

GERMAN AMERICAN BANCORP, INC.  
Form 10-Q  
August 03, 2012

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 June 30, 2012

Commission File Number 001-15877

German American Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Indiana 35-1547518  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) 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

Edgar Filing: GERMAN AMERICAN BANCORP, INC. - Form 10-Q

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.

Class	Outstanding at August 1, 2012
Common Shares, no par value	12,628,673

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, 2011, 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.”

\*\*\*\*\*

INDEX

PART I. FINANCIAL INFORMATION	3
Item 1. Financial Statements	3
Consolidated Balance Sheets – June 30, 2012 and December 31, 2011	3
Consolidated Statements of Income and Comprehensive Income - Three Months Ended June 30, 2012 and 2011	4
Consolidated Statements of Income and Comprehensive Income - Six Months Ended June 30, 2012 and 2011	5
Consolidated Statements of Cash Flows – Six Months Ended June 30, 2012 and 2011	6
Notes to Consolidated Financial Statements – June 30, 2012	7-27
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	28-39
Item 3. Quantitative and Qualitative Disclosures About Market Risk	39-40
Item 4. Controls and Procedures	40
PART II. OTHER INFORMATION	40
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	40
Item 6. Exhibits	41
SIGNATURES	41
INDEX OF EXHIBITS	42

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

	June 30, 2012	December 31, 2011
<b>ASSETS</b>		
Cash and Due from Banks	\$31,537	\$ 28,366
Federal Funds Sold and Other Short-term Investments	11,613	32,737
Cash and Cash Equivalents	43,150	61,103
Interest-bearing Time Deposits with Banks	3,718	5,986
Securities Available-for-Sale, at Fair Value	644,894	516,844
Securities Held-to-Maturity, at Cost (Fair value of \$351 and \$697 on June 30, 2012 and December 31, 2011, respectively)	346	690
Loans Held-for-Sale, at Fair Value	8,627	21,485
Loans	1,147,041	1,123,549
Less: Unearned Income	(3,103 )	(2,556 )
Allowance for Loan Losses	(15,692 )	(15,312 )
Loans, Net	1,128,246	1,105,681
Stock in FHLB of Indianapolis and Other Restricted Stock, at Cost	8,340	8,340
Premises, Furniture and Equipment, Net	35,413	37,706
Other Real Estate	4,250	2,343
Goodwill	18,865	18,865
Intangible Assets	3,482	4,346
Company Owned Life Insurance	29,766	29,263
Accrued Interest Receivable and Other Assets	14,715	61,115
<b>TOTAL ASSETS</b>	<b>\$1,943,812</b>	<b>\$ 1,873,767</b>
<b>LIABILITIES</b>		
Non-interest-bearing Demand Deposits	\$303,040	\$ 282,335
Interest-bearing Demand, Savings, and Money Market Accounts	944,730	899,584
Time Deposits	355,470	374,279
Total Deposits	1,603,240	1,556,198
FHLB Advances and Other Borrowings	143,132	130,993
Accrued Interest Payable and Other Liabilities	20,290	18,966
<b>TOTAL LIABILITIES</b>	<b>1,766,662</b>	<b>1,706,157</b>

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	12,626	12,594
Additional Paid-in Capital	95,330	95,039
Retained Earnings	57,472	49,434
Accumulated Other Comprehensive Income	11,722	10,543
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>177,150</b>	<b>167,610</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$1,943,812</b>	<b>\$ 1,873,767</b>
End of period shares issued and outstanding	12,626,205	12,594,258

