-dilution adjustments) for the purpose of issuance pursuant to outstanding and future grants of options, restricted stock, and other equity awards to officers, directors and other employees of the Company.

For the three months ended March 31, 2009 and 2008, the Company granted no options, and accordingly, recorded no stock option expense related to option grants. In addition, there was no unrecognized option expense as all outstanding options were fully vested prior to March 31, 2009 and 2008.

During the quarter ended March 31, 2009, the Company granted awards of 42,775 shares of restricted stock. The expense recorded for the restricted stock grants totaled $71, net of an income tax benefit of $47, during the three months ended March 31, 2009. Unrecognized expense associated with the restricted stock grants totaled $352 as of March 31, 2009. During the quarter ended March 31, 2008, the Company granted no restricted stock awards. Therefore, there was no compensation expense related to restricted share grants during the three month period ended March 31, 2008.

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(unaudited, dollars in thousands except per share data)

Note 8 – Equity Plans and Equity Based Compensation (continued)

The Company maintains an Employee Stock Purchase Plan whereby eligible employees have the option to purchase the Company's common stock at a discount. The plan year for the Employee Stock Purchase Plan runs from August 17 through August 16 of the subsequent year. The purchase price of the shares under this Plan is 95% of the fair market value of the Company's common stock as of the last day of the plan year. The plan provides for the purchase of up to 542,420 shares of common stock, which the Company may obtain by purchases on the open market or from private sources, or by issuing authorized but unissued common shares. Funding for the purchase of common stock is from employee and Company contributions. The Employee Stock Purchase Plan was not considered compensatory and no expense was recorded during the 2007/2008 and 2008/2009 plan years.

Note 9 – Employee Benefit Plans

The Company acquired through previous bank mergers a noncontributory defined benefit pension plan with benefits based on years of service and compensation prior to retirement. The benefits under the plan were suspended in 1998. The following tables represent the components of net periodic benefit cost for the periods presented:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2009 | 2008 |
| Service Cost | $ — | $ — |
| Interest Cost | 9 | 9 |
| Expected Return on Assets | (2) | (3) |
| Amortization of Transition Amount | — | — |
| Amortization of Prior Service Cost | (1) | (1) |
| Recognition of Net (Gain)/Loss | 4 | 5 |
| Net Periodic Benefit Cost | $ 10 | $ 10 |
| | | |
| Loss on Settlements and Curtailments | None | None |

The Company previously disclosed in its financial statements for the year ended December 31, 2008, that it expected to contribute $54 to the pension plan during the fiscal year ending December 31, 2009. As of March 31, 2009, the Company had not made any contributions to the plan.

Note 10 – Fair Value

Statement 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(unaudited, dollars in thousands except per share data)

Note 10 – Fair Value (continued)

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

| | | Fair Value Measurements at March 31, 2009 Using | | |
|---|---|---|---|---|
| | March 31, 2009 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Available for Sale Securities | $ 198,526 | $ 2,091 | $ 195,659 | $ 776 |

| | | Fair Value Measurements at December 31, 2008 Using | | |
|---|---|---|---|---|
| | December 31, 2008 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Available-for-Sale Securities | $ 175,840 | $ 2,190 | $ 172,495 | $ 1,155 |

The table below presents a reconciliation and income statement classification of gains and losses for equity securities that do not have readily determinable fair values and are evaluated for impairment on a periodic basis. These assets were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period ended March 31, 2009:

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Available-for-Sale Securities |
|---|---|
| Beginning Balance, January 1, 2009 | $ 1,155 |
| Sale of Securities | (379) |
| Other-than-temporary Impairment Charges Recognized Through Net Income | — |
| Ending Balance, March 31, 2009 | $ 776 |

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(unaudited, dollars in thousands except per share data)

Note 10 – Fair Value (continued)

Assets and Liabilities Measured on a Non-Recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

| | | Fair Value Measurements at March 31, 2009 Using | | |
|---|---|---|---|---|
| | March 31, 2009 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Impaired Loans | $ 1,787 | $ — | $ — | $ 1,787 |

| | | Fair Value Measurements at December 31, 2008 Using | | |
|---|---|---|---|---|
| | December 31, 2008 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Impaired Loans | $ 2,284 | $ — | $ — | $ 2,284 |

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying amount of $3,644 with a valuation allowance of $1,857, resulting in an additional provision for loan losses of $773 for the period ended March 31, 2009. Values for collateral dependent loans are generally based on appraisals obtained from licensed real estate appraisers and in certain circumstances consideration of offers obtained to purchase properties prior to foreclosure. Appraisals for commercial real estate generally use three methods to derive value: cost, sales or market comparison and income approach. The cost method bases value in the cost to replace the current property. Values of market comparison approach evaluates the sales price of similar properties in the same market area. The income approach considers net operating income generated by the property and an investor's required return. Adjustments are routinely made in the appraisal process to adjust for differences between the comparable sale and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

Note 11 – New Accounting Pronouncements

In December 2007, the FASB issued FAS No. 141 (revised 2007), Business Combinations ("FAS 141(R)"), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. FAS No. 141(R) became effective for the Company on January 1, 2008. The impact of the adoption of this standard will depend upon the nature of any future acquisitions.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51” (“SFAS No. 160”), which will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity within the consolidated balance sheets. FAS No. 160 became effective for the Company on January 1, 2009. The adoption of FAS No. 160 did not have a significant impact on the Company’s results of operations or financial position.

