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GERMAN AMERICAN BANCORP, INC.
Form 10-Q
May 10, 2016
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, 2016

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, 2016
Common Shares, no par value	15,253,503

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, 2015, 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. 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, 2016	December 31, 2015
ASSETS		
Cash and Due from Banks	\$34,734	\$36,062
Federal Funds Sold and Other Short-term Investments	14,312	15,947
Cash and Cash Equivalents	49,046	52,009
Interest-bearing Time Deposits with Banks	1,992	—
Securities Available-for-Sale, at Fair Value	715,611	637,840
Securities Held-to-Maturity, at Cost (Fair value of \$0 and \$95 on March 31, 2016 and December 31, 2015, respectively)	—	95
Loans Held-for-Sale, at Fair Value	8,700	10,762
Loans	1,918,638	1,568,075
Less: Unearned Income	(3,690)	(3,728)
Allowance for Loan Losses	(15,161)	(14,438)
Loans, Net	1,899,787	1,549,909
Stock in FHLB of Indianapolis and Other Restricted Stock, at Cost	13,048	8,571
Premises, Furniture and Equipment, Net	47,617	37,817
Other Real Estate	343	169
Goodwill	53,671	20,536
Intangible Assets	3,688	1,283
Company Owned Life Insurance	45,809	32,732
Accrued Interest Receivable and Other Assets	27,415	21,978
TOTAL ASSETS	\$2,866,727	\$2,373,701
LIABILITIES		
Non-interest-bearing Demand Deposits	\$507,567	\$465,357
Interest-bearing Demand, Savings, and Money Market Accounts	1,310,089	1,054,983
Time Deposits	422,958	306,036
Total Deposits	2,240,614	1,826,376
FHLB Advances and Other Borrowings	278,698	273,323
Accrued Interest Payable and Other Liabilities	25,777	21,654
TOTAL LIABILITIES	2,545,089	2,121,353
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	15,254	13,279
Additional Paid-in Capital	170,676	110,145
Retained Earnings	127,867	125,112
Accumulated Other Comprehensive Income	7,841	3,812
TOTAL SHAREHOLDERS' EQUITY	321,638	252,348

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$2,866,727	\$2,373,701
End of period shares issued and outstanding	15,253,503	13,278,824

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31, 2016 2015	
INTEREST INCOME		
Interest and Fees on Loans	\$ 18,664	\$ 16,299
Interest on Federal Funds Sold and Other Short-term Investments	17	3
Interest and Dividends on Securities:		
Taxable	2,277	2,435
Non-taxable	1,722	1,263
TOTAL INTEREST INCOME	22,680	20,000
INTEREST EXPENSE		
Interest on Deposits	1,155	993
Interest on FHLB Advances and Other Borrowings	741	458
TOTAL INTEREST EXPENSE	1,896	1,451
NET INTEREST INCOME	20,784	18,549
Provision for Loan Losses	850	250
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	19,934	18,299
NON-INTEREST INCOME		
Trust and Investment Product Fees	1,021	984
Service Charges on Deposit Accounts	1,233	1,137
Insurance Revenues	2,727	2,545
Company Owned Life Insurance	215	205
Interchange Fee Income	537	483
Other Operating Income	764	576
Net Gains on Sales of Loans	720	749
Net Gains on Securities	—	463
TOTAL NON-INTEREST INCOME	7,217	7,142
NON-INTEREST EXPENSE		
Salaries and Employee Benefits	11,601	8,825
Occupancy Expense	1,379	1,226
Furniture and Equipment Expense	508	479
FDIC Premiums	328	282
Data Processing Fees	2,165	837
Professional Fees	1,318	644
Advertising and Promotion	544	443
Intangible Amortization	208	245
Other Operating Expenses	2,189	1,852
TOTAL NON-INTEREST EXPENSE	20,240	14,833
Income before Income Taxes	6,911	10,608
Income Tax Expense	1,765	3,302
NET INCOME	\$5,146	\$7,306

Basic Earnings per Share	\$0.37	\$0.55
Diluted Earnings per Share	\$0.37	\$0.55
Dividends per Share	\$0.18	\$0.17

See accompanying notes to consolidated financial statements.

GERMAN AMERICAN BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, dollars in thousands)

	Three Months Ended March 31, 2016 2015	
NET INCOME	\$5,146	\$7,306
Other Comprehensive Income (Loss):		
Unrealized Gains (Losses) on Securities		
Unrealized Holding Gain (Loss) Arising During the Period	6,209	5,868
Reclassification Adjustment for Losses (Gains) Included in Net Income	—	(463)
Tax Effect	(2,180)	(1,908)
Net of Tax	4,029	3,497
Total Other Comprehensive Income (Loss)	4,029	3,497
COMPREHENSIVE INCOME	\$9,175	\$10,803