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 June 30,	
	2012	2011
<b>INTEREST INCOME</b>		
Interest and Fees on Loans	\$ 15,513	\$ 16,446
Interest on Federal Funds Sold and Other Short-term Investments	40	66
Interest and Dividends on Securities:		
Taxable	3,421	3,586
Non-taxable	589	423
<b>TOTAL INTEREST INCOME</b>	<b>19,563</b>	<b>20,521</b>
<b>INTEREST EXPENSE</b>		
Interest on Deposits	1,855	3,248
Interest on FHLB Advances and Other Borrowings	1,059	1,009
<b>TOTAL INTEREST EXPENSE</b>	<b>2,914</b>	<b>4,257</b>
<b>NET INTEREST INCOME</b>	<b>16,649</b>	<b>16,264</b>
Provision for Loan Losses	391	1,300
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>16,258</b>	<b>14,964</b>
<b>NON-INTEREST INCOME</b>		
Trust and Investment Product Fees	664	495
Service Charges on Deposit Accounts	1,017	1,074
Insurance Revenues	1,358	1,290
Company Owned Life Insurance	266	250
Interchange Fee Income	460	378
Other Operating Income	316	496
Net Gains on Sales of Loans	676	379
Net Gains on Securities	76	—
<b>TOTAL NON-INTEREST INCOME</b>	<b>4,833</b>	<b>4,362</b>
<b>NON-INTEREST EXPENSE</b>		
Salaries and Employee Benefits	6,828	6,722
Occupancy Expense	1,061	1,024
Furniture and Equipment Expense	724	817
FDIC Premiums	283	382
Data Processing Fees	321	395
Professional Fees	587	499

Edgar Filing: GERMAN AMERICAN BANCORP, INC. - Form 10-Q

Advertising and Promotion	396	314
Intangible Amortization	422	498
Other Operating Expenses	1,801	1,620
TOTAL NON-INTEREST EXPENSE	12,423	12,271
Income before Income Taxes	8,668	7,055
Income Tax Expense	2,701	2,191
NET INCOME	\$ 5,967	\$ 4,864
Other Comprehensive Income:		
Changes in Unrealized Gain on Securities Available-for-Sale, Net	704	5,482
Total Other Comprehensive Income	\$ 704	\$ 5,482
COMPREHENSIVE INCOME	\$ 6,671	\$ 10,346
Basic Earnings Per Share and Diluted Earnings Per Share	\$ 0.47	\$ 0.39
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)**

	Six Months Ended June 30,	
	2012	2011
<b>INTEREST INCOME</b>		
Interest and Fees on Loans	\$ 31,298	\$ 32,687
Interest on Federal Funds Sold and Other Short-term Investments	73	131
Interest and Dividends on Securities:		
Taxable	6,747	6,430
Non-taxable	1,172	792
<b>TOTAL INTEREST INCOME</b>	<b>39,290</b>	<b>40,040</b>
<b>INTEREST EXPENSE</b>		
Interest on Deposits	3,901	6,641
Interest on FHLB Advances and Other Borrowings	2,128	2,028
<b>TOTAL INTEREST EXPENSE</b>	<b>6,029</b>	<b>8,669</b>
<b>NET INTEREST INCOME</b>	<b>33,261</b>	<b>31,371</b>
Provision for Loan Losses	1,081	2,600
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>32,180</b>	<b>28,771</b>
<b>NON-INTEREST INCOME</b>		
Trust and Investment Product Fees	1,360	959
Service Charges on Deposit Accounts	1,952	2,015
Insurance Revenues	2,749	3,339
Company Owned Life Insurance	510	603
Interchange Fee Income	891	731
Other Operating Income	689	896
Net Gains on Sales of Loans	1,389	788
Net Gains on Securities	94	1,045
<b>TOTAL NON-INTEREST INCOME</b>	<b>9,634</b>	<b>10,376</b>
<b>NON-INTEREST EXPENSE</b>		
Salaries and Employee Benefits	14,148	14,123
Occupancy Expense	2,153	2,074
Furniture and Equipment Expense	1,404	1,622
FDIC Premiums	580	896
Data Processing Fees	435	1,500
Professional Fees	1,192	1,104

Edgar Filing: GERMAN AMERICAN BANCORP, INC. - Form 10-Q

Advertising and Promotion	769	617
Intangible Amortization	864	1,015
Other Operating Expenses	3,471	3,190
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>25,016</b>	<b>26,141</b>
Income before Income Taxes	16,798	13,006
Income Tax Expense	5,229	3,497
<b>NET INCOME</b>	<b>\$ 11,569</b>	<b>\$ 9,509</b>
Other Comprehensive Income:		
Changes in Unrealized Gain on Securities Available-for-Sale, Net	1,179	5,670
Total Other Comprehensive Income	\$ 1,179	\$ 5,670
<b>COMPREHENSIVE INCOME</b>	<b>\$ 12,748</b>	<b>\$ 15,179</b>
Basic Earnings Per Share and Diluted Earnings Per Share	\$ 0.92	\$ 0.76
Dividends Per Share	\$ 0.28	\$ 0.28

See accompanying notes to consolidated financial statements.