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(unaudited, dollars in thousands except per share data)

Note 11 – New Accounting Pronouncements (continued)

Recently Issued and Not Yet Effective Accounting Standards:

In April 2009, the FASB issued Staff Position (FSP) No. 115-2 and No. 124-2, Recognition and Presentation of Other-Than-Temporary Impairments, which amends existing guidance for determining whether impairment is other-than-temporary for debt securities. The FSP requires an entity to assess whether it intends to sell, or it is more likely than not that it will be required to sell a security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between amortized cost and fair value is recognized in earnings. For securities that do not meet the aforementioned criteria, the amount of impairment recognized in earnings is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive income. Additionally, the FSP expands and increases the frequency of existing disclosures about other-than-temporary impairments for debt and equity securities. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company plans to adopt this FSP in the second quarter, however, does not expect the adoption to have a material effect on the results of operations or financial position.

In April 2009, the FASB issued Staff Position (FSP) No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset and Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. This FSP emphasizes that even if there has been a significant decrease in the volume and level of activity, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants. The FSP provides a number of factors to consider when evaluating whether there has been a significant decrease in the volume and level of activity for an asset or liability in relation to normal market activity. In addition, when transactions or quoted prices are not considered orderly, adjustments to those prices based on the weight of available information may be needed to determine the appropriate fair value. The FSP also requires increased disclosures. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. Early adoption is permitted for periods ending after March 15, 2009. The Company plans to adopt this FSP in the second quarter, however, does not expect the adoption to have a material effect on the results of operations or financial position.

In April 2009, the FASB issued Staff Position (FSP) No. 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments. This FSP amends FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies that were previously only required in annual financial statements. This FSP is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company plans to adopt this FSP in the second quarter.

Note 12 – Subsequent Events

On April 30, 2009, the Company issued $19,250,000 of 8% redeemable subordinated debentures that will mature on March 30, 2019 for a purchase price to the Company (before offering expenses) of $19,250,000. The Company has the right to redeem the debentures on or after March 30, 2012. The principal amount of these debentures upon issue was immediately includable in the Company’s Tier 2 regulatory capital under banking agency regulatory standards.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

GERMAN AMERICAN BANCORP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

German American Bancorp, Inc. is a financial services holding company based in Jasper, Indiana. The Company's Common Stock is traded on NASDAQ's Global Select Market, under the symbol GABC. The principal subsidiary of German American Bancorp, Inc. is its banking subsidiary, German American Bancorp, which operates through 28 retail banking offices in the ten contiguous Southern Indiana counties of Daviess, Dubois, Gibson, Knox, Lawrence, Martin, Monroe, Perry, Pike, and Spencer. German American Bancorp owns a trust, brokerage, and financial planning subsidiary, which operates from its banking offices, and a full line property and casualty insurance agency with seven insurance agency offices throughout its market area.

Throughout this Management's Discussion and Analysis, as elsewhere in this report, when we use the term "Company", we will usually be referring to the business and affairs (financial and otherwise) of the Company and its subsidiaries and affiliates as a whole. Occasionally, we will refer to the term "parent company" or "holding company" when we mean to refer to only German American Bancorp, Inc.

This section presents an analysis of the consolidated financial condition of the Company as of March 31, 2009 and December 31, 2008 and the consolidated results of operations for the three months ended March 31, 2009 and 2008. This discussion should be read in conjunction with the consolidated financial statements and other financial data presented elsewhere herein and with the financial statements and other financial data, as well as the Management's Discussion and Analysis of Financial Condition and Results of Operations, included in the Company's December 31, 2008 Annual Report on Form 10-K.

MANAGEMENT OVERVIEW

This updated discussion should be read in conjunction with the Management Overview that was included in our Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's December 31, 2008 Annual Report on Form 10-K.

During the first quarter of 2009, the Company generated earnings of $2,942,000 or $0.27 per share. On a per share basis, first quarter 2009 earnings were equal to the $0.27 per share recorded in the first quarter of 2008. On a net income basis, first quarter earnings were $78,000 or approximately 3% less than the $3,020,000 reported in the first quarter of 2008. Earnings in the first quarter 2009 compared with the first quarter 2008 were affected by an improved net interest margin and lower levels of provision for loan losses, offset by lower non-interest revenues and higher non-interest operating costs. Each of these areas will be discussed in more detail below.

On April 30, 2009, as previously reported by the Company's Current Report on Form 8-K filed May 4, 2009, the Company issued $19,250,000 of 8% redeemable subordinated debentures that will mature in 2019 for a purchase price to the Company (before offering expenses) of $19,250,000. The principal amount of these debentures upon issue was immediately includable in the Company's Tier 2 regulatory capital under banking agency regulatory standards. While the Company had no immediate need for this additional capital, as the Company was already well-capitalized under all applicable banking agency regulatory standards, management believes that raising this additional regulatory capital will further strengthen the Company's capital base and serve as additional protection from any impact of the current economic downturn. Management believes its markets will present additional loan opportunities in the future, and this additional regulatory capital will provide the Company the ability to make these additional loans while remaining a well-capitalized institution for bank regulatory purposes.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial condition and results of operations for German American Bancorp, Inc. presented in the Consolidated Financial Statements, accompanying Notes to the Consolidated Financial Statements, and selected financial data appearing elsewhere within this report, are, to a large degree, dependent upon the Company's accounting policies. The selection of and application of these policies involve estimates, judgments and uncertainties that are subject to change. The critical accounting policies and estimates that the Company has determined to be the most susceptible to change in the near term relate to the determination of the allowance for loan losses, the valuation of securities available for sale, and income tax expense.

