

German American Bancorp, Inc. (NASDAQ: GABC; Jasper, IN) has agreed to acquire First Security, Inc. (OTCQX: FIIT; Owensboro, KY)

Deal Value: Approximately \$101.0 Million

The transaction provides an important entrance for German American into three of the largest Kentucky metropolitan market areas, and enhances German American's existing presence in the Evansville, Indiana metropolitan market area.

Sandler O'Neill acted as sole financial advisor and rendered a fairness opinion to German American Bancorp, Inc. in this transaction. This transaction represents Sandler O'Neill's 173rd bank or thrift transaction nationwide since January 1, 2015 representing \$55.4 billion in aggregate transaction value. Sandler O'Neill has served as a financial advisor on more bank and thrift transactions and for a greater aggregate deal value than any other investment bank during that time period.¹

Since January 1, 2015, Sandler O'Neill has advised on 30 bank or thrift Midwest deals, representing over \$18.3 billion in aggregate transaction value, more than any other investment bank during that time period.¹

German American Bancorp, Inc. (Nasdaq:GABC) ("German American") and First Security, Inc. (OTCQX:FIIT) ("First Security") announced today that they have entered into a definitive agreement to merge First Security into German American. Upon completion of the transaction, First Security's subsidiary bank, First Security Bank, Inc., will be merged into German American's subsidiary bank, German American Bank.

Under terms of the definitive agreement, First Security common shareholders will receive a fixed exchange ratio of 0.7982 shares of German American common stock for each share of First Security in a tax free exchange, and a cash payment of \$12.00 per First Security share.

Based upon the \$35.08 per share 20-day volume weighted average price of German American's common shares ending on May 18, 2018 (the valuation upon which the exchange ratio was established), the transaction has a value of \$40.00 per First Security common share. Because a portion of the consideration to be received is German American's common stock, the stock portion of the transaction value will fluctuate until closing together with the market price of German American's common shares.

Based on First Security's number of common shares currently outstanding and the anticipated conversion of First Security's remaining convertible subordinated debt to common shares at closing, German American expects to issue approximately 2.0 million shares of its common stock, and pay approximately \$31 million cash, for all of the issued and outstanding common shares and outstanding options of First Security. Based upon the \$35.08 per share 20-day volume weighted average price of German American's common shares ending on May 18, 2018, the transaction has an aggregate indicated value of approximately \$101.0 million, with the total merger consideration being split between stock and cash on an approximate 70:30 basis.

Mark A. Schroeder, Chairman and CEO of German American, stated, "This merger with First Security represents a strategic opportunity for German American to expand our community-focused, customer-centric business model into the vibrant Kentucky metropolitan markets of Owensboro, Bowling Green, and Lexington. First Security has built a solid community banking franchise in these three distinct Kentucky markets in which German American can provide our extensive offerings of banking, insurance, and investment products and services to First Security's current and prospective clients."

Schroeder continued, "We expect that this strategic transaction will be accretive to German American's earnings per share during the 12 months following completion of the transaction, and will have a quick tangible book value earn back. Following completion of the merger, German American's pro forma capital ratios will continue to significantly exceed regulatory well-capitalized levels, enabling us to continue to take advantage of future organic and acquisition growth opportunities in Kentucky and throughout our existing Southern Indiana market area."

The transaction is expected to be completed in the fourth quarter of 2018. Completion of the transaction is subject to approval by regulatory authorities and First Security's shareholders, as well as certain other closing conditions. In connection with the definitive agreement, German American entered into voting agreements with the members of the Board of Directors of First Security and with certain of First Security's principal shareholders, who collectively hold approximately 27% of the outstanding shares of First Security common stock. Subject to the terms and conditions of the voting agreements, these parties have agreed to vote their shares in favor of the transactions contemplated by the definitive agreement.

Financial Highlights

	German American Bancorp, Inc.	First Security, Inc.
<i>(Dollars in millions)</i>		
Total Assets	\$3,125	\$586
Total Loans	\$2,151	\$409
Total Deposits	\$2,467	\$458
Tangible Common Equity	\$308	\$55

Financial data as of March 31, 2018

1) Majority and Minority transactions; Excludes terminated transactions and self-advisory roles

Source: S&P Global Market Intelligence, Company documents, Press Release

Pro Forma Map



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