

GERMAN AMERICAN BANCORP, INC.
Form 10-Q
November 09, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period
Ended September 30, 2011

Commission File Number 001-15877

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

Indiana
(State or other jurisdiction of
incorporation or organization)

35-1547518
(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 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 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 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 Exchange Act):
YES NO

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

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Class	Outstanding at November 1, 2011
Common Shares, no par value	12,593,524

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, 2010, 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.”

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PART I.
Item 1.FINANCIAL INFORMATION
Financial StatementsGERMAN AMERICAN BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited, dollars in thousands except share and per share data)

	September 30, 2011	December 31, 2010
ASSETS		
Cash and Due from Banks	\$ 32,581	\$ 15,021
Federal Funds Sold and Other Short-term Investments	19,974	4,250
Cash and Cash Equivalents	52,555	19,271
Interest-bearing Time Deposits with Banks	6,750	—
Securities Available-for-Sale, at Fair Value	583,251	346,747
Securities Held-to-Maturity, at Cost (Fair value of \$798 and \$1,613 on September 30, 2011 and December 31, 2010, respectively)	790	1,604
Loans Held-for-Sale	10,009	11,850
Loans	1,114,814	918,718
Less: Unearned Income	(2,260)	(1,482)
Allowance for Loan Losses	(15,166)	(13,317)
Loans, Net	1,097,388	903,919
Stock in FHLB of Indianapolis and Other Restricted Stock, at Cost	8,340	9,207
Premises, Furniture and Equipment, Net	37,264	25,974
Other Real Estate	3,004	2,095
Goodwill	19,170	9,835
Intangible Assets	4,807	2,624
Company Owned Life Insurance	28,996	24,822
Accrued Interest Receivable and Other Assets	18,759	17,940
TOTAL ASSETS	\$ 1,871,083	\$ 1,375,888
LIABILITIES		
Non-interest-bearing Demand Deposits	\$ 272,846	\$ 184,204
Interest-bearing Demand, Savings, and Money Market Accounts	881,424	541,532
Time Deposits	399,508	361,550
Total Deposits	1,553,778	1,087,286
FHLB Advances and Other Borrowings	131,400	153,717
Accrued Interest Payable and Other Liabilities	18,858	13,351
TOTAL LIABILITIES	1,704,036	1,254,354
SHAREHOLDERS' EQUITY		
Preferred Stock, no par value; 500,000 shares authorized, no shares issued	—	—
Common Stock, no par value, \$1 stated value; 30,000,000 shares authorized	12,594	11,105

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Additional Paid-in Capital	94,832	69,297
Retained Earnings	45,624	36,232
Accumulated Other Comprehensive Income	13,997	4,900
TOTAL SHAREHOLDERS' EQUITY	167,047	121,534
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,871,083	\$ 1,375,888
End of period shares issued and outstanding	12,593,524	11,105,583

See accompanying notes to consolidated financial statements.

GERMAN AMERICAN BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME

(unaudited, dollars in thousands except share and per share data)

	Three Months Ended September 30,	
	2011	2010
INTEREST INCOME		
Interest and Fees on Loans	\$15,933	\$13,668
Interest on Federal Funds Sold and Other Short-term Investments	48	12
Interest and Dividends on Securities:		
Taxable	3,645	2,426
Non-taxable	479	249
TOTAL INTEREST INCOME	20,105	16,355
INTEREST EXPENSE		
Interest on Deposits	2,823	2,642
Interest on FHLB Advances and Other Borrowings	1,079	1,236
TOTAL INTEREST EXPENSE	3,902	3,878
NET INTEREST INCOME	16,203	12,477
Provision for Loan Losses	1,300	1,375
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	14,903	11,102
NON-INTEREST INCOME		
Trust and Investment Product Fees	602	348
Service Charges on Deposit Accounts	1,120	1,053
Insurance Revenues	1,261	1,323
Company Owned Life Insurance	233	197
Interchange Fee Income	395	371
Other Operating Income	86	339
Net Gains on Sales of Loans	863	802
Net Gain on Securities	—	—
TOTAL NON-INTEREST INCOME	4,560	4,433
NON-INTEREST EXPENSE		
Salaries and Employee Benefits	6,687	5,470
Occupancy Expense	1,142	918
Furniture and Equipment Expense	621	619
FDIC Premiums	295	355
Data Processing Fees	321	330
Professional Fees	526	698
Advertising and Promotion	383	350
Supplies	175	158
Intangible Amortization	480	262
Other Operating Expenses	1,375	1,281
TOTAL NON-INTEREST EXPENSE	12,005	10,441

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Income before Income Taxes	7,458	5,094
Income Tax Expense	2,291	1,500
NET INCOME	\$5,167	\$3,594
COMPREHENSIVE INCOME	\$8,594	\$4,201
Basic Earnings Per Share and Diluted Earnings Per Share	\$0.41	\$0.32
Dividends Per Share	\$0.14	\$0.14

See accompanying notes to consolidated financial statements.