Allowance for Loan Losses

The Company maintains an allowance for loan losses to cover probable incurred credit losses at the balance sheet date. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management’s judgment, should be charged-off. A provision for loan losses is charged to operations based on management's periodic evaluation of the necessary allowance balance. Evaluations are conducted at least quarterly and more often if deemed necessary. The ultimate recovery of all loans is susceptible to future market factors beyond the Company's control.

The Company has an established process to determine the adequacy of the allowance for loan losses. The determination of the allowance is inherently subjective, as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on other classified loans and pools of homogeneous loans, and consideration of past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors, all of which may be susceptible to significant change. The allowance consists of two components of allocations, specific and general. These two components represent the total allowance for loan losses deemed adequate to cover losses inherent in the loan portfolio.

Commercial and agricultural loans are subject to a standardized grading process administered by an internal loan review function. The need for specific reserves is considered for credits when graded substandard or special mention, or when: (a) the customer’s cash flow or net worth appears insufficient to repay the loan; (b) the loan has been criticized in a regulatory examination; (c) the loan is on non-accrual; or, (d) other reasons where the ultimate collectibility of the loan is in question, or the loan characteristics require special monitoring. Specific allowances are established in cases where management has identified significant conditions or circumstances related to an individual credit that we believe indicates the loan is impaired. Specific allocations on impaired loans are determined by comparing the loan balance to the present value of expected cash flows or expected collateral proceeds. Allocations are also applied to categories of loans not considered individually impaired but for which the rate of loss is expected to be greater than historical averages, including those graded substandard or special mention and non-performing consumer or residential real estate loans. Such allocations are based on past loss experience and information about specific borrower situations and estimated collateral values.

General allocations are made for other pools of loans, including non-classified loans, homogeneous portfolios of consumer and residential real estate loans, and loans within certain industry categories believed to present unique risk of loss. General allocations of the allowance are primarily made based on a five-year historical average for loan losses for these portfolios, judgmentally adjusted for economic factors and portfolio trends.

Due to the imprecise nature of estimating the allowance for loan losses, the Company’s allowance for loan losses may include a minor unallocated component. The unallocated component of the allowance for loan losses incorporates the Company’s judgmental determination of inherent losses that may not be fully reflected in other allocations, including factors such as economic uncertainties, lending staff quality, industry trends impacting specific portfolio segments, and broad portfolio quality trends. Therefore, the ratio of allocated to unallocated components within the total allowance may fluctuate from period to period.

Securities Valuation

Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported separately in accumulated other comprehensive income (loss), net of tax. The Company obtains market values from a third party on a monthly basis in order to adjust the securities to fair value. Equity securities that do not have readily determinable fair values are carried at cost. Additionally, all securities are required to be written down to fair value

when a decline in fair value is other than temporary; therefore, future changes in the fair value of securities could have a significant impact on the Company's operating results. In determining whether a market value decline is other than temporary, management considers the reason for the decline, the extent of the decline and the duration of the decline. As of March 31, 2009, gross unrealized losses on the securities available-for-sale portfolio totaled approximately $402,000. As of March 31, 2009, held-to-maturity securities had a gross unrecognized gain of approximately $51,000.

Income Tax Expense

Income tax expense involves estimates related to the valuation allowance on deferred tax assets and loss contingencies related to exposure from tax examinations.

17

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A valuation allowance reduces deferred tax assets to the amount management believes is more likely than not to be realized. In evaluating the realization of deferred tax assets, management considers the likelihood that sufficient taxable income of appropriate character will be generated within carryback and carryforward periods, including consideration of available tax planning strategies. Tax related loss contingencies, including assessments arising from tax examinations and tax strategies, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. In considering the likelihood of loss, management considers the nature of the contingency, the progress of any examination or related protest or appeal, the views of legal counsel and other advisors, experience of the Company or other enterprises in similar matters, if any, and management's intended response to any assessment.

RESULTS OF OPERATIONS

Net Income:

Net income declined $78,000 or 3% to $2,942,000 or $0.27 per share for the quarter ended March 31, 2009, compared to $3,020,000 or $0.27 per share for the first quarter of 2008. The relatively stable earnings in the first quarter 2009 compared with the first quarter 2008 were attributable to an improved net interest margin, lower levels of provision for loan losses offset by lower non-interest revenues and higher non-interest operating costs.

Net Interest Income:

Net interest income is the Company's single largest source of earnings, and represents the difference between interest and fees realized on earning assets, less interest paid on deposits and borrowed funds. The following table summarizes the Company's net interest income (on a tax-equivalent basis, at an effective tax rate of 34%) for each of the periods presented herein (dollars in thousands):

| | Three Months Ended March 31, | | Change from Prior Period | |
|---|---|---|---|---|
| | 2009 | 2008 | Amount | Percent |
| Interest Income (T/E) | $ 16,045 | $ 17,950 | $ (1,905) | (10.6)% |
| Interest Expense | 5,216 | 7,706 | (2,490) | (32.3)% |
| Net Interest Income (T/E) | $ 10,829 | $ 10,244 | $ 585 | 5.7% |

Net interest income increased $522,000 or 5% (an increase of $585,000 or 6% on a tax-equivalent basis) for the quarter ended March 31, 2009 compared with the same quarter of 2008. The net interest margin represents tax-equivalent net interest income expressed as a percentage of average earning assets. The tax equivalent net interest margin for the first quarter 2009 was 3.92% compared to 3.89% for the first quarter of 2008. The yield on earning assets totaled 5.82% during the quarter ended March 31, 2009 compared to 6.83% in the same period of 2008 while the cost of funds (expressed as a percentage of average earning assets) totaled 1.90% during 2009 compared to 2.94% in 2008.

