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DELTA REPORT

10-Q

GABC - GERMAN AMERICAN BANCORP,

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1297
CHANGES	329
DELETIONS	546
ADDITIONS	422

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, 2023 March 31, 2024

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 incorporation or organization)	(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 x No ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company:

Large accelerated filer	x	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):
Yes ☐ No x

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	GABC	Nasdaq Global Select Market

As of November 1, 2023 May 1, 2024, the registrant had 29,575,451 29,665,758 outstanding shares of Common Stock, no par value.

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, 2022 December 31, 2023, 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 and supplemented from time to time by our subsequent SEC filings, including by the discussion under the heading “Forward-Looking Statements and Associated Risks” at the conclusion of Item 2 of Part I of this Report (“Management’s Discussion and Analysis of Financial Condition and Results of Operations”), and by the additional risk factors set forth in Part II, Item 1A, “Risk Factors” of this Report.

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GLOSSARY OF TERMS AND ACRONYMS

As used in this Report, references to “Company,” “we,” “our,” “us,” and similar terms refer to German American Bancorp, Inc. and its consolidated subsidiaries as a whole. Occasionally, we will refer to the term “parent company” or “holding company” when we mean to refer to only German American Bancorp, Inc. and the term “Bank” when we mean to refer only to German American Bank, the Company's bank subsidiary.

The terms and acronyms identified below are used throughout this Report, including the Notes to Consolidated Financial Statements. You may find it helpful to refer to this Glossary as you read this Report.

2019 ESPP: German American Bancorp, Inc. 2019 Employee Stock Purchase Plan

2019 LTI Plan: German American Bancorp, Inc. 2019 Long-Term Equity Incentive Plan

ASU: Accounting Standards Update

Basel III Rules: Regulatory capital rules agreed to by the Basel Committee on Banking Supervision, as issued by the FRB and OCC and published in the Federal Register on October 11, 2013

CARES Act: Coronavirus Aid, Relief and Economic Security Act

CECL: Current expected credit losses, which are the subject of an accounting standard under GAAP

CET1: Common Equity Tier 1

CMO: Collateralized mortgage obligations

CUB: Citizens Union Bancorp of Shelbyville, Inc., which was acquired by the Company on January 1, 2022 CRE: Commercial Real Estate

Dodd-Frank Act: Dodd-Frank Wall Street Reform and Consumer Protection Act

FASB: Financial Accounting Standards Board

FDIC: Federal Deposit Insurance Corporation

federal banking regulators: The FRB, the OCC, and the FDIC, collectively
FHLB: Federal Home Loan Bank

FRB: Board of Governors of the Federal Reserve System

GAAP: Generally Accepted Accounting Principles in the United States of America

LIBOR: London Interbank Offered Rate

MBS: Mortgage-backed securities

NPV: Net portfolio value

OCC: Office of the Comptroller of the Currency

PCD: Purchased with credit deterioration

SEC: Securities and Exchange Commission

SOFR: Secured Overnight Funding Rate recommended as an alternative to LIBOR by the Alternative Reference Rate Committee, a U.S.-based group convened by the FRB and the Federal Reserve Bank of New York

PART I. FINANCIAL INFORMATION
Item 1. Unaudited Financial Statements

GERMAN AMERICAN BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited, dollars in thousands except share and per share data)

		September 30, 2023	December 31, 2022		March 31, 2024	December 31, 2023
ASSETS	**ASSETS**			**ASSETS**		
Cash and Due from Banks	Cash and Due from Banks	$ 72,063	$ 77,174			
Federal Funds Sold and Other Short-term Investments	Federal Funds Sold and Other Short-term Investments	60,356	41,905			

Cash and Cash Equivalents	Cash and Cash Equivalents	132,419	119,079
Interest-bearing Time Deposits with Banks	Interest-bearing Time Deposits with Banks	500	500
Securities Available-for-Sale, at Fair Value (Amortized Cost $1,891,435 for September 30, 2023; Amortized Cost $2,094,826 for December 31, 2022; No Allowance for Credit Losses)		1,476,956	1,761,669
Interest-bearing Time Deposits with Banks			
Interest-bearing Time Deposits with Banks			
Securities Available-for-Sale, at Fair Value (Amortized Cost $1,838,911 for March 31, 2024; Amortized Cost $1,871,260 for December 31, 2023; No Allowance for Credit Losses)			
Other Investments	Other Investments	353	353
Loans Held-for-Sale, at Fair Value	Loans Held-for-Sale, at Fair Value	7,085	8,600
Loans Held-for-Sale, at Fair Value			
Loans Held-for-Sale, at Fair Value			
Loans			
Loans			
Loans	Loans	3,893,573	3,788,645
Less: Unearned Income	Less: Unearned Income	(6,023)	(3,711)
Allowance for Credit Losses	Allowance for Credit Losses	(44,646)	(44,168)
Loans, Net	Loans, Net	3,842,904	3,740,766
Stock in FHLB of Indianapolis and Other Restricted Stock, at Cost			
Stock in FHLB of Indianapolis and Other Restricted Stock, at Cost			
Stock in FHLB of Indianapolis and Other Restricted Stock, at Cost	Stock in FHLB of Indianapolis and Other Restricted Stock, at Cost	14,763	15,037
Premises, Furniture and Equipment, Net	Premises, Furniture and Equipment, Net	111,252	112,237
Other Real Estate	Other Real Estate	24	—
Goodwill	Goodwill	180,357	180,357
Intangible Assets	Intangible Assets	7,016	9,426
Company Owned Life Insurance	Company Owned Life Insurance	85,372	83,998
Accrued Interest Receivable and Other Assets	Accrued Interest Receivable and Other Assets	146,665	123,969
TOTAL ASSETS	**TOTAL ASSETS**	$6,005,666	$6,155,991
LIABILITIES	**LIABILITIES**		
LIABILITIES			
LIABILITIES			
Non-interest-bearing Demand Deposits	Non-interest-bearing Demand Deposits	$1,502,175	$1,691,804

Interest-bearing Demand, Savings, and Money Market Accounts	Interest-bearing Demand, Savings, and Money Market Accounts	2,932,180	3,229,778
Time Deposits	Time Deposits	701,516	428,469
Total Deposits	Total Deposits	5,135,871	5,350,051
FHLB Advances and Other Borrowings	FHLB Advances and Other Borrowings	286,193	203,806
FHLB Advances and Other Borrowings			
FHLB Advances and Other Borrowings			
Accrued Interest Payable and Other Liabilities	Accrued Interest Payable and Other Liabilities	45,210	43,741
TOTAL LIABILITIES	**TOTAL LIABILITIES**	5,467,274	5,597,598
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY	**SHAREHOLDERS' EQUITY**		
Common Stock, no par value, $1 stated value; 45,000,000 shares authorized	Common Stock, no par value, $1 stated value; 45,000,000 shares authorized	29,575	29,493
Additional Paid-in Capital	Additional Paid-in Capital	388,955	387,171
Retained Earnings	Retained Earnings	447,475	405,167
Accumulated Other Comprehensive Income (Loss)	Accumulated Other Comprehensive Income (Loss)	(327,613)	(263,438)
TOTAL SHAREHOLDERS' EQUITY	**TOTAL SHAREHOLDERS' EQUITY**	538,392	558,393
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**	$6,005,666	$6,155,991
End of period shares issued and outstanding	End of period shares issued and outstanding	29,575,451	29,493,193