GERMAN AMERICAN BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME

(unaudited, dollars in thousands except share and per share data)

	Nine Months Ended September 30,	
	2011	2010
INTEREST INCOME		
Interest and Fees on Loans	\$48,620	\$39,701
Interest on Federal Funds Sold and Other Short-term Investments	179	48
Interest and Dividends on Securities:		
Taxable	10,075	7,353
Non-taxable	1,271	777
TOTAL INTEREST INCOME	60,145	47,879
INTEREST EXPENSE		
Interest on Deposits	9,464	7,940
Interest on FHLB Advances and Other Borrowings	3,107	3,898
TOTAL INTEREST EXPENSE	12,571	11,838
NET INTEREST INCOME	47,574	36,041
Provision for Loan Losses	3,900	3,875
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	43,674	32,166
NON-INTEREST INCOME		
Trust and Investment Product Fees	1,561	1,134
Service Charges on Deposit Accounts	3,135	3,074
Insurance Revenues	4,600	4,092
Company Owned Life Insurance	836	585
Interchange Fee Income	1,126	919
Other Operating Income	982	1,380
Net Gains on Sales of Loans	1,651	1,619
Net Gain on Securities	1,045	—
TOTAL NON-INTEREST INCOME	14,936	12,803
NON-INTEREST EXPENSE		
Salaries and Employee Benefits	20,810	16,307
Occupancy Expense	3,216	2,640
Furniture and Equipment Expense	2,243	1,871
FDIC Premiums	1,191	1,043
Data Processing Fees	1,821	1,054
Professional Fees	1,630	1,743
Advertising and Promotion	1,000	892
Supplies	546	599
Intangible Amortization	1,495	727
Other Operating Expenses	4,194	3,733
TOTAL NON-INTEREST EXPENSE	38,146	30,609

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Income before Income Taxes	20,464	14,360
Income Tax Expense	5,788	4,107
NET INCOME	\$14,676	\$10,253
COMPREHENSIVE INCOME	\$23,773	\$13,682
Basic Earnings Per Share and Diluted Earnings Per Share	\$1.17	\$0.92
Dividends Per Share	\$0.42	\$0.42

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$14,676	\$10,253
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:		
Net Amortization on Securities	1,491	694
Depreciation and Amortization	3,902	2,768
Loans Originated for Sale	(71,166)	(83,298)
Proceeds from Sales of Loans Held-for-Sale	74,658	76,996
Loss in Investment in Limited Partnership	20	131
Provision for Loan Losses	3,900	3,875
Gain on Sale of Loans, net	(1,651)	(1,619)
Gain on Securities, net	(1,045)	—
Loss (Gain) on Sales of Other Real Estate and Repossessed Assets	191	(234)
Loss (Gain) on Disposition and Impairment of Premises and Equipment	17	(27)
Increase in Cash Surrender Value of Company Owned Life Insurance	(840)	(591)
Equity Based Compensation	465	300
Change in Assets and Liabilities:		
Interest Receivable and Other Assets	4,068	1,874
Interest Payable and Other Liabilities	(2,339)	(559)
Net Cash from Operating Activities	26,347	10,563
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Maturity of Other Short-term Investments	5,475	—
Proceeds from Maturities, Calls, Redemptions of Securities Available-for-Sale	71,619	40,359
Redemption of Federal Reserve Bank Stock	694	—
Purchase of Securities Available-for-Sale	(267,696)	(85,826)
Proceeds from Maturities of Securities Held-to-Maturity	815	1,175
Proceeds from Redemption of Federal Home Loan Bank Stock	1,523	—
Purchase of Loans	—	(496)
Proceeds from Sales of Loans	1,364	3,711
Loans Made to Customers, net of Payments Received	16,777	(1,145)
Proceeds from Sales of Other Real Estate	3,461	2,036
Property and Equipment Expenditures	(2,377)	(1,994)
Proceeds from Sales of Property and Equipment	12	505
Acquire Capitalized Lease	(6)	—
Acquire Bank Branches	—	855
Acquisition of American Community Bancorp, Inc.	55,780	—
Net Cash from Investing Activities	(112,559)	(40,820)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Deposits	163,950	63,125
Change in Short-term Borrowings	(34,112)	9,851
Repayments of Long-term Debt	(5,045)	(20,800)