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

	Six Months Ended	
	June 30,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$11,569	\$9,509
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:		
Net Amortization on Securities	2,258	888
Depreciation and Amortization	2,499	2,685
Loans Originated for Sale	(77,713 )	(42,261 )
Proceeds from Sales of Loans Held-for-Sale	91,927	48,802
Loss in Investment in Limited Partnership	—	8
Provision for Loan Losses	1,081	2,600
Gain on Sale of Loans, net	(1,389 )	(788 )
Gain on Securities, net	(94 )	(1,045 )
Loss (Gain) on Sales of Other Real Estate and Repossessed Assets	70	(103 )
Loss (Gain) on Disposition and Impairment of Premises and Equipment	(2 )	13
Increase in Cash Surrender Value of Company Owned Life Insurance	(503 )	(604 )
Equity Based Compensation	308	307
Change in Assets and Liabilities:		
Interest Receivable and Other Assets	5,068	6,017
Interest Payable and Other Liabilities	673	(2,211 )
Net Cash from Operating Activities	35,752	23,817
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Maturity of Other Short-term Investments	2,240	3,882
Proceeds from Maturities, Calls, Redemptions of Securities Available-for-Sale	61,373	38,241
Redemption of Federal Reserve Bank Stock	—	694
Proceeds from Sales of Securities Available-for-Sale	51,395	—
Purchase of Securities Available-for-Sale	(197,985)	(141,180)
Proceeds from Maturities of Securities Held-to-Maturity	344	161
Proceeds from Redemption of Federal Home Loan Bank Stock	—	1,523
Proceeds from Sales of Loans	—	893
Loans Made to Customers, net of Payments Received	(25,871 )	25,773
Proceeds from Sales of Other Real Estate	246	2,641
Property and Equipment Expenditures	(1,108 )	(2,359 )
Proceeds from Sales of Property and Equipment	1	12
Acquisition of American Community Bancorp, Inc.	—	55,780
Net Cash from Investing Activities	(109,365)	(13,939 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Change in Deposits	47,070	131,374
Change in Short-term Borrowings	22,156	(44,202 )

Edgar Filing: GERMAN AMERICAN BANCORP, INC. - Form 10-Q

Repayments of Long-term Debt	(10,050 )	(5,039 )
Issuance of Common Stock	15	12
Dividends Paid	(3,531 )	(3,521 )
Net Cash from Financing Activities	55,660	78,624
Net Change in Cash and Cash Equivalents	(17,953 )	88,502
Cash and Cash Equivalents at Beginning of Year	61,103	19,271
Cash and Cash Equivalents at End of Period	\$43,150	\$107,773
Cash Paid During the Period for		
Interest	\$6,308	\$8,918
Income Taxes	1,934	3,981
Supplemental Non Cash Disclosures		
Loans Transferred to Other Real Estate	\$2,223	\$1,608
Accounts Receivable Transferred to Securities	(43,167 )	—

See accompanying notes to consolidated financial statements.

**GERMAN AMERICAN BANCORP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2012****(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 year 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, 2011 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 June 30,	
	2012	2011
Basic Earnings per Share:		
Net Income	\$5,967	\$4,864
Weighted Average Shares Outstanding	12,627,715	12,592,324
Basic Earnings per Share	\$0.47	\$0.39
Diluted Earnings per Share:		
Net Income	\$5,967	\$4,864
Weighted Average Shares Outstanding	12,627,715	12,592,324
Potentially Dilutive Shares, Net	10,811	5,555
Diluted Weighted Average Shares Outstanding	12,638,526	12,597,879