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 September 30,			**Three Months Ended March 31,**	
		2023	**2022**		**2024**	**2023**
INTEREST INCOME	**INTEREST INCOME**			**INTEREST INCOME**		
Interest and Fees on Loans	Interest and Fees on Loans	$55,196	$43,128			
Interest on Federal Funds Sold and Other Short-term Investments	Interest on Federal Funds Sold and Other Short-term Investments	199	2,053			
Interest and Dividends on Securities:	Interest and Dividends on Securities:			Interest and Dividends on Securities:		

Taxable	Taxable	4,871	5,276
Non-taxable	Non-taxable	5,376	6,067
TOTAL INTEREST INCOME	**TOTAL INTEREST INCOME**	65,642	56,524
INTEREST EXPENSE	**INTEREST EXPENSE**		
INTEREST EXPENSE			
INTEREST EXPENSE			
Interest on Deposits	Interest on Deposits	15,578	3,597
Interest on FHLB Advances and Other Borrowings	Interest on FHLB Advances and Other Borrowings	2,505	1,229
TOTAL INTEREST EXPENSE	**TOTAL INTEREST EXPENSE**	18,083	4,826
NET INTEREST INCOME	**NET INTEREST INCOME**	47,559	51,698
NET INTEREST INCOME			
NET INTEREST INCOME			
Provision for Credit Losses	Provision for Credit Losses	900	350
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	**NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES**	46,659	51,348
NON-INTEREST INCOME			
NON-INTEREST INCOME			
NON-INTEREST INCOME	**NON-INTEREST INCOME**		
Wealth Management Fees	Wealth Management Fees	2,957	2,376
Service Charges on Deposit Accounts	Service Charges on Deposit Accounts	2,982	3,014
Insurance Revenues	Insurance Revenues	2,065	1,995
Company Owned Life Insurance	Company Owned Life Insurance	446	416
Interchange Fee Income	Interchange Fee Income	4,470	4,054
Other Operating Income	Other Operating Income	1,270	1,365
Net Gains on Sales of Loans	Net Gains on Sales of Loans	614	854
Net Gains on Securities	Net Gains on Securities	—	23

TOTAL NON-INTEREST INCOME	**TOTAL NON-INTEREST INCOME**	14,804	14,097
NON-INTEREST EXPENSE			
NON-INTEREST EXPENSE			
NON-INTEREST EXPENSE	**NON-INTEREST EXPENSE**		
Salaries and Employee Benefits	Salaries and Employee Benefits	20,347	19,751
Occupancy Expense	Occupancy Expense	2,813	2,764
Furniture and Equipment Expense	Furniture and Equipment Expense	878	921
FDIC Premiums	FDIC Premiums	700	477
Data Processing Fees	Data Processing Fees	2,719	2,712
Professional Fees	Professional Fees	1,229	1,188
Advertising and Promotion	Advertising and Promotion	1,278	1,215
Intangible Amortization	Intangible Amortization	685	897
Other Operating Expenses	Other Operating Expenses	4,772	4,791
TOTAL NON-INTEREST EXPENSE	**TOTAL NON-INTEREST EXPENSE**	35,421	34,716
Income before Income Taxes	Income before Income Taxes	26,042	30,729
Income before Income Taxes			
Income before Income Taxes			
Income Tax Expense	Income Tax Expense	4,591	6,133
NET INCOME	**NET INCOME**	$21,451	$24,596
Basic Earnings per Share	Basic Earnings per Share	$ 0.73	$ 0.83
Basic Earnings per Share			
Basic Earnings per Share			
Diluted Earnings per Share	Diluted Earnings per Share	$ 0.73	$ 0.83

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2023	**2022**
INTEREST INCOME		

Interest and Fees on Loans	$ 156,459	$ 122,050
Interest on Federal Funds Sold and Other Short-term Investments	1,204	3,565
Interest and Dividends on Securities:		
Taxable	15,490	14,909
Non-taxable	16,492	17,541
TOTAL INTEREST INCOME	189,645	158,065
INTEREST EXPENSE		
Interest on Deposits	37,906	6,475
Interest on FHLB Advances and Other Borrowings	6,913	3,387
TOTAL INTEREST EXPENSE	44,819	9,862
NET INTEREST INCOME	144,826	148,203
Provision for Credit Losses	2,550	5,850
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	142,276	142,353
NON-INTEREST INCOME		
Wealth Management Fees	8,513	7,656
Service Charges on Deposit Accounts	8,653	8,568
Insurance Revenues	7,330	7,970
Company Owned Life Insurance	1,276	1,768
Interchange Fee Income	13,081	11,848
Other Operating Income	3,943	3,858
Net Gains on Sales of Loans	1,831	3,324
Net Gains on Securities	40	473
TOTAL NON-INTEREST INCOME	44,667	45,465
NON-INTEREST EXPENSE		
Salaries and Employee Benefits	62,296	63,223
Occupancy Expense	8,270	8,446
Furniture and Equipment Expense	2,684	2,820
FDIC Premiums	2,128	1,418
Data Processing Fees	8,277	12,896
Professional Fees	4,405	5,124
Advertising and Promotion	3,706	3,380
Intangible Amortization	2,204	2,871
Other Operating Expenses	14,793	18,399
TOTAL NON-INTEREST EXPENSE	108,763	118,577
Income before Income Taxes	78,180	69,241
Income Tax Expense	13,799	11,831
NET INCOME	$ 64,381	$ 57,410
Basic Earnings per Share	$ 2.18	$ 1.95
Diluted Earnings per Share	$ 2.18	$ 1.95

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		**Three Months Ended March 31,**

	2023	2022	2024	2023
NET INCOME	$ 21,451	$ 24,596		
Other Comprehensive Income (Loss):				
Unrealized Gains (Losses) on Securities:				
Unrealized Holding Gain (Loss) Arising During the Period	(99,787)	(124,142)		
Reclassification Adjustment for Gains Included in Net Income	—	(23)		
Tax Effect	21,026	26,202		
Net of Tax	(78,761)	(97,963)		
Total Other Comprehensive Income (Loss)	(78,761)	(97,963)		
COMPREHENSIVE INCOME (LOSS)	$(57,310)	$(73,367)		

NET INCOME
NET INCOME
NET INCOME
Other Comprehensive Income (Loss):
Other Comprehensive Income (Loss):
Other Comprehensive Income (Loss):
Unrealized Gains (Losses) on Securities:
Unrealized Gains (Losses) on Securities:
Unrealized Holding Gain (Loss) Arising During the Period
Reclassification Adjustment for Gains Included in Net Income
Tax Effect
Net of Tax
Total Other Comprehensive Income (Loss)
Total Other Comprehensive Income (Loss)
Total Other Comprehensive Income (Loss)
COMPREHENSIVE INCOME (LOSS)
COMPREHENSIVE INCOME (LOSS)
COMPREHENSIVE INCOME (LOSS)

	Nine Months Ended September 30, 2023	2022
NET INCOME	$ 64,381	$ 57,410
Other Comprehensive Income (Loss):		
Unrealized Gains (Losses) on Securities:		
Unrealized Holding Gain (Loss) Arising During the Period	(81,281)	(410,839)
Reclassification Adjustment for Gains Included in Net Income	(40)	(473)
Tax Effect	17,146	86,770
Net of Tax	(64,175)	(324,542)
Total Other Comprehensive Income (Loss)	(64,175)	(324,542)
COMPREHENSIVE INCOME (LOSS)	$ 206	$ (267,132)

See accompanying notes to consolidated financial statements.