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Issuance of Common Stock	12	32
Employee Stock Purchase Plan	(25)	(31)
Dividends Paid	(5,284)	(4,659)
Net Cash from Financing Activities	119,496	47,518
Net Change in Cash and Cash Equivalents	33,284	17,261
Cash and Cash Equivalents at Beginning of Year	19,271	28,054
Cash and Cash Equivalents at End of Period	\$52,555	\$45,315
Cash Paid During the Period for		
Interest	\$13,096	\$12,071
Income Taxes	5,156	4,763
Supplemental Non Cash Disclosures (1)		
Loans Transferred to Other Real Estate	\$3,409	\$1,849
(1) See Note 9 for non-cash transactions included in the acquisition of American Community Bancorp, Inc.		

See accompanying notes to consolidated financial statements.

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011
(unaudited, dollars in thousands except share and 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, 2010 Annual Report on Form 10-K.

Note 2 – Per Share Data

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

	Three Months Ended September 30,	
	2011	2010
Basic Earnings per Share:		
Net Income	\$ 5,167	\$ 3,594
Weighted Average Shares Outstanding	12,593,521	11,104,918
Basic Earnings per Share	\$ 0.41	\$ 0.32
Diluted Earnings per Share:		
Net Income	\$ 5,167	\$ 3,594
Weighted Average Shares Outstanding	12,593,521	11,104,918
Potentially Dilutive Shares, Net	4,691	5,943
Diluted Weighted Average Shares Outstanding	12,598,212	11,110,861
Diluted Earnings per Share	\$ 0.41	\$ 0.32

Stock options for 99,275 and 99,275 shares of common stock were not considered in computing diluted earnings per share for the quarters ended September 30, 2011 and 2010, respectively, because they were anti-dilutive.

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

	Nine Months Ended September 30,	
	2011	2010
Basic Earnings per Share:		
Net Income	\$ 14,676	\$ 10,253
Weighted Average Shares Outstanding	12,577,558	11,096,650
Basic Earnings per Share	\$ 1.17	\$ 0.92

Diluted Earnings per Share:

Net Income	\$ 14,676	\$ 10,253
Weighted Average Shares Outstanding	12,577,558	11,096,650
Potentially Dilutive Shares, Net	5,719	5,253
Diluted Weighted Average Shares Outstanding	12,583,277	11,101,903
Diluted Earnings per Share	\$ 1.17	\$ 0.92

Stock options for 89,275 and 99,275 shares of common stock were not considered in computing diluted earnings per share for the nine months ended September 30, 2011 and 2010, respectively, because they were anti-dilutive.

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011
(unaudited, dollars in thousands except share and 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 September 30, 2011 and December 31, 2010, were as follows:

Securities Available-for-Sale:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2011				
U.S. Treasury and Agency Securities	\$ 7,902	\$ 186	\$ —	\$ 8,088
Corporate Securities	1,006	6	—	1,012
Obligations of State and Political Subdivisions	52,482	3,811	(3)	56,290
Mortgage-backed Securities - Residential	499,054	18,127	(4)	517,177
Equity Securities	794	—	(110)	684
Total	\$ 561,238	\$ 22,130	\$ (117)	\$ 583,251
December 31, 2010				
U.S. Treasury and Agency Securities	\$ —	\$ —	\$ —	\$ —
Corporate Securities	—	—	—	—
Obligations of State and Political Subdivisions	31,483	813	(118)	32,178
Mortgage-backed Securities - Residential	304,935	7,614	(1,483)	311,066
Equity Securities	2,418	1,085	—	3,503
Total	\$ 338,836	\$ 9,512	\$ (1,601)	\$ 346,747

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. All mortgage-backed securities in the above table are residential mortgage-backed securities and guaranteed by government sponsored entities.