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$5,146	\$7,306
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:		
Net Amortization on Securities	823	565
Depreciation and Amortization	1,048	1,121
Loans Originated for Sale	(21,731)	(32,640)
Proceeds from Sales of Loans Held-for-Sale	24,700	33,260
Provision for Loan Losses	850	250
Gain on Sale of Loans, net	(720)	(749)
Gain on Securities, net	—	(463)
Loss on Sales of Other Real Estate and Repossessed Assets	—	8
Loss on Disposition and Donation of Premises and Equipment	2	—
Increase in Cash Surrender Value of Company Owned Life Insurance	(235)	(211)
Equity Based Compensation	261	234
Change in Assets and Liabilities:		
Interest Receivable and Other Assets	1,462	2,245
Interest Payable and Other Liabilities	(407)	(967)
Net Cash from Operating Activities	11,199	9,959
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Maturity of Other Short-term Investments	(1,000)	—
Proceeds from Maturities, Calls, Redemptions of Securities Available-for-Sale	20,743	18,811
Proceeds from Sales of Securities Available-for-Sale	62,975	9,808
Purchase of Securities Available-for-Sale	(23,706)	(11,899)
Proceeds from Maturities of Securities Held-to-Maturity	95	89
Purchase of Federal Home Loan Bank Stock	(1,350)	(160)
Purchase of Loans	(4,263)	—
Loans Made to Customers, net of Payments Received	(29,023)	832
Proceeds from Sales of Other Real Estate	717	151
Property and Equipment Expenditures	(459)	(283)
Acquisition of River Valley Bancorp	(793)	—
Net Cash from Investing Activities	23,936	17,349
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Deposits	8,826	20,642
Change in Short-term Borrowings	(29,463)	(27,212)
Repayments of Long-term Debt	(15,070)	(64)
Issuance of Common Stock	—	(7)
Dividends Paid	(2,391)	(2,246)
Net Cash from Financing Activities	(38,098)	(8,887)
Net Change in Cash and Cash Equivalents	(2,963)	18,421
Cash and Cash Equivalents at Beginning of Year	52,009	42,446

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Cash and Cash Equivalents at End of Period	\$49,046	\$60,867
Cash Paid During the Year for		
Interest	\$1,736	\$1,552
Income Taxes	1,503	—
Supplemental Non Cash Disclosures (See Note 12 for Business Combination)		
Loans Transferred to Other Real Estate	\$9	\$127

See accompanying notes to consolidated financial statements.

GERMAN AMERICAN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

(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 (hereinafter collectively referred to as the "Company") 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. It is suggested that these consolidated financial statements and notes be read in conjunction with the financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. Certain items included in the prior period financial statements were reclassified to conform to the current presentation. There was no effect on net income or total shareholders' equity based on these reclassifications.

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, 2016 2015	
Basic Earnings per Share:		
Net Income	\$5,146	\$ 7,306
Weighted Average Shares Outstanding	13,924,856	13,221,455
Basic Earnings per Share	\$0.37	\$ 0.55
Diluted Earnings per Share:		
Net Income	\$5,146	\$ 7,306
Weighted Average Shares Outstanding	13,924,856	13,221,455
Potentially Dilutive Shares, Net	4,077	16,038
Diluted Weighted Average Shares Outstanding	13,928,933	13,237,493
Diluted Earnings per Share	\$0.37	\$ 0.55

For the three months ended March 31, 2016 and 2015, there were no anti-dilutive shares.

GERMAN AMERICAN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

(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 March 31, 2016 and December 31, 2015, were as follows:

Securities Available-for-Sale:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2016				
U.S. Treasury and Agency Securities	\$ 11,001	\$ 8	\$ —	\$ 11,009
Obligations of State and Political Subdivisions	227,294	9,295	(306)	236,283
Mortgage-backed Securities - Residential	464,714	4,606	(1,354)	467,966
Equity Securities	353	—	—	353
Total	\$ 703,362	\$ 13,909	\$ (1,660)	\$ 715,611

December 31, 2015

U.S. Treasury and Agency Securities	\$ 10,000	\$ —	\$ (102)	\$ 9,898
Obligations of State and Political Subdivisions	195,360	8,286	(18)	203,628
Mortgage-backed Securities - Residential	426,087	2,114	(4,240)	423,961
Equity Securities	353	—	—	353
Total	\$ 631,800	\$ 10,400	\$ (4,360)	\$ 637,840

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. 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 March 31, 2016 and December 31, 2015, were as follows:

Securities Held-to-Maturity:	Carrying Amount	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
March 31, 2016				
Obligations of State and Political Subdivisions	\$ —	\$ —	—\$	—\$ —
December 31, 2015				
Obligations of State and Political Subdivisions	\$ 95	\$ —	—\$	—\$ 95

The amortized cost and fair value of securities at March 31, 2016 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 in the table below.

Securities Available-for-Sale:	Amortized Cost	Fair Value
--------------------------------	----------------	------------

Due in one year or less	\$ 5,790	\$5,840
Due after one year through five years	22,502	23,022
Due after five years through ten years	72,541	76,500
Due after ten years	137,462	141,930
Mortgage-backed Securities - Residential	464,714	467,966
Equity Securities	353	353
Total	\$ 703,362	\$ 715,611

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

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

NOTE 3 - Securities (continued)

Proceeds from the Sales of Securities are summarized below:

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Proceeds from Sales	\$ 62,975	\$ 9,808
Gross Gains on Sales	—	463
Income Taxes on Gross Gains	—	162

The carrying value of securities pledged to secure repurchase agreements, public and trust deposits, and for other purposes as required by law was \$186,726 and \$154,628 as of March 31, 2016 and December 31, 2015, respectively.