GERMAN AMERICAN BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited, dollars in thousands)

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances, January 1, 2023	29,493,193	$ 29,493	$ 387,171	$ 405,167	$ (263,438)	$ 558,393
Net Income	—	—	—	20,807	—	20,807
Other Comprehensive Income (Loss)	—	—	—	—	32,946	32,946
Cash Dividends ($0.25 per share)	—	—	—	(7,354)	—	(7,354)
Issuance of Common Stock for:						
Restricted Share Grants Net	80,246	80	459	—	—	539
Balances, March 31, 2023	29,573,439	$ 29,573	$ 387,630	$ 418,620	$ (230,492)	$ 605,331
Net Income	—	—	—	22,123	—	22,123
Other Comprehensive Income (Loss)	—	—	—	—	(18,360)	(18,360)
Cash Dividends ($0.25 per share)	—	—	—	(7,359)	—	(7,359)
Issuance of Common Stock for:						
Restricted Share Grants Net	(656)	—	830	—	—	830
Balances, June 30, 2023	29,572,783	$ 29,573	$ 388,460	$ 433,384	$ (248,852)	$ 602,565
Net Income	—	—	—	21,451	—	21,451
Other Comprehensive Income (Loss)	—	—	—	—	(78,761)	(78,761)
Cash Dividends ($0.25 per share)	—	—	—	(7,360)	—	(7,360)
Issuance of Common Stock for:						
Restricted Share Grants Net	2,668	2	495	—	—	497
Balances, September 30, 2023	29,575,451	$ 29,575	$ 388,955	$ 447,475	$ (327,613)	$ 538,392

See accompanying notes to consolidated financial statements.

GERMAN AMERICAN BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited, dollars in thousands)

Common Stock

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances, January 1, 2022	26,553,508	$26,554	$ 276,057	$350,364	$ 15,484	$ 668,459
Balances, January 1, 2024						
Net Income	—	—	—	9,067	—	9,067
Other Comprehensive Income (Loss)	—	—	—	—	(133,885)	(133,885)
Cash Dividends ($0.23 per share)	—	—	—	(6,752)	—	(6,752)
Issuance of Common Stock for:						

Shares Amount Additional Paid-in Capital Retained Earnings Accumulated Other Comprehensive Income (Loss) Total Shareholders' Equity

Acquisition of Citizens Union Bancorp of Shelbyville, Inc., net		2,870,975	2,871	108,852	—	—	111,723
Restricted Share Grants Net		61,200	61	363	—	—	424
Balances, March 31, 2022		29,485,683	$ 29,486	$ 385,272	$ 352,679	$ (118,401)	$ 649,036
Net Income							
Net Income	Net Income	—	—	—	23,747	—	23,747
Other Comprehensive Income (Loss)	Other Comprehensive Income (Loss)	—	—	—	—	(92,694)	(92,694)
Cash Dividends ($0.23 per share)		—	—	—	(6,753)	—	(6,753)
Cash Dividends ($0.27 per share)							
Issuance of Common Stock for:	Issuance of Common Stock for:						
Restricted Share Grants Net	Restricted Share Grants Net	(2,638)	(3)	1,096	—	—	1,093
Balances, June 30, 2022		29,483,045	$ 29,483	$ 386,368	$ 369,673	$ (211,095)	$ 574,429
Net Income		—	—	—	24,596	—	24,596
Other Comprehensive Income (Loss)		—	—	—	—	(97,963)	(97,963)
Cash Dividends ($0.23 per share)		—	—	—	(6,759)	—	(6,759)
Issuance of Common Stock for:							
Restricted Share Grants Net	Restricted Share Grants Net	2,076	2	396	—	—	398
Balances, September 30, 2022		29,485,121	$ 29,485	$ 386,764	$ 387,510	$ (309,058)	$ 494,701
Restricted Share Grants Net							
Balances, March 31, 2024							
Balances, March 31, 2024							
Balances, March 31, 2024							

	Common Stock					
	Shares	**Amount**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total Shareholders' Equity**
Balances, January 1, 2023	29,493,193	$ 29,493	$ 387,171	$ 405,167	$ (263,438)	$ 558,393
Net Income	—	—	—	20,807	—	20,807
Other Comprehensive Income (Loss)	—	—	—	—	32,946	32,946
Cash Dividends ($0.25 per share)	—	—	—	(7,354)	—	(7,354)
Issuance of Common Stock for:						
Restricted Share Grants Net	80,246	80	459	—	—	539
Balances, March 31, 2023	29,573,439	$ 29,573	$ 387,630	$ 418,620	$ (230,492)	$ 605,331

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,			Three Months Ended March 31,	
		2023	2022		2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES	CASH FLOWS FROM OPERATING ACTIVITIES			CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	Net Income	$ 64,381	$ 57,410			
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:	Adjustments to Reconcile Net Income to Net Cash from Operating Activities:			Adjustments to Reconcile Net Income to Net Cash from Operating Activities:		
Net Amortization on Securities	Net Amortization on Securities	4,166	4,954			
Depreciation and Amortization	Depreciation and Amortization	7,208	7,743			
Loans Originated for Sale	Loans Originated for Sale	(81,608)	(138,921)			
Proceeds from Sales of Loans Held-for-Sale	Proceeds from Sales of Loans Held-for-Sale	84,926	145,194			
Provision for Credit Losses	Provision for Credit Losses	2,550	5,850			
Gain on Sale of Loans, net	Gain on Sale of Loans, net	(1,831)	(3,324)			
Gain on Securities, net	Gain on Securities, net	(40)	(473)			
Gain on Sales of Other Real Estate and Repossessed Assets		(55)	(18)			
Loss (Gain) on Disposition and Donation of Premises and Equipment	Loss (Gain) on Disposition and Donation of Premises and Equipment	28	(37)			
Gain on Disposition of Land		(83)	—			
Loss (Gain) on Disposition and Donation of Premises and Equipment						
Loss (Gain) on Disposition and Donation of Premises and Equipment						
Increase in Cash Surrender Value of Company Owned Life Insurance						
Increase in Cash Surrender Value of Company Owned Life Insurance						
Increase in Cash Surrender Value of Company Owned Life Insurance	Increase in Cash Surrender Value of Company Owned Life Insurance	(1,374)	(1,323)			
Equity Based Compensation	Equity Based Compensation	1,866	1,915			
Change in Assets and Liabilities:	Change in Assets and Liabilities:			Change in Assets and Liabilities:		