The carrying amount, unrecognized gains and losses and fair value of Securities Held-to-Maturity at September 30, 2011 and December 31, 2010, were as follows:

Securities Held-to-Maturity:	Carrying Amount	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
September 30, 2011				
Obligations of State and Political Subdivisions	\$ 790	\$ 8	\$ —	\$ 798
December 31, 2010				
Obligations of State and Political Subdivisions	\$ 1,604	\$ 9	\$ —	\$ 1,613

The amortized cost and fair value of Securities at September 30, 2011 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because some issuers have the right to call or prepay certain obligations with or without call or prepayment penalties. Mortgage-backed and Equity Securities are not due at a single maturity date and are shown separately.

	Amortized Cost	Fair Value
Securities Available-for-Sale:		
Due in one year or less	\$ 1,056	\$ 1,062
Due after one year through five years	15,056	15,577
Due after five years through ten years	11,748	12,606
Due after ten years	33,530	36,145
Mortgage-backed Securities - Residential	499,054	517,177
Equity Securities	794	684
Totals	\$ 561,238	\$ 583,251

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011
(unaudited, dollars in thousands except share and per share data)

Note 3 – Securities (continued)

	Carrying Amount	Fair Value
Securities Held-to-Maturity:		
Due in one year or less	\$ 175	\$ 176
Due after one year through five years	615	622
Due after five years through ten years	—	—
Due after ten years	—	—
Totals	\$ 790	\$ 798

Below is a summary of securities with unrealized losses as of September 30, 2011 and December 31, 2010, presented by length of time the securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
At September 30, 2011:						
U.S. Treasury and Agency Securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Corporate Securities	—	—	—	—	—	—
Obligations of State and Political Subdivisions	952	(3)	—	—	952	(3)
Mortgage-backed Securities - Residential	1,217	(4)	—	—	1,217	(4)
Equity Securities	684	(110)	—	—	684	(110)
Total	\$ 2,853	\$ (117)	\$ —	\$ —	\$ 2,853	\$ (117)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
At December 31, 2010:						
U.S. Treasury and Agency Securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Corporate Securities	—	—	—	—	—	—
Obligations of State and Political Subdivisions	5,175	(118)	—	—	5,175	(118)
Mortgage-backed Securities - Residential	70,123	(1,483)	—	—	70,123	(1,483)
Equity Securities	—	—	—	—	—	—
Total	\$ 75,298	\$ (1,601)	\$ —	\$ —	\$ 75,298	\$ (1,601)

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 many factors, including: (1) the length of time and the extent to

which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the Company has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The Company doesn't intend to sell or expect to be required to sell these securities, 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 held a minority interest in American Community Bancorp, Inc., prior to the acquisition on January 1, 2011 (see Note 9 for further discussion). For the nine months ended September 30, 2011, the Company recognized a gain of \$1.045 million on the stock held of American Community Bancorp, Inc. as a result of the acquisition. No gains or losses were recognized during the three months ended September 30, 2011. No gains or losses were recognized during the quarter or nine months ended September 30, 2010.

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011
(unaudited, dollars in thousands except share and per share data)

Note 4 – Loans

Loans were comprised of the following classifications at September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
Commercial:		
Commercial and Industrial Loans and Leases	\$ 290,519	\$ 218,443
Commercial Real Estate Loans	450,596	339,555
Agricultural Loans	157,310	165,166
Retail:		
Home Equity Loans	77,109	64,437
Consumer Loans	49,539	53,807
Residential Mortgage Loans	89,741	77,310
Subtotal	1,114,814	918,718
Less: Unearned Income	(2,260)	(1,482)
Allowance for Loan Losses	(15,166)	(13,317)
Loans, net	\$ 1,097,388	\$ 903,919

The following table presents the activity in the allowance for loan losses by portfolio class for the three months ending September 30, 2011:

	Commercial and Industrial Loans and Leases	Commercial Real Estate Loans	Agricultural Loans	Home Equity Loans	Consumer Loans	Residential Mortgage Loans	Unallocated	Total
September 30, 2011								
Beginning Balance	\$ 4,292	\$ 7,697	\$ 733	\$213	\$ 400	\$ 746	\$ 699	\$14,780
Provision for Loan Losses	90	1,120	(5)	108	54	57	(124)	1,300
Recoveries	90	28	—	2	37	—	—	157
Loans Charged-off	(82)	(714)	—	(29)	(85)	(161)	—	(1,071)
Ending Balance	\$ 4,390	\$ 8,131	\$ 728	\$294	\$ 406	\$ 642	\$ 575	\$15,166

The following table presents the activity in the allowance for loan losses by portfolio class for the nine months ending September 30, 2011:

	Commercial and Industrial	Commercial	Home	Residential
--	---------------------------------	------------	------	-------------