Below is a summary of securities with unrealized losses as of March 31, 2016 and December 31, 2015, 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
March 31, 2016						
U.S. Treasury and Agency Securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Obligations of State and Political Subdivisions	33,380	(299)	417	(7)	33,797	(306)
Mortgage-backed Securities - Residential	57,048	(182)	80,937	(1,172)	137,985	(1,354)
Equity Securities	—	—	—	—	—	—
Total	\$ 90,428	\$ (481)	\$ 81,354	\$ (1,179)	\$ 171,782	\$ (1,660)
December 31, 2015						
U.S. Treasury and Agency Securities	\$ —	\$ —	\$ 9,898	\$ (102)	\$ 9,898	\$ (102)
Obligations of State and Political Subdivisions	1,891	(15)	356	(3)	2,247	(18)
Mortgage-backed Securities - Residential	150,427	(1,173)	129,040	(3,067)	279,467	(4,240)
Equity Securities	—	—	—	—	—	—
Total	\$ 152,318	\$ (1,188)	\$ 139,294	\$ (3,172)	\$ 291,612	\$ (4,360)

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.

NOTE 4 – Derivatives

The Company executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. The notional amounts of these interest rate swaps and the offsetting counterparty derivative instruments were \$44.0 million at March 31, 2016 and \$36.8 million at December 31, 2015. These interest rate swaps are simultaneously hedged by offsetting interest rate swaps that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions with approved, reputable, independent counterparties with substantially matching terms. The agreements are considered stand alone derivatives and changes in the fair value of derivatives are reported in earnings as non-interest income.

GERMAN AMERICAN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

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

NOTE 4 - Derivatives (continued)

Credit risk arises from the possible inability of counterparties to meet the terms of their contracts. The Company's exposure is limited to the replacement value of the contracts rather than the notional, principal or contract amounts. There are provisions in the agreements with the counterparties that allow for certain unsecured credit exposure up to an agreed threshold. Exposures in excess of the agreed thresholds are collateralized. In addition, the Company minimizes credit risk through credit approvals, limits, and monitoring procedures.

The following table reflects the fair value hedges included in the Consolidated Balance Sheets as of:

	March 31, 2016		December 31, 2015	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Included in Other Assets:				
Interest Rate Swaps	\$44,048	\$ 2,739	\$36,781	\$ 1,201
Included in Other Liabilities:				
Interest Rate Swaps	\$44,048	\$ 2,905	\$36,781	\$ 1,232

The following tables present the effect of derivative instruments on the Consolidated Statements of Income for the periods presented:

	Three Months Ended March 31, 2016		2015	
Interest Rate Swaps:				
Included in Other Income / (Expense)	\$54	\$ 58		

GERMAN AMERICAN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

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

NOTE 5 – Loans

Loans were comprised of the following classifications at March 31, 2016 and December 31, 2015:

	March 31, 2016	December 31, 2015
Commercial:		
Commercial and Industrial Loans and Leases	\$448,569	\$418,154
Commercial Real Estate Loans	812,565	618,788
Agricultural Loans	275,938	246,886
Retail:		
Home Equity Loans	119,006	97,902
Consumer Loans	54,999	50,029
Residential Mortgage Loans	207,561	136,316
Subtotal	1,918,638	1,568,075
Less: Unearned Income	(3,690)	(3,728)
Allowance for Loan Losses	(15,161)	(14,438)
Loans, Net	\$1,899,787	\$1,549,909

The table above includes loans acquired during 2016 totaling \$316,564 which is net of purchase discount on the acquired loans of \$10,572.

The following table presents the activity in the allowance for loan losses by portfolio class for the three months ended March 31, 2016 and 2015:

	Commercial and Industrial Loans and Leases	Commercial Real Estate Loans	Agricultural Loans	Home Equity Loans	Consumer Loans	Residential Mortgage Loans	Unallocated	Total
March 31, 2016								
Beginning Balance	\$ 4,242	\$ 6,342	\$ 2,115	\$ 383	\$ 230	\$ 414	\$ 712	\$14,438
Provision for Loan Losses	105	120	414	31	27	155	(2)	850
Recoveries	4	1	—	1	45	5	—	56
Loans Charged-off	(5)	—	—	(63)	(72)	(43)	—	(183)
Ending Balance	\$ 4,346	\$ 6,463	\$ 2,529	\$ 352	\$ 230	\$ 531	\$ 710	\$15,161
March 31, 2015								
Beginning Balance	\$ 4,627	\$ 7,273	\$ 1,123	\$ 246	\$ 354	\$ 622	\$ 684	\$14,929
Provision for Loan Losses	101	(52)	19	72	35	88	(13)	250
Recoveries	41	8	—	—	100	2	—	151

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Loans Charged-off	(22)	—	—	—	(100)	(39)	—	(161)
Ending Balance	\$ 4,747	\$ 7,229	\$ 1,142	\$ 318	\$ 389	\$ 673	\$ 671	\$15,169

In determining the adequacy of the allowance for loan loss, 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 historical averages for loan losses for these portfolios, judgmentally adjusted for current economic factors and portfolio trends. When comparing to March 31, 2015, the overall allowance for loan and lease losses was increased in the agricultural sector as a result of qualitative considerations for current economic conditions and trends.