Average earning assets totaled approximately $1.114 billion for the quarter ended March 31, 2009 compared with $1.056 billion for the quarter ended March 31, 2008. During the first quarter of 2009, average loans outstanding totaled $887.9 million, an increase of $19.5 million or 2%, compared to the $868.4 million in average loans outstanding during the first quarter of 2008. The remainder of the increase in average earning assets was related to an increased securities portfolio. The key driver of the increased securities portfolio and overall increased average earnings assets was a higher level of average core deposits (core deposits defined as demand deposits - both interest and non-interest bearing, savings, money market and time deposits in denominations of less than $100,000. During the first quarter of 2009, average core deposits totaled $845.0 million, an increase of $55.1 million or 7%, compared to the $789.9 million in average core deposits during the first quarter of 2008.

Provision for Loan Losses:

The Company provides for loan losses through regular provisions to the allowance for loan losses. The provision is affected by net charge-offs on loans and changes in specific and general allocations of the allowance. The provision for loan loss totaled $750,000 during the quarter ended March 31, 2009, representing a decrease of $594,000 from the first quarter 2008 provision of $1,344,000. The higher level of provision for loan losses during the first quarter of 2008 compared with the first quarter of 2009 was primarily attributable to provision during the first quarter of 2008 on a single non-performing loan secured by an apartment complex.

During the first quarter of 2009, the annualized provision for loan loss represented 0.34% of average loans outstanding compared with 0.62% on an annualized basis of average loans outstanding during the first quarter of 2008. Net charge-offs totaled $228,000 or 0.10% on an annualized basis of average loans outstanding during the three months ended March 31, 2009 compared with $190,000 or 0.09% on an annualized basis of average loans outstanding during the same period of 2008.

The provisions for loan losses made during the quarter ended March 31, 2009 were made at a level deemed necessary by management to absorb estimated, probable incurred losses in the loan portfolio. A detailed evaluation of the adequacy of the allowance for loan losses is completed quarterly by management, the results of which are used to determine provisions for loan losses. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors.

Non-interest Income:

During the first quarter of 2009, non-interest income declined approximately 16% over the first quarter of 2008.

| | Three Months Ended March 31, 2009 | Three Months Ended March 31, 2008 | Change from Prior Period Amount Change | Change from Prior Period Percent Change |
|---|---|---|---|---|
| Trust and Investment Product Fees | $ 390 | $ 587 | $ (197) | (34)% |
| Service Charges on Deposit Accounts | 1,060 | 1,183 | (123) | (10)% |
| Insurance Revenues | 1,487 | 1,903 | (416) | (22)% |
| Other Operating Income | 742 | 750 | (8) | (1)% |
| Subtotal | 3,679 | 4,423 | (744) | (17)% |
| Net Gains on Sales of Loans and Related Assets | 565 | 324 | 241 | 74% |
| Net Gain (Loss) on Securities | — | 285 | (285) | (100)% |
| Total Non-interest Income | $ 4,244 | $ 5,032 | $ (788) | (16)% |

Trust and investment product fees decreased 34% during the first quarter of 2009 compared with the same period of 2008. Management believes this decline was primarily attributable to difficult and volatile economic and market conditions. Deposit service charges and fees declined by 10% due in large part to less customer utilization of the Company’s overdraft protection program. Insurance revenues declined 22% due to a reduced level of contingency revenue at the Company’s property and casualty insurance subsidiary, German American Insurance.

During the quarter ended March 31, 2009, the net gain on sale of residential loans increased 74% over the gain recognized in the quarter ended March 31, 2008. The increase was attributable to higher levels of residential loan sales and a larger pipeline of residential mortgage loans in the first quarter of 2009, compared to the same period of 2008.

The Company had no gain from security sale activity during the first quarter of 2009. During the first quarter of 2008, the Company recognized a net gain on securities of $285,000 resulting from the sale of approximately $16 million of agency mortgage related securities and a gain on the mandatory redemption on a portion of the Company’s VISA stock holdings acquired as part of the initial public offering of VISA, Inc.

Non-interest Expense:

During the quarter ended March 31, 2009, non-interest expense increased approximately 8% compared with the same period of 2008.

| | Three Months Ended March 31, | Change from Prior Period Amount | Change from Prior Period Percent |
|---|---|---|---|

| | 2009 | 2008 | Change | Change |
|---|---|---|---|---|
| Salaries and Employee Benefits | $ 5,614 | $ 5,327 | $ 287 | 5% |
| Occupancy, Furniture and Equipment Expense | 1,529 | 1,472 | 57 | 4% |
| FDIC Premiums | 335 | 26 | 309 | 1,188% |
| Data Processing Fees | 357 | 406 | (49) | (12)% |
| Professional Fees | 607 | 564 | 43 | 8% |
| Advertising and Promotion | 288 | 233 | 55 | 24% |
| Intangible Amortization | 221 | 222 | (1) | 0% |
| Other Operating Expenses | 1,130 | 1,098 | 32 | 3% |
| Total Non-interest Expense | $ 10,081 | $ 9,348 | $ 733 | 8% |

Salaries and benefits expense increased approximately 5% during the first quarter of 2009 compared with the first quarter of 2008. The increase was nearly exclusively related to an increase in costs associated with the Company's self-insured health insurance plan.

The Company's FDIC insurance assessments increased in excess of $300,000 during the first quarter of 2009 compared with the first quarter of 2008. The Company's subsidiary bank is required to pay deposit insurance premiums to the FDIC. Because the FDIC's deposit insurance fund fell below prescribed levels in 2008, the FDIC has announced increased premiums for all insured depository institutions, including the Company's subsidiary bank, in order to begin recapitalizing the fund. Insurance assessments ranged from 0.12% to 0.50% of total deposits for the first quarter of 2009. Effective April 1, 2009 insurance assessments will range from ..07% to 0.78%, depending on an institution's risk classification and other factors. The Company was in the lower end of the assessment range during the first quarter of 2009.