	Loans and Leases	Real Estate Loans	Agricultural Loans	Equity Loans	Consumer Loans	Mortgage Loans	Unallocated	Total
September 30, 2011								
Beginning Balance	\$ 3,713	\$ 7,497	\$ 750	\$ 220	\$ 362	\$ 543	\$ 232	\$ 13,317
Provision for Loan								
Losses	845	2,007	(22)	194	138	395	343	3,900
Recoveries	96	131	—	5	96	15	—	343
Loans Charged-off	(264)	(1,504)	—	(125)	(190)	(311)	—	(2,394)
Ending Balance	\$ 4,390	\$ 8,131	\$ 728	\$ 294	\$ 406	\$ 642	\$ 575	\$ 15,166

The following table presents the activity in the allowance for loan losses for the three months ended September 30, 2010:

Beginning Balance	\$ 10,813
Provision for Loan Losses	1,375
Loans Charged-off	(621)
Recoveries	133
Ending Balance	\$ 11,700

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011
(unaudited, dollars in thousands except share and per share data)

NOTE 4 – Loans (continued)

The following table presents the activity in the allowance for loan losses for the nine months ended September 30, 2010:

Beginning Balance	\$11,016
Provision for Loan Losses	3,875
Loans Charged-off	(3,763)
Recoveries	572
Ending Balance	\$11,700

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio class and based on impairment method as of September 30, 2011 and December 31, 2010:

	Total	Commercial and Industrial Loans and Leases	Commercial Real Estate Loans	Agricultural Loans	Home Equity Loans	Consumer Loans	Residential Mortgage Loans	Unallocated
September 30, 2011								
Allowance for Loan Losses:								
Ending Allowance Balance								
Attributable to Loans:								
Individually Evaluated for Impairment	\$ 4,296	\$ 1,299	\$ 2,997	\$ —	\$ —	\$ —	\$ —	\$ —
Collectively Evaluated for Impairment	10,699	3,091	4,963	728	294	406	642	575
Acquired with Deteriorated Credit Quality	171	—	171	—	—	—	—	—
Total Ending Allowance Balance	\$ 15,166	\$ 4,390	\$ 8,131	\$ 728	\$ 294	\$ 406	\$ 642	\$ 575
Loans:								
Loans Individually Evaluated for Impairment	\$ 13,190	\$ 2,468	\$ 10,722	\$ —	\$ —	\$ —	\$ —	\$ —
Loans Collectively Evaluated for	1,091,010	286,040	428,162	160,014	77,359	49,480	89,955	—

Impairment

Loans Acquired with Deteriorated Credit Quality	16,532	3,012	13,115	—	—	252	153	—
Total Ending Loans Balance (1)	\$ 1,120,732	\$ 291,520	\$ 451,999	\$ 160,014	\$ 77,359	\$ 49,732	\$ 90,108	\$ —

(1) Total recorded investment in loans includes \$5,918 in accrued interest.

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

NOTE 4 – Loans (continued)

	Total	Commercial and Industrial Loans and Leases	Commercial Real Estate Loans	Agricultural Loans	Home Equity Loans	Consumer Loans	Residential Mortgage Loans	Unallocated
December 31, 2010								
Allowance for Loan Losses:								
Ending Allowance Balance								
Attributable to Loans:								
Individually Evaluated for Impairment	\$ 4,583	\$ 1,387	\$ 3,196	\$ —	\$ —	\$ —	\$ —	\$ —
Collectively Evaluated for Impairment	8,734	2,326	4,301	750	220	362	543	232
Total Ending Allowance Balance	\$ 13,317	\$ 3,713	\$ 7,497	\$ 750	\$ 220	\$ 362	\$ 543	\$ 232
Loans:								
Loans Individually Evaluated for Impairment	\$ 16,833	\$ 3,421	\$ 13,357	\$ 55	\$ —	\$ —	\$ —	\$ —
Loans Collectively Evaluated for Impairment	907,525	215,840	327,413	167,933	64,652	54,048	77,639	—
Total Ending Loans Balance (1)	\$ 924,358	\$ 219,261	\$ 340,770	\$ 167,988	\$ 64,652	\$ 54,048	\$ 77,639	\$ —

(1) Total recorded investment in loans includes \$5,640 in accrued interest.