GERMAN AMERICAN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

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

NOTE 5 - Loans (continued)

Loan impairment is reported when full repayment under the terms of the loan is not expected. This methodology is used for all loans, including loans acquired with deteriorated credit quality. For purchased loans, the assessment is made at the time of acquisition as well as over the life of loan. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate, or at the fair value of collateral if repayment is expected solely from the collateral. Commercial and industrial loans, commercial real estate loans, and agricultural loans are evaluated individually for impairment. Smaller balance homogeneous loans are evaluated for impairment in total. Such loans include real estate loans secured by one-to-four family residences and loans to individuals for household, family and other personal expenditures. Individually evaluated loans on non-accrual are generally considered impaired. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

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 March 31, 2016 and December 31, 2015:

March 31, 2016	Total	Commercial and Industrial Loans and Leases	Commercial Real Estate Loans	Agricultural Loans	Home Equity Loans	Consumer Loans	Residential Mortgage Loans	Unallocated
Allowance for Loan Losses:								
Ending Allowance								
Balance Attributable to Loans:								
Individually Evaluated for Impairment	\$1,168	\$76	\$1,092	\$—	\$—	\$—	\$—	\$ —
Collectively Evaluated for Impairment	13,993	4,270	5,371	2,529	352	230	531	710
Acquired with Deteriorated Credit Quality	—	—	—	—	—	—	—	—
Total Ending Allowance Balance	\$15,161	\$4,346	\$6,463	\$2,529	\$352	\$230	\$531	\$710
Loans:								
Loans Individually Evaluated for Impairment	\$2,942	\$230	\$2,593	\$119	\$—	\$—	\$—	n/m ⁽²⁾
Loans Collectively Evaluated for Impairment	1,909,011	448,482	801,411	278,961	119,369	55,122	205,666	n/m ⁽²⁾
Loans Acquired with Deteriorated Credit Quality	15,351	1,115	10,552	1,086	—	52	2,546	n/m ⁽²⁾
	\$1,927,304	\$449,827	\$814,556	\$280,166	\$119,369	\$55,174	\$208,212	n/m ⁽²⁾

Total Ending Loans
Balance⁽¹⁾

⁽¹⁾Total recorded investment in loans includes \$8,666 in accrued interest.

⁽²⁾n/m = not meaningful

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GERMAN AMERICAN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

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

NOTE 5 - Loans (continued)

December 31, 2015	Total	Commercial and Industrial Loans and Leases	Commercial Real Estate Loans	Agricultural Loans	Home Equity Loans	Consumer Loans	Residential Mortgage Loans	Unallocated
Allowance for Loan Losses:								
Ending Allowance Balance								
Attributable to Loans:								
Individually Evaluated for Impairment	\$1,202	\$106	\$1,096	\$—	\$—	\$—	\$—	\$ —
Collectively Evaluated for Impairment	13,236	4,136	5,246	2,115	383	230	414	712
Acquired with Deteriorated Credit Quality	—	—	—	—	—	—	—	—
Total Ending Allowance Balance	\$14,438	\$4,242	\$6,342	\$2,115	\$383	\$230	\$414	\$712
Loans:								
Loans Individually Evaluated for Impairment	\$4,435	\$1,578	\$2,845	\$12	\$—	\$—	\$—	n/m ⁽²⁾
Loans Collectively Evaluated for Impairment	1,562,037	416,273	611,955	249,687	98,167	50,169	135,786	n/m ⁽²⁾
Loans Acquired with Deteriorated Credit Quality	7,555	1,325	5,363	—	—	—	867	n/m ⁽²⁾
Total Ending Loans Balance ⁽¹⁾	\$1,574,027	\$419,176	\$620,163	\$249,699	\$98,167	\$50,169	\$136,653	n/m ⁽²⁾

⁽¹⁾Total recorded investment in loans includes \$5,952 in accrued interest.⁽²⁾n/m = not meaningful

The following tables present loans individually evaluated for impairment by class of loans as of March 31, 2016 and December 31, 2015:

March 31, 2016	Unpaid Principal Balance ⁽¹⁾	Recorded Investment	Allowance for Loan Losses Allocated
With No Related Allowance Recorded:			
Commercial and Industrial Loans and Leases	\$327	\$196	\$—
Commercial Real Estate Loans	4,486	2,564	—
Agricultural Loans	972	1,003	—
Subtotal	5,785	3,763	—
With An Allowance Recorded:			

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Commercial and Industrial Loans and Leases	88	88	76
Commercial Real Estate Loans	2,345	2,218	1,092
Agricultural Loans	—	—	—
Subtotal	2,433	2,306	1,168
Total	\$ 8,218	\$ 6,069	\$ 1,168

Loans Acquired With Deteriorated Credit Quality With No Related Allowance Recorded (Included in the Total Above)	\$ 4,967	\$ 3,127	\$ —
Loans Acquired With Deteriorated Credit Quality With An Additional Allowance Recorded (Included in the Total Above)	\$ —	\$ —	\$ —

(1) Unpaid Principal Balance is the remaining contractual payments gross of partial charge-offs.

