

GERMAN AMERICAN BANCORP, INC.
Form 10-Q
May 09, 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 March 31, 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 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 May 1, 2012
Common Shares, no par value	12,627,243

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	4
Item 1. Financial Statements	4
Consolidated Balance Sheets – March 31, 2012 and December 31, 2011	4
Consolidated Statements of Income and Comprehensive Income - Three Months Ended March 31, 2012 and 2011	5
Consolidated Statements of Cash Flows – Three Months Ended March 31, 2012 and 2011	6
Notes to Consolidated Financial Statements – March 31, 2012	7-24
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	25-33
Item 3. Quantitative and Qualitative Disclosures About Market Risk	33-34
Item 4. Controls and Procedures	34
PART II. OTHER INFORMATION	35
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	35
Item 6. Exhibits	35
SIGNATURES	36
INDEX OF EXHIBITS	37

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)**

	March 31, 2012	December 31, 2011
ASSETS		
Cash and Due from Banks	\$26,365	\$ 28,366
Federal Funds Sold and Other Short-term Investments	86,630	32,737
Cash and Cash Equivalents	112,995	61,103
Interest-bearing Time Deposits with Banks	4,977	5,986
Securities Available-for-Sale, at Fair Value	585,788	516,844
Securities Held-to-Maturity, at Cost (Fair value of \$351 and \$697 on March 31, 2012 and December 31, 2011, respectively)	346	690
Loans Held-for-Sale, at Fair Value	12,679	21,485
Loans	1,096,556	1,123,549
Less: Unearned Income	(2,845)	(2,556)
Allowance for Loan Losses	(15,766)	(15,312)
Loans, Net	1,077,945	1,105,681
Stock in FHLB of Indianapolis and Other Restricted Stock, at Cost	8,340	8,340
Premises, Furniture and Equipment, Net	36,765	37,706
Other Real Estate	2,971	2,343
Goodwill	18,865	18,865
Intangible Assets	3,905	4,346
Company Owned Life Insurance	29,503	29,263
Accrued Interest Receivable and Other Assets	15,451	61,115
TOTAL ASSETS	\$1,910,530	\$ 1,873,767
LIABILITIES		
Non-interest-bearing Demand Deposits	\$298,555	\$ 282,335
Interest-bearing Demand, Savings, and Money Market Accounts	942,435	899,584
Time Deposits	363,865	374,279
Total Deposits	1,604,855	1,556,198
FHLB Advances and Other Borrowings	115,170	130,993
Accrued Interest Payable and Other Liabilities	18,409	18,966
TOTAL LIABILITIES	1,738,434	1,706,157

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	12,627	12,594
Additional Paid-in Capital	95,178	95,039
Retained Earnings	53,273	49,434
Accumulated Other Comprehensive Income	11,018	10,543
TOTAL SHAREHOLDERS' EQUITY	172,096	167,610
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,910,530	\$ 1,873,767
End of period shares issued and outstanding	12,627,365	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 March 31,	
	2012	2011
INTEREST INCOME		
Interest and Fees on Loans	\$ 15,785	\$ 16,241
Interest on Federal Funds Sold and Other Short-term Investments	33	65
Interest and Dividends on Securities:		
Taxable	3,326	2,844
Non-taxable	583	369
TOTAL INTEREST INCOME	19,727	19,519
INTEREST EXPENSE		
Interest on Deposits	2,046	3,393
Interest on FHLB Advances and Other Borrowings	1,069	1,019
TOTAL INTEREST EXPENSE	3,115	4,412
NET INTEREST INCOME	16,612	15,107
Provision for Loan Losses	690	1,300
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	15,922	13,807
NON-INTEREST INCOME		
Trust and Investment Product Fees	696	464
Service Charges on Deposit Accounts	935	941
Insurance Revenues	1,391	2,049
Company Owned Life Insurance	244	353
Interchange Fee Income	431	353
Other Operating Income	373	400
Net Gains on Sales of Loans	713	409
Net Gain on Securities	18	1,045
TOTAL NON-INTEREST INCOME	4,801	6,014
NON-INTEREST EXPENSE		
Salaries and Employee Benefits	7,320	7,401
Occupancy Expense	1,092	1,050
Furniture and Equipment Expense	680	805
FDIC Premiums	297	514
Data Processing Fees	114	1,105
Professional Fees	605	605