In addition, under an interim rule adopted during the first quarter of 2009 subject to public comment, the FDIC proposed to impose a one-time 20 basis point emergency assessment on all insured depository institutions to be paid on September 30, 2009, based on deposits at June 30, 2009. The FDIC has subsequently indicated the amount of this special assessment could decrease if certain events transpire. The interim rule also authorizes the FDIC to impose an additional emergency assessment of up to 10 basis points in respect of deposits for quarters ended after June 30, 2009 if necessary to maintain public confidence in federal deposit insurance. Each basis point of any future special assessment during 2009, based on the Company's most recent FDIC deposit insurance assessment, would cost the Company, on a pre-tax basis, approximately $95,000 in additional FDIC deposit insurance premium expense. While the interim rules are subject to change and the exact amount of the special assessment is reportedly under legislative and regulatory study, the Company expects that a material special assessment will be assessed by the FDIC in respect of the insured deposits of all banks as of June 30, 2009. Given the enacted and proposed increases in assessments for insured financial institutions in 2009, the Company anticipates that FDIC assessments on deposits will have a significantly greater impact upon operating expenses in 2009 compared to 2008.

Income Taxes:

The Company's effective income tax rate approximated 27.4% during the three months ended March 31, 2009 compared with 32.3% during the same period of 2008. The effective tax rate in both 2009 and 2008 was lower than the blended statutory rate of 39.6% resulting primarily from the Company's tax-exempt investment income on securities and loans, income tax credits generated from investments in affordable housing projects, and income generated by subsidiaries domiciled in a state with no state or local income tax.

FINANCIAL CONDITION

Total assets at March 31, 2009 increased $13.5 million to $1.204 billion compared with $1.191 billion in total assets at December 31, 2008. Cash and cash equivalents increased $2.4 million to $47.4 million at March 31, 2009 compared with $45.0 million at year-end 2008. Securities available-for-sale increased $22.7 million to $198.5 million at March 31, 2009 compared with $175.8 million at year-end 2008. The increase in securities available-for-sale was attributable to deposit growth and declines in the Company's loan portfolio.

End-of-period loans outstanding declined by 9% on an annualized basis during the first quarter of 2009. The decrease was largely attributable to a seasonal decline in the Company's agriculture related loan portfolio. In addition, the Company's residential loan portfolio declined as market interest rates have continued to trend lower. The Company continues to actively originate residential mortgage loans, with the vast majority of production being sold into the secondary market. Partially offsetting the declines in other segments of the portfolio was an increase in the Company's commercial and industrial loan portfolio (including both real estate and non-real estate loans).

End of Period Loan Balances:

| | March 31, 2009 | December 31, 2008 | Current Period Change | Annualized Percent Change |
|---|---|---|---|---|
| Commercial & Industrial Loans | $ 510,324 | $ 505,191 | $ 5,133 | 4% |
| Agricultural Loans | 144,524 | 159,923 | (15,399) | (39)% |
| Consumer Loans | 123,354 | 127,343 | (3,989) | (13)% |
| Residential Mortgage Loans | 94,164 | 100,054 | (5,890) | (24)% |
| | $ 872,366 | $ 892,511 | $ (20,145) | (9)% |

The Company's allowance for loan losses totaled $10.0 million at March 31, 2009, an increase of $522,000 or 5%, compared with $9.5 million at year-end 2008. The allowance for loan losses represented 1.15% of period end loans at March 31, 2009 compared with 1.07% of period end total loans at December 31, 2008.

End-of-period deposits increased approximately 5% at March 31, 2009 compared with year-end 2008. The increase was attributable to growth across all segments of the Company's core deposit base which is defined as its demand deposits (interest-bearing and non-interest-bearing), savings, money market, and time deposits in denominations of less than $100,000.

End of Period Deposit Balances:

| | March 31, 2009 | December 31, 2008 | Current Period Change | Annualized Percent % Change |
|---|---|---|---|---|
| Non-interest-bearing Demand Deposits | $ 149,197 | $ 147,977 | $ 1,220 | 3% |
| Interest-bearing Demand, Savings, & Money Market Accounts | 448,550 | 439,305 | 9,245 | 8% |
| Time Deposits < $100,000 | 253,504 | 250,339 | 3,165 | 5% |
| Time Deposits of $100,000 or more & Brokered Deposits | 101,240 | 104,129 | (2,889) | (11)% |
| | $ 952,491 | $ 941,750 | $ 10,741 | 5% |

Non-performing Assets:

The following is an analysis of the Company's non-performing assets at March 31, 2009 and December 31, 2008 (dollars in thousands):

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| Non-accrual Loans | $ 7,984 | $ 8,316 |
| Past Due Loans (90 days or more) | 253 | 34 |
| Restructured Loans | — | — |
| Total Non-performing Loans | 8,237 | 8,350 |
| Other Real Estate | 2,367 | 1,818 |
| Total Non-performing Assets | $ 10,604 | $ 10,168 |
| | | |
| Non-performing Loans to Total Loans | 0.95% | 0.94% |
| Allowance for Loan Loss to Non-performing Loans | 121.94% | 114.04% |

The Company's level of non performing loans declined modestly, by $113,000 or approximately 1%, during the first quarter of 2009 compared with year-end 2008. Non-performing loans represented 0.95% of total loans outstanding at March 31, 2009 compared with 0.94% at year-end 2008. The Company's level of non-performing assets increased by $436,000 or 4% during the first quarter 2009. This modest increase was attributable to an increase in other real estate owned.