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2016
(unaudited, dollars in thousands except share and per share data)

NOTE 5 - Loans (continued)

December 31, 2015	Unpaid Principal Balance ⁽¹⁾	Recorded Investment	Allowance for Loan Losses Allocated
With No Related Allowance Recorded:			
Commercial and Industrial Loans and Leases	\$ 161	\$ 161	\$ —
Commercial Real Estate Loans	1,292	768	—
Agricultural Loans	12	12	—
Subtotal	1,465	941	—
With An Allowance Recorded:			
Commercial and Industrial Loans and Leases	1,403	1,417	106
Commercial Real Estate Loans	2,207	2,077	1,096
Agricultural Loans	—	—	—
Subtotal	3,610	3,494	1,202
Total	\$ 5,075	\$ 4,435	\$ 1,202
Loans Acquired With Deteriorated Credit Quality With No Related Allowance Recorded (Included in the Total Above)	\$ 528	\$ —	\$ —
Loans Acquired With Deteriorated Credit Quality With An Additional Allowance Recorded (Included in the Total Above)	\$ —	\$ —	\$ —

⁽¹⁾ Unpaid Principal Balance is the remaining contractual payments gross of partial charge-offs.

The following tables present loans individually evaluated for impairment by class of loans for the three month period ended March 31, 2016 and 2015:

March 31, 2016	Average Recorded Investment	Interest Income Recognized	Cash Basis Recognized
With No Related Allowance Recorded:			
Commercial and Industrial Loans and Leases	\$ 865	\$ 23	\$ 11
Commercial Real Estate Loans	3,190	18	3
Agricultural Loans	1,004	1	1
Subtotal	5,059	42	15
With An Allowance Recorded:			
Commercial and Industrial Loans and Leases	128	—	—
Commercial Real Estate Loans	2,218	1	—
Agricultural Loans	—	—	—
Subtotal	2,346	1	—
Total	\$ 7,405	\$ 43	\$ 15
Loans Acquired With Deteriorated Credit Quality With No Related Allowance Recorded (Included in the Total Above)	\$ 3,199	\$ 8	\$ 1
	\$ —	\$ —	\$ —

Loans Acquired With Deteriorated Credit Quality With An Additional Allowance
Recorded (Included in the Total Above)

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GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2016
(unaudited, dollars in thousands except share and per share data)

NOTE 5 - Loans (continued)

March 31, 2015	Average Recorded Investment	Interest Income Recognized	Cash Basis Recognized
With No Related Allowance Recorded:			
Commercial and Industrial Loans and Leases	\$ 324	\$ 3	\$ 3
Commercial Real Estate Loans	1,484	11	11
Agricultural Loans	—	—	—
Subtotal	1,808	14	14
With An Allowance Recorded:			
Commercial and Industrial Loans and Leases	1,934	23	25
Commercial Real Estate Loans	3,033	4	2
Agricultural Loans	—	—	—
Subtotal	4,967	27	27
Total	\$ 6,775	\$ 41	\$ 41
Loans Acquired With Deteriorated Credit Quality With No Related Allowance Recorded (Included in the Total Above)	\$ 204	\$ —	\$ —
Loans Acquired With Deteriorated Credit Quality With An Additional Allowance Recorded (Included in the Total Above)	\$ 298	\$ —	\$ —

All classes of loans, including loans acquired with deteriorated credit quality, are generally placed on non-accrual status when scheduled principal or interest payments are past due for 90 days or more or when the borrower's ability to repay becomes doubtful. For purchased loans, the determination is made at the time of acquisition as well as over the life of the loan. Uncollected accrued interest for each class of loans is reversed against income at the time a loan is placed on non-accrual. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. All classes of loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Loans are typically charged-off at 180 days past due, or earlier if deemed uncollectible. Exceptions to the non-accrual and charge-off policies are made when the loan is well secured and in the process of collection.