**GERMAN AMERICAN BANCORP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2012****(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 June 30, 2012 and December 31, 2011, were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale:				
June 30, 2012				
U.S. Treasury and Agency Securities	\$ 4,829	\$ 59	\$ —	\$ 4,888
Obligations of State and Political Subdivisions	69,628	4,840	(10 )	74,458
Mortgage-backed Securities - Residential	551,207	13,809	(141 )	564,875
Equity Securities	684	—	(11 )	673
Total	\$ 626,348	\$ 18,708	\$ (162 )	\$ 644,894
December 31, 2011				
U.S. Treasury and Agency Securities	\$ 6,340	\$ 82	\$ —	\$ 6,422
Corporate Securities	1,003	2	—	1,005
Obligations of State and Political Subdivisions	60,606	4,195	(2 )	64,799
Mortgage-backed Securities - Residential	431,495	12,529	(90 )	443,934
Equity Securities	684	—	—	684
Total	\$ 500,128	\$ 16,808	\$ (92 )	\$ 516,844

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 June 30, 2012 and December 31, 2011, were as follows:

	Carrying Amount	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Securities Held-to-Maturity:				
June 30, 2012				
Obligations of State and Political Subdivisions	\$ 346	\$ 5	\$ —	\$ 351
December 31, 2011				
Obligations of State and Political Subdivisions	\$ 690	\$ 7	\$ —	\$ 697

The amortized cost and fair value of Securities at June 30, 2012 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	\$ 827	\$ 831
Due after one year through five years	16,780	17,257
Due after five years through ten years	25,394	27,207
Due after ten years	31,456	34,051
Mortgage-backed Securities - Residential	551,207	564,875
Equity Securities	684	673
Totals	\$ 626,348	\$ 644,894

**GERMAN AMERICAN BANCORP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2012****(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	\$ —	\$—
Due after one year through five years	346	351
Due after five years through ten years	—	—
Due after ten years	—	—
Totals	\$ 346	\$ 351

Below is a summary of securities with unrealized losses as of June 30, 2012 and December 31, 2011, presented by length of time the securities have been in a continuous unrealized loss position:

	Less than 12 Months Fair Value	Unrealized Loss	12 Months or More Fair Value	Unrealized Loss	Total Fair Value	Unrealized Loss
<b>At June 30, 2012:</b>						
U.S. Treasury and Agency Securities	\$ —	\$ —	\$ —	\$ —	\$—	\$ —
Corporate Securities	—	—	—	—	—	—
Obligations of State and Political Subdivisions	984	(10 )	—	—	984	(10 )
Mortgage-backed Securities - Residential Equity Securities	29,322	(141 )	—	—	29,322	(141 )
	673	(11 )	—	—	673	(11 )
Total	\$ 30,979	\$ (162 )	\$ —	\$ —	\$30,979	\$ (162 )

	Less than 12 Months Fair Value	Unrealized Loss	12 Months or More Fair Value	Unrealized Loss	Total Fair Value	Unrealized Loss
<b>At December 31, 2011:</b>						
U.S. Treasury and Agency Securities	\$ —	\$ —	\$ —	\$ —	\$—	\$ —
Corporate Securities	—	—	—	—	—	—

Edgar Filing: GERMAN AMERICAN BANCORP, INC. - Form 10-Q

Obligations of State and Political Subdivisions	203	(2 )	—	—	203	(2 )
Mortgage-backed Securities - Residential Equity Securities	39,947	(90 )	—	—	39,947	(90 )
Total	\$ 40,150	\$ (92 )	\$ —	\$ —	\$ 40,150	\$ (92 )

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 does not 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. For the six months ended June 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.

**GERMAN AMERICAN BANCORP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2012****(unaudited, dollars in thousands except share and per share data)****Note 4 – Loans**

Loans were comprised of the following classifications at June 30, 2012 and December 31, 2011:

	<b>June 30,</b> 2012	December 31, 2011
Commercial:		
Commercial and Industrial Loans and Leases	\$323,618	\$ 293,172
Commercial Real Estate Loans	460,052	452,071
Agricultural Loans	158,463	167,693
Retail:		
Home Equity Loans	73,687	77,070
Consumer Loans	42,362	47,409
Residential Mortgage Loans	88,859	86,134
Subtotal	1,147,041	1,123,549
Less: Unearned Income	(3,103 )	(2,556 )
Allowance for Loan Losses	(15,692 )	(15,312 )
Loans, Net	\$1,128,246	\$ 1,105,681

The following table presents the activity in the allowance for loan losses by portfolio class for the three months ending June 30, 2012 and 2011:

	Commercial and Industrial Loans and Leases	Commercial Real Estate Loans	Agricultural Loans	Home Equity Loans	Consumer Loans	Residential Mortgage Loans	Unallocated	Total
June 30, 2012								
Beginning Balance	\$ 4,460	\$ 9,234	\$ 751	\$ 204	\$ 196	\$ 441	\$ 480	\$15,766
Provision for Loan Losses	312	(202 )	139	(17 )	83	(8 )	84	391

Edgar Filing: GERMAN AMERICAN BANCORP, INC. - Form 10-Q

Recoveries	4	7	—	—	33	7	—	51
Loans Charged-off	(69 )	(307 )	—	(6 )	(85 )	(49 )	—	(516 )
Ending Balance	\$ 4,707	\$ 8,732	\$ 890	\$ 181	\$ 227	\$ 391	\$ 564	\$15,692

Commercial  
and

	Industrial Loans and Leases	Commercial Real Estate Loans	Agricultural Loans	Home Equity Loans	Consumer Loans	Residential Mortgage Loans	Unallocated	Total
June 30, 2011								
Beginning Balance	\$ 3,820	\$ 7,708	\$ 654	\$ 271	\$ 432	\$ 748	\$ 540	\$14,173
Provision for Loan Losses	650	315	79	(18 )	—	115	159	1,300
Recoveries	3	11	—	1	27	15	—	57
Loans Charged-off	(181 )	(337 )	—	(41 )	(59 )	(132 )	—	(750 )
Ending Balance	\$ 4,292	\$ 7,697	\$ 733	\$ 213	\$ 400	\$ 746	\$ 699	\$14,780

**GERMAN AMERICAN BANCORP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2012****(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 by portfolio class for the six months ending June 30, 2012 and 2011:

	Commercial and Industrial Loans and Leases	Commercial Real Estate Loans	Agricultural Loans	Home Equity Loans	Consumer Loans	Residential Mortgage Loans	Unallocated	Total
June 30, 2012								
Beginning Balance	\$ 3,493	\$ 9,297	\$ 926	\$ 258	\$ 190	\$ 402	\$ 746	\$15,312
Provision for Loan Losses	1,273	(144 )	(36 )	(30 )	129	71	(182 )	1,081
Recoveries	49	26	—	1	64	9	—	149
Loans Charged-off	(108 )	(447 )	—	(48 )	(156 )	(91 )	—	(850 )
Ending Balance	\$ 4,707	\$ 8,732	\$ 890	\$ 181	\$ 227	\$ 391	\$ 564	\$15,692

	Commercial and Industrial Loans and Leases	Commercial Real Estate Loans	Agricultural Loans	Home Equity Loans	Consumer Loans	Residential Mortgage Loans	Unallocated	Total
June 30, 2011								
Beginning Balance	\$ 3,713	\$ 7,497	\$ 750	\$ 220	\$ 362	\$ 543	\$ 232	\$13,317
Provision for Loan Losses	755	887	(17 )	86	84	338	467	2,600
Recoveries	6	103	—	3	59	15	—	186
Loans Charged-off	(182 )	(790 )	—	(96 )	(105 )	(150 )	—	(1,323 )
Ending Balance	\$ 4,292	\$ 7,697	\$ 733	\$ 213	\$ 400	\$ 746	\$ 699	\$14,780

Edgar Filing: GERMAN AMERICAN BANCORP, INC. - Form 10-Q

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 June 30, 2012 and December 31, 2011:

	Total	Commercial and Industrial Loans and Leases	Commercial Real Estate Loans	Agriculture Loans	Home Equity Loans	Consumer Loans	Residential Mortgage Loans	Unallocated
June 30, 2012								
Allowance for Loan Losses:								
Ending Allowance Balance								
Attributable to Loans:								
Individually Evaluated for Impairment	\$5,100	\$ 1,282	\$ 3,818	\$ —	\$ —	\$ —	\$ —	\$ —
Collectively Evaluated for Impairment	10,515	3,425	4,837	890	181	227	391	564
Acquired with Deteriorated Credit Quality	77	—	77	—	—	—	—	—
Total Ending Allowance Balance	\$15,692	\$ 4,707	\$ 8,732	\$ 890	\$ 181	\$ 227	\$ 391	\$ 564