Interest Receivable and Other Assets	Interest Receivable and Other Assets	(5,214)	(87)
Interest Payable and Other Liabilities	Interest Payable and Other Liabilities	2,737	3,609
Net Cash from Operating Activities	**Net Cash from Operating Activities**	77,657	82,492
CASH FLOWS FROM INVESTING ACTIVITIES	**CASH FLOWS FROM INVESTING ACTIVITIES**		
Proceeds from Maturity of Other Short-term Investments		—	248
CASH FLOWS FROM INVESTING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Maturities of Securities Available-for-Sale			
Proceeds from Maturities of Securities Available-for-Sale			
Proceeds from Maturities of Securities Available-for-Sale	Proceeds from Maturities of Securities Available-for-Sale	187,171	107,665
Proceeds from Sales of Securities Available-for-Sale			
Proceeds from Sales of Securities Available-for-Sale			
Proceeds from Sales of Securities Available-for-Sale	Proceeds from Sales of Securities Available-for-Sale	114,259	99,572
Purchase of Securities Available-for-Sale	Purchase of Securities Available-for-Sale	(102,164)	(332,809)
Proceeds from Redemption of Federal Home Loan Bank Stock	Proceeds from Redemption of Federal Home Loan Bank Stock	274	8,020
Purchase of Loans		(544)	(1,811)
Proceeds from Sale of Loans Held for Investment		—	596
Proceeds from Redemption of Federal Home Loan Bank Stock			
Proceeds from Redemption of Federal Home Loan Bank Stock			

Loans Made to Customers, net of Payments Received	Loans Made to Customers, net of Payments Received	(104,168)	436
Proceeds from Sales of Other Real Estate		55	88
Loans Made to Customers, net of Payments Received			
Loans Made to Customers, net of Payments Received			
Property and Equipment Expenditures			
Property and Equipment Expenditures			
Property and Equipment Expenditures	Property and Equipment Expenditures	(5,497)	(6,288)
Proceeds from Sales of Land and Buildings		252	—
Proceeds from Life Insurance		—	773
Acquisition of Citizens Union Bancorp of Shelbyville, Inc.		—	207,598
Net Cash from Investing Activities	**Net Cash from Investing Activities**	89,638	84,088
Net Cash from Investing Activities			
Net Cash from Investing Activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
CASH FLOWS FROM FINANCING ACTIVITIES			
CASH FLOWS FROM FINANCING ACTIVITIES	**CASH FLOWS FROM FINANCING ACTIVITIES**		
Change in Deposits	Change in Deposits	(213,927)	(100,610)
Change in Short-term Borrowings	Change in Short-term Borrowings	57,142	(27,890)
Advances in Long-term Debt	Advances in Long-term Debt	25,000	—
Repayments of Long-term Debt	Repayments of Long-term Debt	(97)	(41,660)
Dividends Paid	Dividends Paid	(22,073)	(20,264)
Dividends Paid			
Dividends Paid			
Net Cash from Financing Activities	**Net Cash from Financing Activities**	(153,955)	(190,424)
Net Change in Cash and Cash Equivalents	**Net Change in Cash and Cash Equivalents**	13,340	(23,844)

Net Change in Cash and Cash Equivalents

Net Change in Cash and Cash Equivalents

Cash and Cash Equivalents at Beginning of Year	Cash and Cash Equivalents at Beginning of Year	119,079	396,890
Cash and Cash Equivalents at End of Period	Cash and Cash Equivalents at End of Period	$132,419	$373,046

Cash Paid During the Period for				
Interest	$	40,442	$	9,142
Income Taxes		14,865		8,612
Supplemental Non Cash Disclosures				
Loans Transferred to Other Real Estate	$	—	$	30
Interest Rate Swap Fair Value Adjustment	$	419	$	5,590
Reclassification of Land and Buildings to Other Assets	$	691	$	—
Supplemental Schedule for Investing Activities (Acquisition of CUB)				
Assets acquired, net of purchase consideration	$	—	$	945,160
Liabilities assumed		—		1,003,756
Goodwill	$	—	$	58,596

Cash Paid During the Period for				
Interest	$	21,101	$	10,152
Income Taxes		—		—
Supplemental Non Cash Disclosures				
Interest Rate Swap Fair Value Adjustment	$	827	$	(1,963)

See accompanying notes to consolidated financial statements.

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2023 March 31, 2024
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NOTE 1 – Basis of Presentation and Market Conditions

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" “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 Company’s Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. 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' shareholders’ equity based on these reclassifications.

NOTE 2 - Recent Accounting Pronouncements

Recently Adopted Accounting Guidance

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting”. These amendments provide temporary optional guidance to ease the potential burden in accounting for reference rate reform. The ASU provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. It is intended to help stakeholders during the global market-wide reference rate transition period. In January 2021, the FASB issued ASU 2021-01 which clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. The guidance is effective for all entities as of March 12, 2020 through December 31, 2024. The Company has discontinued originating LIBOR based loans and has a plan in place to transition transitioned formerly LIBOR indexed loans primarily to term SOFR or and other indices.

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

On March 31, 2022, the FASB issued ASU 2022-02, “Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures” which eliminates the troubled debt restructuring recognition and measurement guidance and instead requires an entity to evaluate whether the modification represents a new loan or a continuation of an existing loan. The amendments also enhance existing disclosures and include new disclosure requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. To improve consistency for vintage disclosures, the ASU requires that public business entities disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20. For entities that have adopted ASU 2016-13, the amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For entities that have not adopted ASU 2016-13, the effective dates for the amendments are the same as the effective dates in ASU 2016-13. Early adoption is permitted if ASU 2016-13 has been adopted, including adoption in an interim period. If an entity elects to adopt the amendments in an interim period, the guidance should be applied as of the beginning of the fiscal year that includes the interim period. The Company adopted the new guidance prospectively with no material impact to the consolidated financial statements.

The SEC released SEC’s Staff Accounting Bulletin No. 121 (“SAB 121”) on March 31, 2022, which provides interpretive guidance regarding the accounting for obligations to safeguard crypto-assets an entity holds for its customers, either directly or through an agent or through another third party acting on its behalf. SAB 121 requires an entity to recognize a liability on its balance sheet to reflect the obligation to safeguard the crypto-assets of others, along with a corresponding safeguarding asset, both of which are measured at fair value. The Company has completed an evaluation and concluded that it does not have a safeguarding obligation under SAB 121 and therefore the disclosures do not apply.

Newly Issued But Not Yet Effective Accounting Standards

On March 29, 2023, the FASB issued ASU 2023-02, "Investments “Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method" Method” to expand use of the proportional amortization method of accounting to equity investments in tax credit programs beyond those in low-income-housing tax credit (LIHTC) programs. The amendments in this update permit reporting entities to account for certain tax equity

NOTE 2 - Recent Accounting Pronouncements (continued)

investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. This guidance provides clarifications to address interpretive issues and

NOTE 2 - Recent Accounting Pronouncements (continued)

prescribes specific information that reporting entities must disclose about tax credit investments each period.