The following tables present the recorded investment in non-accrual loans and loans past due 90 days or more still on accrual by class of loans as of March 31, 2016 and December 31, 2015:

	Non-Accrual		Loans Past Due 90 Days or More & Still Accruing	
	2016	2015	2016	2015
Commercial and Industrial Loans and Leases	\$189	\$134	\$ —	\$ 98
Commercial Real Estate Loans	3,369	2,047	58	48
Agricultural Loans	808	—	—	—
Home Equity Loans	135	204	19	—
Consumer Loans	173	90	—	—

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Residential Mortgage Loans	1,918	668	91	—
Total	\$6,592	\$3,143	\$ 168	\$ 146
Loans Acquired With Deteriorated Credit Quality (Included in the Total Above)	\$2,132	\$68	\$ —	\$ —

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GERMAN AMERICAN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

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

NOTE 5 - Loans (continued)

The following tables present the aging of the recorded investment in past due loans by class of loans as of March 31, 2016 and December 31, 2015:

March 31, 2016	Total	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans Not Past Due
Commercial and Industrial Loans and Leases	\$449,827	\$ 555	\$ 80	\$ 25	\$660	\$449,167
Commercial Real Estate Loans	814,556	1,758	664	1,457	3,879	810,677
Agricultural Loans	280,166	1,227	387	840	2,454	277,712
Home Equity Loans	119,369	335	79	134	548	118,821
Consumer Loans	55,174	150	196	178	524	54,650
Residential Mortgage Loans	208,212	4,259	636	1,062	5,957	202,255
Total ⁽¹⁾	\$1,927,304	\$ 8,284	\$ 2,042	\$ 3,696	\$14,022	\$1,913,282
Loans Acquired With Deteriorated Credit Quality (Included in the Total Above)	\$15,351	\$ 392	\$ 568	\$ 1,459	\$2,419	\$12,932
Loans Acquired in Current Year (Included in the Total Above)	\$318,882	\$ 4,789	\$ 1,195	\$ 2,852	\$8,836	\$310,046

⁽¹⁾Total recorded investment in loans includes \$8,666 in accrued interest.

December 31, 2015	Total	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans Not Past Due
Commercial and Industrial Loans and Leases	\$419,176	\$ 82	\$ 117	\$ 124	\$ 323	\$418,853
Commercial Real Estate Loans	620,163	136	163	104	403	619,760
Agricultural Loans	249,699	—	—	—	—	249,699
Home Equity Loans	98,167	225	8	204	437	97,730
Consumer Loans	50,169	101	40	90	231	49,938
Residential Mortgage Loans	136,653	2,615	154	668	3,437	133,216
Total ⁽¹⁾	\$1,574,027	\$ 3,159	\$ 482	\$ 1,190	\$ 4,831	\$1,569,196
Loans Acquired With Deteriorated Credit Quality (Included in the Total Above)	\$7,555	\$ —	\$ —	\$ —	\$ —	\$7,555

⁽¹⁾Total recorded investment in loans includes \$5,952 in accrued interest.

Troubled Debt Restructurings:

In certain instances, the Company may choose to restructure the contractual terms of loans. A troubled debt restructuring occurs when the Bank grants a concession to the borrower that it would not otherwise consider due to a borrower's financial difficulty. In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without modification. This evaluation is performed under the Company's internal underwriting policy. The Company uses the same methodology for loans acquired with deteriorated credit quality as for all other loans when determining whether the loan is a troubled debt restructuring.

During the three months ended March 31, 2016 and 2015, there were no loans modified as troubled debt restructurings.

GERMAN AMERICAN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

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

NOTE 5 - Loans (continued)

The following tables present the recorded investment of troubled debt restructurings by class of loans as of March 31, 2016 and December 31, 2015:

March 31, 2016	Total	Performing	Non-Accrual ⁽¹⁾
Commercial and Industrial Loans and Leases	\$98	\$ 98	\$ —
Commercial Real Estate Loans	1,681	47	1,634
Total	\$1,779	\$ 145	\$ 1,634

December 31, 2015	Total	Performing	Non-Accrual ⁽¹⁾
Commercial and Industrial Loans and Leases	\$1,446	\$ 1,445	\$ 1
Commercial Real Estate Loans	2,455	795	1,660
Total	\$3,901	\$ 2,240	\$ 1,661

⁽¹⁾The non-accrual troubled debt restructurings are included in the Non-Accrual Loan table presented on a previous page.

The Company had not committed to lending any additional amounts as of March 31, 2016 and December 31, 2015 to customers with outstanding loans that are classified as troubled debt restructurings.

The following tables present loans by class modified as troubled debt restructurings that occurred during the three months ending March 31, 2016 and 2015:

March 31, 2016	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial and Industrial Loans and Leases	—	\$ —	\$ —
Commercial Real Estate Loans	—	—	—
Total	—	\$ —	\$ —

The troubled debt restructurings described above increased the allowance for loan losses by \$0 and resulted in charge-offs of \$0 during the three months ending March 31, 2016.

March 31, 2015	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial and Industrial Loans and Leases	—	\$ —	\$ —
Commercial Real Estate Loans	—	—	—
Total	—	\$ —	\$ —

The troubled debt restructurings described above increased the allowance for loan losses by \$0 and resulted in charge-offs of \$0 during the three months ending March 31, 2015.