The following table presents loans individually evaluated for impairment by class of loans as of and for the three month period ended September 30, 2011:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Recognized
September 30, 2011						
With No Related Allowance Recorded:						

Commercial and Industrial Loans and Leases	\$ 114	\$ 94	\$ —	\$ 105	\$ 6	\$ 6
Commercial Real Estate Loans	4,008	3,421	—	4,362	14	14
Agricultural Loans	—	—	—	—	—	—
With An Allowance Recorded:						
Commercial and Industrial Loans and Leases	2,362	2,403	1,299	3,467	3	3
Commercial Real Estate Loans	8,142	8,010	3,087	7,777	14	13
Agricultural Loans	—	—	—	—	—	—
Total	\$ 14,626	\$ 13,928	\$ 4,386	\$ 15,711	\$ 37	\$ 36

The following table presents loans individually evaluated for impairment by class of loans as of and for the nine month period ended September 30, 2011:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Recognized
September 30, 2011						
With No Related Allowance Recorded:						
Commercial and Industrial Loans and Leases	\$ 114	\$ 94	\$ —	\$ 345	\$ 9	\$ 9
Commercial Real Estate Loans	4,008	3,421	—	3,603	46	46
Agricultural Loans	—	—	—	25	6	6
With An Allowance Recorded:						
Commercial and Industrial Loans and Leases	2,362	2,403	1,299	4,009	9	9
Commercial Real Estate Loans	8,142	8,010	3,087	10,046	50	47
Agricultural Loans	—	—	—	—	—	—
Total	\$ 14,626	\$ 13,928	\$ 4,386	\$ 18,028	\$ 120	\$ 117

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NOTE 4 – Loans (continued)

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2010:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With No Related Allowance Recorded:			
Commercial and Industrial Loans and Leases	\$ 570	\$ 585	\$ —
Commercial Real Estate Loans	2,243	2,231	—
Agricultural Loans	55	55	—
With An Allowance Recorded:			
Commercial and Industrial Loans and Leases	2,779	2,836	1,387
Commercial Real Estate Loans	11,062	11,126	3,196
Agricultural Loans	—	—	—
Total	\$ 16,709	\$ 16,833	\$ 4,583

The following table presents information for loans individually evaluated for impairment for the three month period ended September 30, 2010:

Average Balance of Individually Impaired Loans During Period	\$ 8,626
Interest Income Recognized During Impairment	26
Interest Income Recognized on Cash Basis	27

The following table presents information for loans individually evaluated for impairment for the nine month period ended September 30, 2010:

Average Balance of Individually Impaired Loans During Period	\$ 8,518
Interest Income Recognized During Impairment	77
Interest Income Recognized on Cash Basis	78

The following tables present the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of September 30, 2011 and December 31, 2010:

	Non-Accrual		Loans Past Due Over 90 Days & Still Accruing	
	2011	2010	2011	2010
Commercial and Industrial Loans and Leases	\$ 2,364	\$ 514	\$ —	\$ 547
Commercial Real Estate Loans	10,635	8,718	—	103
Agricultural Loans	—	55	—	—

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Home Equity Loans	130	156	—	—
Consumer Loans	297	103	—	38
Residential Mortgage Loans	905	604	—	—
Total	\$14,331	\$10,150	\$—	\$688

Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

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NOTE 4 – Loans (continued)

The following table presents the aging of the recorded investment in past due loans by class of loans as of September 30, 2011 and December 31, 2010:

	Total	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due
September 30, 2011						
Commercial and Industrial Loans and Leases	\$ 291,520	\$ 566	\$ 52	\$ 2,266	\$ 2,884	\$ 288,636
Commercial Real Estate Loans	451,999	590	322	6,307	7,219	444,780
Agricultural Loans	160,014	102	—	—	102	159,912
Home Equity Loans	77,359	292	30	130	452	76,907
Consumer Loans	49,732	262	95	282	639	49,093
Residential Mortgage Loans	90,108	1,739	599	905	3,243	86,865
Total (1)	\$ 1,120,732	\$ 3,551	\$ 1,098	\$ 9,890	\$ 14,539	\$ 1,106,193

(1) Total recorded investment in loans includes \$5,918 in accrued interest.

	Total	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due
December 31, 2010						
Commercial and Industrial Loans and Leases	\$ 219,261	\$ 1,876	\$ 782	\$ 1,011	\$ 3,669	\$ 215,592
Commercial Real Estate Loans	340,770	149	700	5,843	6,692	334,078
Agricultural Loans	167,988	363	—	55	418	167,570
Home Equity Loans	64,652	132	12	156	300	64,352
Consumer Loans	54,048	604	95			