Capital Resources:

Federal banking regulations provide guidelines for determining the capital adequacy of bank holding companies and banks. These guidelines provide for a more narrow definition of core capital and assign a measure of risk to the various categories of assets. The Company is required to maintain minimum levels of capital in proportion to total risk-weighted assets and off-balance sheet exposures such as loan commitments and standby letters of credit.

Tier 1, or core capital, consists of shareholders' equity less goodwill, core deposit intangibles, other identifiable intangibles and certain deferred tax assets defined by bank regulations. Tier 2 capital currently consists of the amount of the allowance for loan losses which does not exceed a defined maximum allowance limit of 1.25 percent of gross risk adjusted assets and subordinated debenture obligations. Total capital is the sum of Tier 1 and Tier 2 capital.

The minimum requirements under these standards are generally at least a 4.0 percent leverage ratio, which is Tier 1 capital divided by defined "total assets"; 4.0 percent Tier 1 capital to risk-adjusted assets; and, an 8.0 percent total capital to risk-adjusted assets ratios. Under these guidelines, the Company, on a consolidated basis, and its subsidiary bank, have capital ratios that exceed the regulatory minimums.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) requires federal regulatory agencies to define capital tiers. These are: well-capitalized, adequately-capitalized, under-capitalized, significantly under-capitalized, and critically under-capitalized. Under these regulations, a "well-capitalized" entity must achieve a Tier 1 risk-based capital ratio of at least 6.0 percent; a total capital ratio of at least 10.0 percent; and, a leverage ratio of at least 5.0 percent, and not be under a capital directive. The Company's subsidiary bank was categorized as well-capitalized as of March 31, 2009.

At March 31, 2009, management was not under such a capital directive, nor was it aware of any current recommendations by banking regulatory authorities which, if they were to be implemented, would have or are reasonably likely to have, a material effect on the Company's liquidity, capital resources or operations.

The table below presents the Company's consolidated capital ratios under regulatory guidelines:

| | Minimum for Capital Adequacy Purposes | At March 31, 2009 | At December 31, 2008 |
|---|---|---|---|
| Leverage Ratio | 4.00% | 7.70% | 7.54% |
| Tier 1 Capital to Risk-adjusted Assets | 4.00% | 9.71% | 9.37% |
| Total Capital to Risk-adjusted Assets | 8.00% | 11.63% | 11.42% |

As of March 31, 2009, shareholders' equity increased by $2.9 million to $108.1 million compared with $105.2 million at year-end 2008. The increase in shareholders' equity was attributable to an increase of $1.4 million in retained earnings and an increase of $1.4 million in accumulated other comprehensive income. Shareholders' equity represented 9.0% of total assets at March 31, 2009 and 8.8% at December 31, 2008. Shareholders' equity included $12.6 million of goodwill and other intangible assets at March 31, 2009, compared to $12.8 million of goodwill and other intangible assets at December 31, 2008.

Liquidity:

The Consolidated Statement of Cash Flows details the elements of changes in the Company's consolidated cash and cash equivalents. Total cash and cash equivalents increased $2.4 million during the three months ended March 31, 2009 ending at $47.4 million. During the three months ended March 31, 2009, operating activities resulted in net cash outflows of $3.7 million. Investing activities resulted in net cash outflows of $1.5 million during the three months ended March 31, 2009 due primarily to growth in the Company's available-for-sale securities portfolio. Financing activities resulted in net cash inflows for the three month period ended March 31, 2009 of $7.6 million due primarily to growth of deposits of $10.7 million offset partially by a net cash outflow of $1.5 million in dividends paid to shareholders.

FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS

The Company from time to time in its oral and written communications makes statements relating to its expectations regarding the future. These types of statements are considered "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company may include forward-looking statements in filings with the Securities and Exchange Commission ("SEC"), such as this Form 10-Q, in other written materials, and in oral statements made by senior management to analysts, investors, representatives of the media, and others. Such forward looking statements can include statements about the Company's net interest income or net interest margin; its adequacy of allowance for loan losses, levels of provisions for loan losses, and the quality of the Company's loans and other assets; simulations of changes in interest rates; expected results from mergers with or acquisitions of other businesses;

litigation results; tax estimates and recognition; dividend policy; parent company cash resources and cash requirements, and parent company capital resources; estimated cost savings, plans and objectives for future operations; and expectations about the Company's financial and business performance and other business matters as well as economic and market conditions and trends. They often can be identified by the use of words like "expect," "may," "will," "would," "could," "should," "intend," "project," "estimate," "believe" or "anticipate," or similar expressions.

In this Report, the Company's statements regarding its expectations concerning the likelihood of future special FDIC insurance assessments, that the debentures issued April 30, 2009, will constitute Tier 2 regulatory capital, and that future opportunities in its market area will exist for additional loans and that the additional capital will position it to make additional loans while remaining a well-capitalized institution for bank regulatory purposes, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

It is intended that these forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the forward-looking statement is made. 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 may differ materially from the expectations of the Company that are expressed or implied by any forward-looking statement.