The following tables present loans by class modified as troubled debt restructurings for which there was a payment default within twelve months following the modification during the three months ending March 31, 2016 and 2015:
 Troubled Debt Restructurings That Subsequently Defaulted: Number of Loans Recorded Investment

March 31, 2016

Commercial and Industrial Loans and Leases	—	\$	—
Commercial Real Estate Loans	—	—	—
Total	—	\$	—

The troubled debt restructurings that subsequently defaulted described above resulted in no change to the allowance for loan losses and no charge-offs during the three months ending March 31, 2016.

GERMAN AMERICAN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

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NOTE 5 - Loans (continued)

Troubled Debt Restructurings That Subsequently Defaulted: Number of Loans Recorded Investment

March 31, 2015

Commercial and Industrial Loans and Leases	—	\$	—
Commercial Real Estate Loans	1	95	
Total	1	\$	95

The troubled debt restructurings that subsequently defaulted described above resulted in no change to the allowance for loan losses and no charge-offs during the three months ending March 31, 2015.

A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms.

Credit Quality Indicators:

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company classifies loans as to credit risk by individually analyzing loans. This analysis includes commercial and industrial loans, commercial real estate loans, and agricultural loans with an outstanding balance greater than \$100. This analysis is typically performed on at least an annual basis. The Company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

March 31, 2016	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and Industrial Loans and Leases	\$425,412	\$ 13,772	\$ 10,643	\$	—\$449,827
Commercial Real Estate Loans	763,617	36,345	14,594	—	814,556
Agricultural Loans	260,237	16,920	3,009	—	280,166
Total	\$1,449,266	\$ 67,037	\$ 28,246	\$	—\$1,544,549
	\$1,265	\$ 3,347	\$ 8,141	\$	—\$12,753

Loans Acquired With Deteriorated Credit Quality (Included
in the Total Above)

Loans Acquired in Current Year (Included in the Total Above)	\$201,554	\$ 17,759	\$ 7,289	\$	—\$226,602
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GERMAN AMERICAN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

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

NOTE 5 - Loans (continued)

December 31, 2015	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and Industrial Loans and Leases	\$393,270	\$13,675	\$12,231	\$—	—\$419,176
Commercial Real Estate Loans	586,247	25,341	8,575	—	620,163
Agricultural Loans	242,728	5,177	1,794	—	249,699
Total	\$1,222,245	\$44,193	\$22,600	\$—	—\$1,289,038
Loans Acquired With Deteriorated Credit Quality (Included in the Total Above)	\$1,572	\$3,319	\$1,797	\$—	—\$6,688

The Company considers the performance of the loan portfolio and its impact on the allowance for loan losses. For home equity, consumer and residential mortgage loan classes, the Company also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the recorded investment in home equity, consumer and residential mortgage loans based on payment activity as of March 31, 2016 and December 31, 2015:

March 31, 2016	Home Equity Loans	Consumer Loans	Residential Mortgage Loans
Performing	\$119,234	\$55,001	\$206,294
Nonperforming	135	173	1,918
Total	\$119,369	\$55,174	\$208,212
Loans Acquired With Deteriorated Credit Quality (Included in the Total Above)	\$—	\$52	\$2,546

December 31, 2015	Home Equity Loans	Consumer Loans	Residential Mortgage Loans
Performing	\$97,963	\$50,079	\$135,985
Nonperforming	204	90	668
Total	\$98,167	\$50,169	\$136,653
Loans Acquired With Deteriorated Credit Quality (Included in the Total Above)	\$—	\$—	\$867

The Company has purchased loans, for which there was, at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. The recorded investment of those loans is as follows:

	March 31, 2016	December 31, 2015
Commercial and Industrial Loans	\$1,115	\$1,325
Commercial Real Estate Loans	10,552	5,363
Agricultural Loans	1,086	—
Home Equity Loans	—	—

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Consumer Loans	52	—
Residential Mortgage Loans	2,546	867
Total	\$ 15,351	\$ 7,555

Carrying Amount, Net of Allowance \$ 15,351 \$ 7,555

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GERMAN AMERICAN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

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

NOTE 5 - Loans (continued)

Accretable yield, or income expected to be collected, is as follows:

	2016	2015
Balance at January 1	\$1,279	\$1,685
New Loans Purchased	1,395	—
Accretion of Income	(61)	(59)
Reclassifications from Non-accretable Difference	—	—
Charge-off of Accretable Yield	—	—
Balance at March 31	\$2,613	\$1,626

For those purchased loans disclosed above, the Company did not increase the allowance for loan losses during the three months ended March 31, 2016 and 2015. No allowances for loan losses were reversed during the same period.

Contractually required payments receivable of loans purchased with evidence of credit deterioration during the period ended March 31, 2016 are included in the table below. There were no such loans purchased during the year ended December 31, 2015.

Commercial and Industrial Loans	\$220
Commercial Real Estate Loans	10,612
Agricultural Loans	896
Home Equity Loans	—
Consumer Loans	87
Residential Mortgage Loans	2,279
Total	\$14,094

Cash Flows Expected to be Collected at Acquisition \$11,051

Fair Value of Acquired Loans at Acquisition \$9,656

The carrying amount of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process according to local requirements of the applicable jurisdiction totaled \$154 as of March 31, 2016 and \$169 as of December 31, 2015.