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Advertising and Promotion	373	303
Intangible Amortization	442	517
Other Operating Expenses	1,670	1,570
TOTAL NON-INTEREST EXPENSE	12,593	13,870
Income before Income Taxes	8,130	5,951
Income Tax Expense	2,528	1,306
NET INCOME	\$ 5,602	\$ 4,645
Other Comprehensive Income:		
Changes in Unrealized Gain on Securities Available-for-Sale, Net	475	188
Total Other Comprehensive Income	\$ 475	\$ 188
COMPREHENSIVE INCOME	\$ 6,077	\$ 4,833
Basic Earnings Per Share and Diluted Earnings Per Share	\$ 0.44	\$ 0.37
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,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$5,602	\$4,645
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:		
Net Amortization on Securities	1,117	429
Depreciation and Amortization	1,256	1,326
Loans Originated for Sale	(45,416)	(23,620)
Proceeds from Sales of Loans Held-for-Sale	54,996	33,017
Provision for Loan Losses	690	1,300
Gain on Sale of Loans, net	(713)	(409)
Gain on Securities, net	(18)	(1,045)
Loss on Sales of Other Real Estate and Repossessed Assets	34	8
Loss (Gain) on Disposition and Impairment of Premises and Equipment	(1)	5
Increase in Cash Surrender Value of Company Owned Life Insurance	(240)	(353)
Equity Based Compensation	168	153
Change in Assets and Liabilities:		
Interest Receivable and Other Assets	3,118	5,423
Interest Payable and Other Liabilities	(803)	(1,620)
Net Cash from Operating Activities	19,790	19,259
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Maturity of Other Short-term Investments	995	1,890
Proceeds from Maturities, Calls, Redemptions of Securities Available-for-Sale	29,328	20,331
Redemption of Federal Reserve Bank Stock	—	694
Proceeds from Sales of Securities Available-for-Sale	43,497	—
Purchase of Securities Available-for-Sale	(98,980)	(116,977)
Proceeds from Maturities of Securities Held-to-Maturity	344	161
Loans Made to Customers, net of Payments Received	26,265	38,868
Proceeds from Sales of Other Real Estate	118	532
Property and Equipment Expenditures	(538)	(1,063)
Proceeds from Sales of Property and Equipment	1	12
Acquisition of American Community Bancorp, Inc.	—	55,780
Net Cash from Investing Activities	1,030	228
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Deposits	48,671	95,002
Change in Short-term Borrowings	(15,798)	(52,696)
Repayments of Long-term Debt	(42)	(5,035)

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Issuance of Common Stock	4	—
Dividends Paid	(1,763)	(1,758)
Net Cash from Financing Activities	31,072	35,513
Net Change in Cash and Cash Equivalents	51,892	55,000
Cash and Cash Equivalents at Beginning of Year	61,103	19,271
Cash and Cash Equivalents at End of Period	\$112,995	\$74,271
Cash Paid During the Period for		
Interest	\$3,617	\$4,745
Income Taxes	—	410
Supplemental Non Cash Disclosures		
Loans Transferred to Other Real Estate	\$781	\$723
Accounts Receivable Transferred to Securities	(43,167)	—

See accompanying notes to consolidated financial statements.

GERMAN AMERICAN BANCORP, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 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 March 31,	
	2012	2011
Basic Earnings per Share:		
Net Income	\$5,602	\$4,645
Weighted Average Shares Outstanding	12,600,435	12,546,310
Basic Earnings per Share	\$0.44	\$0.37
Diluted Earnings per Share:		
Net Income	\$5,602	\$4,645
Weighted Average Shares Outstanding	12,600,435	12,546,310
Potentially Dilutive Shares, Net	19,479	8,566
Diluted Weighted Average Shares Outstanding	12,619,914	12,554,876

Diluted Earnings per Share	\$0.44	\$0.37
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Stock options for 89,275 shares of common stock were not considered in computing diluted earnings per share for the quarter ended March 31, 2011 because they were anti-dilutive.

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale:				
March 31, 2012				
U.S. Treasury and Agency Securities	\$ 4,836	\$ 67	\$ —	\$ 4,903
Obligations of State and Political Subdivisions	61,961	4,047	(39)	65,969
Mortgage-backed Securities - Residential	500,870	13,396	(34)	514,232
Equity Securities	684	—	—	684
Total	\$ 568,351	\$ 17,510	\$ (73)	\$ 585,788
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