Readers are cautioned that, by their nature, all forward-looking statements are based on assumptions and are subject to risks, uncertainties, and other factors. Actual results may differ materially and adversely from the expectations of the Company that are expressed or implied by any forward-looking statement. The discussions in this Item 2 list some of the factors that could cause the Company's actual results to vary materially from those expressed or implied by any forward-looking statements. Other risks, uncertainties, and factors that could cause the Company’s actual results to vary materially from those expressed or implied by any forward-looking statement include the unknown future direction of interest rates and the timing and magnitude of any changes in interest rates; the effects of changes in competitive conditions; of the possibility that the Company may acquire other businesses or intangible customer relationships of other companies and the costs of integrations of such acquired businesses and intangible customer relationships; the introduction, withdrawal, success, and timing of business initiatives and strategies, including asset/liability management strategies; changes in customer borrowing, repayment, investment, and deposit practices; changes in fiscal, monetary, and tax policies; changes in financial and capital markets including those arising from the continuing uncertainties commonly associated with the mortgage-backed securities markets and the auction-rate securities markets, the financial stability of bond insurers, and the unknown impact upon the financial and credit markets of the exercise by the Treasury of its authority under the EESA; the possibility of a recession or other adverse change in general economic conditions, either nationally or regionally, resulting in, among other things, credit quality deterioration; the impact, extent and timing of technological changes; possible future capital management activities that the Company may utilize, including possible future sales or repurchases or redemptions by the Company of debt or equity securities issued by it or that it may issue, under the TARP Capital Purchase Program or the Temporary Liquidity Guarantee Program (or both) or otherwise; actions of the Federal Reserve Board; actions of the Treasury and the Federal Deposit Insurance Corporation under the Emergency Economic Stabilization Act of 2008 and the Federal Deposit Insurance Act (and specifically actions of the Federal Deposit Insurance Corporation in respect of special assessments of deposit insurance premiums as discussed above under “Results of Operations – Non-interest Expense”), and other legislative and regulatory actions and reforms; changes in accounting principles and interpretations; the inherent uncertainties involved in litigation and regulatory proceedings which could result in the Company’s incurring loss or damage regardless of the merits of the Company’s claims or defenses; and the continued availability of earnings and excess capital sufficient for the lawful and prudent declaration and payment of cash dividends.

Investors should consider these risks, uncertainties, and other factors, in addition to those mentioned by the Company in its Annual Report on Form 10-K for its fiscal year ended December 31, 2008, and other SEC filings from time to time, when considering any forward-looking statement.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to market risk is reviewed on a regular basis by the Asset/Liability Committee and Boards of Directors of the parent company and its subsidiary bank. Primary market risks which impact the Company's operations are liquidity risk and interest rate risk.

The liquidity of the parent company is dependent upon the receipt of dividends from its subsidiary bank, which is subject to certain regulatory limitations. The bank's source of funding is predominately core deposits, maturities of securities, repayments of loan principal and interest, federal funds purchased, securities sold under agreements to repurchase and borrowings from the Federal Home Loan Bank.

The Company monitors interest rate risk by the use of computer simulation modeling to estimate the potential impact on its net interest income under various interest rate scenarios, and by estimating its static interest rate sensitivity position. Another method by which the Company's interest rate risk position can be estimated is by computing estimated changes in its net portfolio value ("NPV"). This method estimates interest rate risk exposure from movements in interest rates by using interest rate sensitivity analysis to determine the change in the NPV of discounted cash flows from assets and liabilities.

NPV represents the market value of portfolio equity and is equal to the estimated market value of assets minus the estimated market value of liabilities. Computations are based on a number of assumptions, including the relative levels of market interest rates and prepayments in mortgage loans and certain types of investments. These computations do not contemplate any actions management may undertake in response to changes in interest rates, and should not be relied upon as indicative of actual results. In addition, certain shortcomings are inherent in the method of computing NPV. Should interest rates remain or decrease below current levels, the proportion of adjustable rate loans could decrease in future periods due to refinancing activity. In the event of an interest rate change, prepayment levels would likely be different from those assumed in the table. Lastly, the ability of many borrowers to repay their adjustable rate debt may decline during a rising interest rate environment.

The table below provides an assessment of the risk to NPV in the event of a sudden and sustained 2% increase and decrease in prevailing interest rates (dollars in thousands).

Interest Rate Sensitivity as of March 31, 2009

| | Net Portfolio Value | | Net Portfolio Value as a % of Present Value of Assets | |
|---|---|---|---|---|
| Changes in rates | $ Amount | % Change | NPV Ratio | Change |
| +2% | $ 139,477 | (0.24)% | 11.82% | 24 b.p. |
| Base | 139,814 | — | 11.58% | — |
| -2% | 112,424 | (19.59)% | 9.24% | (234) b.p. |

This Item 3 includes forward-looking statements. See "Forward-looking Statements" included in Part I, Item 2 of this Report for a discussion of certain factors that could cause the Company's actual exposure to market risk to vary materially from that expressed or implied above. These factors include possible changes in economic conditions; interest rate fluctuations, competitive product and pricing pressures within the Company's markets; and equity and fixed income market fluctuations. Actual experience may also vary materially to the extent that the Company's assumptions described above prove to be inaccurate.

## Item 4. Controls and Procedures

As of March 31, 2009, the Company carried out an evaluation, under the supervision and with the participation of its principal executive officer and principal financial officer, of the effectiveness of the design and operation of its disclosure controls and procedures. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were as of that date effective in timely alerting them to material information required to be included in the Company's periodic reports filed with the Securities and Exchange Commission. There are inherent limitations to the effectiveness of systems of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective systems of disclosure controls and procedures can provide only reasonable assurances of achieving their control objectives.

There was no change in the Company’s internal control over financial reporting that occurred during the Company’s first fiscal quarter of 2009 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

In Item 1A, "Risk Factors," of the Annual Report on Form 10-K for the year ended December 31, 2008, of German American Bancorp, Inc. (which was referred to in that Item 1A as "we" or "us" or "our", which first person usage is continued in this Item 1A), we described some of the principal risks and uncertainties to which our industry in general, and we and our assets and businesses specifically, are subject. Included among those risk factors was a risk factor (under the subheading "Risks Related to the Financial Services Industry Including Recent Market, Legislative and Regulatory Events") that was captioned, "There can be no assurance that recently enacted legislation will stabilize the U.S. financial system."