This ASU is effective for reporting periods beginning after December 15, 2023, for public business entities. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted, included early adoption in any interim period as of the beginning of the fiscal year that includes that interim period. Entities have the option of applying the forthcoming revisions using either a modified retrospective or retrospective adoption approach. The Company is currently evaluating the impact of adopting adopted this new guidance, however, adoption of the standard is not expected to have a material and there was no impact on the Company's Company’s financial statements or disclosures.

NOTE 3 – Per Share Data

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

		Three Months Ended September 30,			**Three Months Ended March 31,**	
		2023	**2022**		**2024**	**2023**
Basic Earnings per Share:	Basic Earnings per Share:			Basic Earnings per Share:		
Net Income	Net Income	$ 21,451	$ 24,596			

Weighted Average Shares Outstanding	Weighted Average Shares Outstanding	29,573,461	29,484,394
Basic Earnings per Share	Basic Earnings per Share	$ 0.73	$ 0.83
Diluted Earnings per Share:	Diluted Earnings per Share:		
Diluted Earnings per Share:			
Diluted Earnings per Share:			
Net Income	Net Income	$ 21,451	$ 24,596
Weighted Average Shares Outstanding			
Weighted Average Shares Outstanding			
Weighted Average Shares Outstanding	Weighted Average Shares Outstanding	29,573,461	29,484,394
Potentially Dilutive Shares, Net	Potentially Dilutive Shares, Net	—	—
Diluted Weighted Average Shares Outstanding	Diluted Weighted Average Shares Outstanding	29,573,461	29,484,394
Diluted Earnings per Share	Diluted Earnings per Share	$ 0.73	$ 0.83

For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, there were no anti-dilutive shares.

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Basic Earnings per Share:		
Net Income	$ 64,381	$ 57,410
Weighted Average Shares Outstanding	29,551,558	29,457,396
Basic Earnings per Share	$ 2.18	$ 1.95
Diluted Earnings per Share:		
Net Income	$ 64,381	$ 57,410
Weighted Average Shares Outstanding	29,551,558	29,457,396
Potentially Dilutive Shares, Net	—	—
Diluted Weighted Average Shares Outstanding	29,551,558	29,457,396
Diluted Earnings per Share	$ 2.18	$ 1.95

For the nine months ended September 30, 2023 and 2022, there were no anti-dilutive shares.

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

NOTE 4 – Securities

The amortized cost, unrealized gross gains and losses recognized in accumulated other comprehensive income (loss), and fair value of securities available-for-sale were as follows:

Securities Available-for-Sale:	Securities Available-for-Sale:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Securities Available-for-Sale:						
Securities Available-for-Sale:		**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**		**Fair Value**
September 30, 2023						
March 31, 2024						**March 31, 2024**
U.S. Treasury	U.S. Treasury	$ —	$ —	$ —	$ —	$ —
Obligations of State and Political Subdivisions	Obligations of State and Political Subdivisions	892,171	10	(212,994)	—	679,187
MBS/CMO	MBS/CMO	775,708	—	(155,145)	—	620,563
US Gov't Sponsored Entities & Agencies	US Gov't Sponsored Entities & Agencies	223,556	—	(46,350)	—	177,206
Total	Total	$1,891,435	$ 10	$ (414,489)	$ —	$1,476,956
December 31, 2022						
December 31, 2023						
December 31, 2023						
December 31, 2023						
U.S. Treasury	U.S. Treasury	$ 64,097	$ 22	$ —	$ —	$ 64,119
Obligations of State and Political Subdivisions	Obligations of State and Political Subdivisions	939,193	673	(162,014)	—	777,852
MBS/CMO	MBS/CMO	846,519	—	(131,838)	—	714,681
US Gov't Sponsored Entities & Agencies	US Gov't Sponsored Entities & Agencies	245,017	—	(40,000)	—	205,017
Total	Total	$2,094,826	$ 695	$ (333,852)	$ —	$1,761,669

All mortgage-backed securities in the above table (identified above and throughout this Note 4 as "MBS/CMO" “MBS/CMO”) are residential and multi-family mortgage-backed securities and guaranteed by government sponsored entities. The US Gov't Sponsored

GERMAN AMERICAN BANCORP, INC.
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March 31, 2024

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NOTE 4 - Securities (continued)

Entities & Agencies in the above table include securities that have underlying collateral of equipment, machinery and commercial real estate.

The amortized cost and fair value of securities available-for-sale at September 30, 2023 March 31, 2024 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 Securities are not due at a single maturity date and are shown separately.

Securities Available-for-Sale:	Securities Available-for-Sale:	Amortized Cost	Fair Value	Securities Available-for-Sale:	Amortized Cost	Fair Value
Due in one year or less						
Due in one year or less						
Due in one year or less	Due in one year or less	$ 1,807	$ 1,793			
Due after one year through five years	Due after one year through five years	17,277	16,880			
Due after five years through ten years	Due after five years through ten years	60,985	54,202			
Due after ten years	Due after ten years	812,102	606,312			
MBS/CMO	MBS/CMO	775,708	620,563			
US Gov't Sponsored Entities & Agencies	US Gov't Sponsored Entities & Agencies	223,556	177,206			
Total	Total	$1,891,435	$1,476,956			

Proceeds from the Sales of Securities are summarized below:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Proceeds from Sales	$ 62,162	$ 93,752
Gross Gains on Sales	360	257
Gross Losses on Sales	325	255
Income Taxes on Gross Gains	7	—

$2,073

23

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GERMAN AMERICAN BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023

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

NOTE 4 - Securities (continued)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022

Proceeds from Sales	$ 114,259	$ 99,572
Gross Gains on Sales	346	517
Income Taxes on Gross Gains	73	109

The carrying value of securities pledged to secure repurchase agreements, public and trust deposits, and for other purposes as required by law was $376,326 $380,442 and $354,123 $366,576 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Below is a summary of securities with unrealized losses as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, presented by length of time the securities have been in a continuous unrealized loss position:

		Less than 12 Months		12 Months or More		Total	
September 30, 2023		Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
March 31, 2024							
U.S. Treasury		$ —	$ —	$ —	$ —	$ —	$ —
Obligations of State and Political Subdivisions							
Obligations of State and Political Subdivisions							
Obligations of State and Political Subdivisions	Obligations of State and Political Subdivisions	89,609	(5,201)	587,496	(207,793)	677,105	(212,994)
MBS/CMO	MBS/CMO	129	(9)	620,427	(155,136)	620,556	(155,145)
US Gov't Sponsored Entities & Agencies	US Gov't Sponsored Entities & Agencies	—	—	177,206	(46,350)	177,206	(46,350)
Total	Total	$ 89,738	$ (5,210)	$1,385,129	$ (409,279)	$1,474,867	$ (414,489)

	Less than 12 Months		12 Months or More		Total	
March 31, 2024	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss

		Less than 12 Months		12 Months or More		Total	
December 31, 2022		Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2023							
U.S. Treasury		$ —	$ —	$ —	$ —	$ —	$ —
Obligations of State and Political Subdivisions							
Obligations of State and Political Subdivisions							
Obligations of State and Political Subdivisions	Obligations of State and Political Subdivisions	579,267	(117,423)	122,992	(44,591)	702,259	(162,014)
MBS/CMO	MBS/CMO	240,344	(20,920)	474,327	(110,918)	714,671	(131,838)
US Gov't Sponsored Entities & Agencies	US Gov't Sponsored Entities & Agencies	198,702	(38,818)	6,314	(1,182)	205,016	(40,000)
Total	Total	$1,018,313	$ (177,161)	$603,633	$ (156,691)	$1,621,946	$ (333,852)

	Less than 12 Months		12 Months or More		Total	
December 31, 2023	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss

GERMAN AMERICAN BANCORP, INC.
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March 31, 2024
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NOTE 4 - Securities (continued)

Available-for-sale debt securities in unrealized loss positions are evaluated for impairment related to credit losses at least quarterly. For available-for-sale debt securities in an unrealized loss position, the Company assesses whether we intend to sell, or it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is reduced to fair value through income. For available-for sale debt securities that do not meet the criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security and the issuer, among other factors. If this assessment indicates that a credit loss exists, we compare the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis for the security, a credit loss exists and an allowance for credit losses is recorded, limited to the amount that the fair value of the security is less than its amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income, net of applicable taxes. The increase in unrealized losses from December 31, 2022 December 31, 2023 to September 30, 2023 March 31, 2024 was primarily the result of fair value adjustments caused by the change in market interest rates. There was no allowance for credit losses for available-for-sale debt securities at September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

Although management has the ability to sell these securities if the need arises, their designation as available-for-sale should not necessarily be interpreted as an indication that management anticipates such sales.

Accrued interest receivable on available-for-sale debt securities totaled $9,272 $8,608 at September 30, 2023 March 31, 2024 and $10,637 $9,620 at December 31, 2022 December 31, 2023. Accrued interest receivable is excluded from the estimate of credit losses.

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NOTE 4 - Securities (continued)

The Company's equity securities are listed as Other Investments on the Consolidated Balance Sheets and consist of one non-controlling investment in a single banking organization at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The original investment totaled $1,350 and other-than-temporary impairment was previously recorded totaling $997. The Company's equity securities are considered not to have readily determinable fair value and are carried at cost and evaluated for impairment. At September 30, 2023 March 31, 2024, there was no additional impairment recognized through earnings.

NOTE 5 – - 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 $137,340 $150,251 at September 30, 2023 March 31, 2024 and $134,684 $139,751 at December 31, 2022 December 31, 2023. 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. While the derivatives represent economic hedges, they do not qualify as hedges for accounting purposes.

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 of derivative instruments included in the Consolidated Balance Sheets as of:

		September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
		Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Included in Other Assets:	Included in Other Assets:								
Included in Other Assets:									
Interest Rate Swaps	Interest Rate Swaps	$137,340	$ 10,318	$134,684	$ 9,899				
Included in Other Liabilities:	Included in Other Liabilities:								
Included in Other Liabilities:									
Included in Other Liabilities:									

Interest Rate Swaps	Interest Rate Swaps	$137,340	$ 10,195	$134,684	$ 9,749
Interest Rate Swaps					
Interest Rate Swaps					

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2024
(unaudited, dollars in thousands except share and per share data)

NOTE 5 - Derivatives (continued)

The following table presents the effect of derivative instruments on the Consolidated Statements of Income for the periods presented:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	**2022**	**2023**	**2022**
Interest Rate Swaps:	Interest Rate Swaps:				
Interest Rate Swaps:					
Interest Rate Swaps:					
Included in Other Operating Income	Included in Other Operating Income	$ 194	$ 111	$ 372	$ 455
Included in Other Operating Income					
Included in Other Operating Income					

GERMAN AMERICAN BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2023
(unaudited, dollars in thousands except share and per share data)

NOTE 6 – Loans

Loans were comprised of the following classifications:

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Commercial:	Commercial:				
Commercial and Industrial Loans					
Commercial and Industrial Loans					
Commercial and Industrial Loans	Commercial and Industrial Loans	$ 598,893	$ 620,106		
Commercial Real Estate Loans	Commercial Real Estate Loans	2,076,962	1,966,884		
Agricultural Loans	Agricultural Loans	398,109	417,413		
Leases	Leases	66,999	56,396		
Retail:	Retail:				

Home Equity Loans	Home Equity Loans	286,880	279,748
Home Equity Loans			
Home Equity Loans			
Consumer Loans	Consumer Loans	88,976	79,904
Credit Cards	Credit Cards	20,144	17,512
Residential Mortgage Loans	Residential Mortgage Loans	356,610	350,682
Subtotal	Subtotal	3,893,573	3,788,645
Subtotal			
Subtotal			
Less: Unearned Income	Less: Unearned Income	(6,023)	(3,711)
Allowance for Credit Losses	Allowance for Credit Losses	(44,646)	(44,168)
Loans, net	Loans, net	$3,842,904	$3,740,766

The table above includes $15,074 $12,817 and $21,149 $13,237 of purchase credit deteriorated loans as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Allowance for Credit Losses for Loans

The following tables present the activity in the allowance for credit losses by portfolio segment for the three months ended September 30, 2023 March 31, 2024 and 2022: 2023:

September 30, 2023		Commercial and Industrial Loans	Commercial Real Estate Loans	Agricultural Loans	Leases	Consumer Loans	Home Equity Loans	Credit Cards	Residential Mortgage Loans	Total
March 31, 2024		Commercial and Industrial Loans	Commercial Real Estate Loans	Agricultural Loans	Leases	Consumer Loans	Home Equity Loans	Credit Cards	Residential Mortgage Loans	Total
Allowance for Credit Losses:	Allowance for Credit Losses:									
Beginning balance										
Beginning balance										
Beginning balance	Beginning balance	$ 13,567	$ 21,834	$ 3,956	$ 235	$ 640	$1,436	$ 288	$ 2,310	$44,266
Provision (Benefit) for credit loss expense	Provision (Benefit) for credit loss expense	(436)	1,117	(168)	19	258	9	93	8	900
Loans charged-off	Loans charged-off	(175)	(56)	(2)	—	(352)	—	(64)	(1)	(650)
Recoveries collected	Recoveries collected	2	5	—	—	119	2	2	—	130
Total ending allowance balance	Total ending allowance balance	$ 12,958	$ 22,900	$ 3,786	$ 254	$ 665	$1,447	$ 319	$ 2,317	$44,646

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

NOTE 6 - Loans (continued)

September 30, 2022 / March 31, 2023	Commercial and Industrial Loans	Commercial Real Estate Loans	Agricultural Loans	Leases	Consumer Loans	Home Equity Loans	Credit Cards	Residential Mortgage Loans	Total
Allowance for Credit Losses:									
Beginning balance									
Beginning balance									
Beginning balance	$ 13,545	$ 22,349	$ 4,628	$ 191	$ 668	$1,233	$ 239	$ 2,178	$45,031
Provision (Benefit) for credit loss expense	141	(210)	(99)	27	305	85	52	49	350
Loans charged-off	(238)	(1)	—	—	(495)	(5)	(63)	(18)	(820)
Recoveries collected	7	5	—	—	116	—	8	2	138
Total ending allowance balance	$ 13,455	$ 22,143	$ 4,529	$ 218	$ 594	$1,313	$ 236	$ 2,211	$44,699