NOTE 6 – Repurchase Agreements Accounted for as Secured Borrowings

Repurchase agreements are short-term borrowings included in FHLB Advances and Other Borrowings and mature overnight and continuously. Repurchase agreements, which were secured by mortgage-backed securities, totaled \$19,330 and \$18,417 as of March 31, 2016 and December 31, 2015. Risk could arise when the collateral pledged to a repurchase agreement declines in fair value. The Company minimizes risk by consistently monitoring the value of the collateral pledged. At the point in time where the collateral has declined in fair value, the Company is required to provide additional collateral based on the value of the underlying securities.

NOTE 7 – 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 Company's banking subsidiary's local markets.

GERMAN AMERICAN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

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

NOTE 7 - Segment Information (continued)

The core banking segment is comprised by the Company's banking subsidiary, German American Bancorp, which operated through 52 banking offices at March 31, 2016. 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 the trust operations of the Company's banking subsidiary and by German American Investment Services, Inc. These fees are derived by providing trust, investment advisory, and brokerage services to its customers. The insurance segment primarily consists of German American Insurance, Inc., which provides a full line of personal and corporate insurance products. 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 the Company which are used by management to monitor and manage financial performance. 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.

	Core Banking	Trust and Investment Advisory Services	Insurance	Other	Consolidated Totals
Three Months Ended					
March 31, 2016					
Net Interest Income	\$ 20,898	\$ (1)	\$ 2	\$(115)	\$ 20,784
Net Gains on Sales of Loans	720	—	—	—	720
Net Gains on Securities	—	—	—	—	—
Trust and Investment Product Fees	1	1,020	—	—	1,021
Insurance Revenues	4	8	2,715	—	2,727
Noncash Items:					
Provision for Loan Losses	850	—	—	—	850
Depreciation and Amortization	975	1	26	46	1,048
Income Tax Expense (Benefit)	1,681	14	510	(440)	1,765
Segment Profit (Loss)	5,081	7	790	(732)	5,146
Segment Assets at March 31, 2016	2,856,970	1,554	8,088	115	2,866,727
	Core Banking	Trust and Investment Advisory Services	Insurance	Other	Consolidated Totals
Three Months Ended					
March 31, 2015					
Net Interest Income	\$ 18,641	\$ 4	\$ 1	\$(97)	\$ 18,549
Net Gains on Sales of Loans	749	—	—	—	749
Net Gains on Securities	463	—	—	—	463
Trust and Investment Product Fees	1	983	—	—	984

Insurance Revenues	10	17	2,518	—	2,545
Noncash Items:					
Provision for Loan Losses	250	—	—	—	250
Depreciation and Amortization	1,052	5	27	37	1,121
Income Tax Expense (Benefit)	3,063	(1)	420	(180)	3,302
Segment Profit (Loss)	6,680	(9)	629	6	7,306
Segment Assets at December 31, 2015	2,367,296	1,338	7,022	(1,955)	2,373,701

GERMAN AMERICAN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

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NOTE 8 – 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 of the outstanding shares of common stock 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. The Board of Directors established no expiration date for this program. As of March 31, 2016, the Company had purchased 334,965 shares under the program. No shares were purchased under the program during the three months ended March 31, 2016 and 2015.

NOTE 9 – Equity Plans and Equity Based Compensation

The Company maintains three equity incentive plans under which stock options, restricted stock, and other equity incentive awards can be granted. At March 31, 2016, the Company has reserved 314,393 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, 2016 and 2015, the Company granted no options. The Company recorded no stock compensation expense applicable to options during the three months ended March 31, 2016 and 2015 because all outstanding options were fully vested prior to 2007. In addition, there was no unrecognized option expense.

During the periods presented, awards of long-term incentives were granted in the form of restricted stock. Awards that were granted to management under a management incentive plan were granted in tandem with cash credit entitlements (typically in the form of 60% restricted stock grants and 40% cash credit entitlements). The management and employee restricted stock grants and tandem cash credit entitlements awarded will vest in three equal installments of 33.3% with the first annual vesting on December 5th of the year of the grant and on December 5th of the next two succeeding years. Awards that were granted to directors as additional retainer for their services do not include any cash credit entitlement. These director restricted stock grants are subject to forfeiture in the event that the recipient of the grant does not continue in service as a director of the Company through December 5th of the year after grant or does not satisfy certain meeting attendance requirements, at which time they generally vest 100 percent. For measuring compensation costs, restricted stock awards are valued based upon the market value of the common shares on the date of grant. During the three months ended March 31, 2016 and 2015, the Company granted awards of 32,250 and 32,610 shares of restricted stock, respectively.

The following table presents expense recorded for restricted stock and cash entitlements as well as the related tax information for the periods presented:

Three
Months
Ended
March 31,
2016 2015

Restricted Stock Expense	\$ 588	\$ 234
Cash Entitlement Expense	142	162

Tax Effect	(296)	(160)
Net of Tax	\$434	\$236