In order to update the information in that risk factor to describe risks resulting from interim rules adopted by the Federal Deposit Insurance Corporation during the first quarter of 2009, we are now changing that risk factor by dividing its content into the following two risk factors, which together replace the prior risk factor headed, "There can be no assurance that recently enacted legislation will stabilize the U.S. financial system":

There can be no assurance that recently enacted legislation will stabilize the U.S. financial system.

The U.S. Treasury and banking regulators are implementing a number of programs under the Emergency Economic Stabilization Act of 2008 (EESA) and otherwise to address capital and liquidity issues in the banking system. There can be no assurance as to the actual impact that these programs will have on the financial markets, including the extreme levels of volatility and limited credit availability currently being experienced. The failure of these programs to stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect our business, financial condition, results of operations, or access to credit.

Banks may be required to pay more premium to the FDIC in 2009 for their federal deposit insurance.

Like all insured banks, our bank subsidiary may be required to pay higher premiums to the Federal Deposit Insurance Corporation (FDIC) than those published for 2009 because market developments have impacted the deposit insurance fund of the FDIC and reduced the ratio of reserves to insured deposits. On February 26, 2009, the FDIC adopted interim rules, with request for comment, (a) to impose a one-time 20 basis point emergency special assessment effective on June 30, 2009 and to be collected on September 30, 2009; and (b) to have the option to impose a further special assessment of up to 10 basis points on an insured bank's assessment base on the last day of any calendar quarter after June 30, 2009 to be collected at the same time the risk-based assessments are collected. The FDIC has subsequently indicated the amount of the 20 basis point special assessment could decrease if certain events transpire. Each basis point of any special assessment, based on our most recent FDIC deposit insurance assessment, would cost us, on a pre-tax basis, approximately $95,000 in additional FDIC deposit insurance premium expense. While the interim rules are subject to change and the exact amount of the special assessment is reportedly under legislative and regulatory study, the Company expects that a material special assessment will be assessed by the FDIC in respect of the insured deposits of all banks as of June 30, 2009. Given the enacted and proposed increases in assessments for insured financial institutions in 2009, the Company anticipates that FDIC assessments on deposits will have a significantly greater impact upon operating expenses in 2009 compared to 2008. See Part I, Item 1, "Business — Federal Deposit Insurance Assessments," of our annual report on Form 10-K for the year ended December 31, 2008, for more information concerning FDIC insurance premiums and assessments.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(e) The following table sets forth information regarding the Company's purchases of its common shares during each of the three months ended March 31, 2009.

| Period | Total Number Of Shares (or Units) Purchased | Average Price Paid Per Share (or Unit) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs(1) |
|---|---|---|---|---|
| 1/1/09 – 1/31/09 | — | — | — | 272,789 |
| 2/1/09 – 2/28/09 | — | — | — | 272,789 |
| 3/1/09 – 3/31/09 | — | — | — | 272,789 |
| | — | — | — | |

(1) On April 26, 2001, the Company announced that its Board of Directors had approved a stock repurchase program for up to 607,754 of its outstanding common shares, of which the Company had purchased 334,965 common shares through March 31, 2009 (both such numbers adjusted for subsequent stock dividends). The Board of Directors established no expiration date for this program. The Company purchased no shares under this program during the three months ended March 31, 2009.

Item 6. Exhibits

The exhibits described by the Exhibit Index immediately following the Signature Page of this Report are incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | GERMAN AMERICAN BANCORP, INC. |
|---|---|
| Date: May 7, 2009 | By/s/Mark A. Schroeder<br>Mark A. Schroeder<br>President and Chief Executive Officer |
| Date: May 7, 2009 | By/s/Bradley M. Rust<br>Bradley M. Rust<br>Executive Vice President and<br>Chief Financial Officer |

INDEX OF EXHIBITS

| Exhibit No. | Description |
|---|---|
| 4 | Indenture dated as of April 30, 2009 by and between Wells Fargo Bank, N.A. and German American Bancorp, Inc., including Exhibit A thereto the form of the certificate for the 8% redeemable subordinated debentures due 2019 issued thereunder. This exhibit is incorporated by reference from Exhibit 4 to the Registrant's Current Report on Form 8-K filed May 4, 2009. |
| 10.1 | Third Amendment dated March 20, 2009, to Second Amended and Restated Loan and Subordinated Debenture Purchase Agreement dated as of December 29, 2006, by and between JPMorgan Chase Bank, N.A. and German American Bancorp, Inc. |
| 10.2 | Description of Executive Management Incentive Plan for 2009 (awards payable in 2010) is incorporated by reference from the description contained in Item 5.02 of the Registrant's Current Report on Form 8-K file February 28, 2009. * |
| 31.1 | Sarbanes-Oxley Act of 2002, Section 302 Certification for President and Chief Executive Officer. |
| 31.2 | Sarbanes-Oxley Act of 2002, Section 302 Certification for Executive Vice President and Chief Financial Officer. |
| 32.1 | Sarbanes-Oxley Act of 2002, Section 906 Certification for President and Chief Executive Officer. |
| 32.2 | Sarbanes-Oxley Act of 2002, Section 906 Certification for Executive Vice President and Chief Financial Officer. |

* Exhibits that describe or evidence all management contracts or compensatory plans or arrangements required to be filed as exhibits to this Report are indicated by an asterisk.