The following tables present the activity in the allowance for credit losses by portfolio segment for the nine months ended September 30, 2023 and 2022:

September 30, 2023	Commercial and Industrial Loans	Commercial Real Estate Loans	Agricultural Loans	Leases	Consumer Loans	Home Equity Loans	Credit Cards	Residential Mortgage Loans	Total
Allowance for Credit Losses:									
Beginning balance	$ 13,749	$ 21,598	$ 4,188	$ 209	$ 595	$ 1,344	$ 257	$ 2,228	$ 44,168
Provision (Benefit) for credit loss expense	310	1,286	(375)	45	657	109	374	144	2,550
Loans charged-off	(1,252)	(56)	(27)	—	(980)	(39)	(325)	(58)	(2,737)
Recoveries collected	151	72	—	—	393	33	13	3	665
Total ending allowance balance	$ 12,958	$ 22,900	$ 3,786	$ 254	$ 665	$ 1,447	$ 319	$ 2,317	$ 44,646

September 30, 2022	Commercial and Industrial Loans	Commercial Real Estate Loans	Agricultural Loans	Leases	Consumer Loans	Home Equity Loans	Credit Cards	Residential Mortgage Loans	Total
Allowance for Credit Losses:									
Beginning balance	$ 9,554	$ 19,245	$ 4,505	$ 200	$ 507	$ 1,061	$ 240	$ 1,705	$ 37,017
Acquisition of Citizens Union Bank of Shelbyville, KY	376	1,945	689	—	2	—	—	105	3,117
Provision (Benefit) for credit loss expense	3,803	1,013	(665)	18	823	309	131	418	5,850
Loans charged-off	(299)	(79)	—	—	(1,027)	(57)	(153)	(21)	(1,636)
Recoveries collected	21	19	—	—	289	—	18	4	351

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

Total ending allowance balance	$ 13,455	$ 22,143	$ 4,529	$ 218	$ 594	$ 1,313	$ 236	$ 2,211	$ 44,699

The Company utilizes the Static Pool static pool methodology in determining expected future credit losses. Static pool analysis means segmenting and tracking loans over a period of time based on similar risk characteristics such as loan structure, collateral type, industry of borrower and concentrations, contractual terms and credit risk indicators. Static pool calculates a loss rate on a closed pool of loans that existed on a specified start date based upon the remaining life of each segment.

The Company's expected loss estimate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. The Company's Company's historical look-back period includes January 2014 through the current period, on a monthly basis.

Qualitative reserves reflect management's overall estimate of the extent to which current expected credit losses on collectively evaluated loans will differ from historical loss experience. The analysis takes into consideration industry and collateral concentrations, acquired loan portfolio characteristics and other credit-related analytics as deemed appropriate. Management attempts to quantify qualitative reserves by anchoring to specific data points when possible.

NOTE 6 - Loans (continued)

The Company estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for changes in underwriting standards, portfolio mix, delinquency level, changes in environmental conditions, unemployment rates, risk classifications and collateral values. The allowance for credit losses is measured on a collective (pooled) basis when similar risk characteristics exist. Based on the potential increased losses related to the advancing stress on the economy as a result of inflationary pressures, rising interest rates and financial market volatility, the Company has considered this loss experience may align with loss experience from the recessionary period from 2008-2011 and qualitative adjustments have been made accordingly.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date adjusted for selling costs.

For the nine three months ended September 30, 2023 March 31, 2024, the allowance for credit losses increased minimally remained stable compared to December 31, 2022 December 31, 2023. The Company saw improvement in individually analyzed loans and added reserve for loan portfolio growth. Key indicators utilized in forecasting for the allowance calculations include unemployment rates and gross domestic product as well as commodity prices for the agricultural segment of the portfolio. There has been some improvement in these factors over previous periods; however, rising interest rates and the expanded inflationary impact on consumer discretionary spending were considered in the qualitative factors to determine the allowance for credit losses.

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

NOTE 6 - Loans (continued)

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 amortized cost in non-accrual loans and loans past due over 89 days still accruing by class of loans as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

September 30, 2023	Non-Accrual With No Allowance for Credit Loss (1)	Total Non-Accrual	Loans Past Due Over 89 Days Still Accruing

March 31, 2024	March 31, 2024	Non-Accrual With No Allowance for Credit Loss (1)	Total Non-Accrual	Loans Past Due Over 89 Days Still Accruing
Commercial and Industrial Loans				
Commercial and Industrial Loans				
Commercial and Industrial Loans	Commercial and Industrial Loans	$ 554	$ 7,298	$ 1,000
Commercial Real Estate Loans	Commercial Real Estate Loans	137	1,006	145
Agricultural Loans	Agricultural Loans	698	1,036	25
Leases	Leases	—	—	—
Home Equity Loans	Home Equity Loans	567	621	—
Consumer Loans	Consumer Loans	32	32	—
Credit Cards	Credit Cards	146	146	—
Residential Mortgage Loans	Residential Mortgage Loans	726	1,067	—
Total	Total	$ 2,860	$ 11,206	$ 1,170

(1) Includes non-accrual loans with no allowance for credit loss and are also included in Total Non-Accrual loans of $11,206. $9,898.

Interest income on non-accrual loans recognized during the three and nine months ended September 30, 2023 March 31, 2024 totaled $62 and $99, respectively. $32.

NOTE 6 - Loans (continued)

December 31, 2022		Non-Accrual With No Allowance for Credit Loss (1)	Total Non-Accrual	Loans Past Due Over 89 Days Still Accruing
December 31, 2023	December 31, 2023	Non-Accrual With No Allowance for Credit Loss (1)	Total Non-Accrual	Loans Past Due Over 89 Days Still Accruing
Commercial and Industrial Loans				
Commercial and Industrial Loans				
Commercial and Industrial Loans	Commercial and Industrial Loans	$ 1,142	$ 7,936	$ 1,427
Commercial Real Estate Loans	Commercial Real Estate Loans	49	1,950	—

Agricultural Loans	Agricultural Loans	994	1,062	—
Leases	Leases	—	—	—
Home Equity Loans	Home Equity Loans	262	310	—
Consumer Loans	Consumer Loans	240	254	—
Credit Cards	Credit Cards	146	146	—
Residential Mortgage Loans	Residential Mortgage Loans	676	1,230	—
Total	Total	$ 3,509	$ 12,888	$ 1,427

(1) Includes non-accrual loans with no allowance for credit loss and are also included in Total Non-Accrual loans of $12,888. $9,136.

Interest income on non-accrual loans recognized during the year ended December 31, 2022 December 31, 2023 totaled $32. $106.

The following tables present the amortized cost basis of collateral-dependent loans by class of loans as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

September 30, 2023	Real Estate	Equipment	Accounts Receivable	Other	Total
Commercial and Industrial Loans	$ 3,070	$ 134	$ —	$ 6,707	$ 9,911
Commercial Real Estate Loans	8,367	—	—	—	8,367
Agricultural Loans	2,796	1,097	—	—	3,893
Leases	—	—	—	—	—
Home Equity Loans	475	—	—	—	475
Consumer Loans	9	—	—	—	9
Credit Cards	—	—	—	—	—
Residential Mortgage Loans	847	—	—	—	847
Total	$ 15,564	$ 1,231	$ —	$ 6,707	$ 23,502

December 31, 2022		Real Estate	Equipment	Accounts Receivable	Other	Total
March 31, 2024	March 31, 2024	Real Estate	Equipment	Accounts Receivable	Other	Total
Commercial and Industrial Loans	Commercial and Industrial Loans					
Commercial and Industrial Loans	Commercial and Industrial Loans	$ 2,078	$ 1,219	$ 272	$ 5,851	$ 9,420
Commercial Real Estate Loans	Commercial Real Estate Loans	12,192	36	—	—	12,228
Agricultural Loans	Agricultural Loans	4,944	318	—	—	5,262
Leases	Leases	—	—	—	—	—
Home Equity Loans	Home Equity Loans	467	—	—	—	467
Consumer Loans	Consumer Loans	8	2	—	12	22

Credit Cards	Credit Cards	—	—	—	—	—
Residential Mortgage Loans	Residential Mortgage Loans	1,060	—	—	—	1,060
Total	Total	$ 20,749	$ 1,575	$ 272	$ 5,863	$ 28,459

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NOTE 6 - Loans (continued)

December 31, 2023	Real Estate	Equipment	Accounts Receivable	Other	Total
Commercial and Industrial Loans	$ 3,668	$ 49	$ —	$ 1,888	$ 5,605
Commercial Real Estate Loans	8,553	—	—	—	8,553
Agricultural Loans	3,338	1,055	—	—	4,393
Leases	—	—	—	—	—
Home Equity Loans	420	—	—	—	420
Consumer Loans	9	—	—	—	9
Credit Cards	—	—	—	—	—
Residential Mortgage Loans	753	—	—	—	753
Total	$ 16,741	$ 1,104	$ —	$ 1,888	$ 19,733

The following tables present the aging of the amortized cost basis in past due loans by class of loans as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

September 30, 2023	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial and Industrial Loans	$ 454	$ —	$ 7,822	$ 8,276	$ 590,617	$ 598,893
Commercial Real Estate Loans	387	384	1,012	1,783	2,075,179	2,076,962
Agricultural Loans	337	—	639	976	397,133	398,109
Leases	—	—	—	—	66,999	66,999
Home Equity Loans	1,460	215	621	2,296	284,584	286,880
Consumer Loans	269	19	32	320	88,656	88,976
Credit Cards	87	58	146	291	19,853	20,144
Residential Mortgage Loans	8,233	1,345	855	10,433	346,177	356,610
Total	$ 11,227	$ 2,021	$ 11,127	$ 24,375	$ 3,869,198	$ 3,893,573

December 31, 2022		30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
March 31, 2024							
Commercial and Industrial Loans	Commercial and Industrial Loans	$ 268	$ 681	$ 8,285	$ 9,234	$ 610,872	$ 620,106
Commercial Real Estate Loans	Commercial Real Estate Loans	1,617	14	616	2,247	1,964,637	1,966,884

March 31, 2024	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total

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

Agricultural Loans	Agricultural Loans	343	—	123	466	416,947	417,413
Leases	Leases	—	—	—	—	56,396	56,396
Home Equity Loans	Home Equity Loans	1,770	140	310	2,220	277,528	279,748
Consumer Loans	Consumer Loans	219	64	252	535	79,369	79,904
Credit Cards	Credit Cards	86	24	146	256	17,256	17,512
Residential Mortgage Loans	Residential Mortgage Loans	6,330	2,783	1,051	10,164	340,518	350,682
Total	Total	$ 10,633	$ 3,706	$ 10,783	$ 25,122	$ 3,763,523	$ 3,788,645

December 31, 2023	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial and Industrial Loans	$ 832	$ 257	$ 3,299	$ 4,388	$ 585,153	$ 589,541
Commercial Real Estate Loans	1,215	484	938	2,637	2,119,198	2,121,835
Agricultural Loans	5	248	497	750	423,053	423,803
Leases	—	—	—	—	71,988	71,988
Home Equity Loans	1,016	571	1,033	2,620	297,065	299,685
Consumer Loans	658	84	110	852	87,001	87,853
Credit Cards	165	87	142	394	19,957	20,351
Residential Mortgage Loans	7,362	1,647	1,215	10,224	352,620	362,844
Total	$ 11,253	$ 3,378	$ 7,234	$ 21,865	$ 3,956,035	$ 3,977,900

NOTE 6 - Loans (continued)

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

Effective January 1, 2023, the Company prospectively adopted ASU 2022-02, which eliminated the accounting for troubled debt restructurings while establishing a new standard for the treatment of modifications made to borrowers experiencing financial difficulties. As such, effective with the adoption of the new standard, the Company will not include, prospectively, financial difficulty modifications in its presentation of nonperforming loans, nonperforming assets or classified assets. Prior period data, which included troubled debt restructurings, has not been adjusted.

The Company's loan modifications for borrowers experiencing financial difficulties will typically include one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in the loan. No modifications in 2023 during the three months ended, March 31, 2024, or the year ended, December 31, 2023, resulted in the a permanent reduction of the recorded investment in the loan.

During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the Company had no modified loans made to borrowers experiencing financial difficulty. There were no modified loans that had a payment default during the three and nine months ended September 30, 2023 March 31, 2024 and 2023 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty. The Company considers a loan to be in payment default once it is 30 days contractually past due under the modified terms.

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NOTE 6 - Loans (continued)

Troubled Debt Restructurings Disclosures Prior to Adoption of ASU 2022-02

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.

As of December 31, 2022, the Company had no troubled debt restructurings. The Company had no specific allocation of allowance for these loans at December 31, 2022. The Company had not committed to lending any additional amounts as of December 31, 2022 to customers with outstanding loans that are classified as troubled debt restructurings.

For the year ended December 31, 2022, the Company had no loans modified as troubled debt restructurings. Additionally, there were no loans modified as troubled debt restructurings for which there was a payment default within twelve months following the modification during the year ended December 31, 2022.

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 $250. 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.

NOTE 6 - Loans (continued)

Based on the analysis performed at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the risk category of loans by class of loans is as follows:

	Term Loans Amortized Cost Basis by Origination Year							
As of September 30, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Commercial and Industrial:								
Risk Rating								

	Term Loans Amortized Cost Basis by Origination Year							
As of March 31, 2024								
As of March 31, 2024								
As of March 31, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Commercial and Industrial:								
Risk Rating								
Risk Rating								
Risk Rating								

Pass									
Pass									
Pass	Pass	$ 88,379	$140,656	$ 86,196	$ 30,700	$ 36,656	$ 51,279	$ 136,528	$ 570,394
Special Mention	Special Mention	48	470	498	1,609	642	1,991	5,843	11,101
Substandard	Substandard	—	391	6,284	787	1,116	1,510	7,310	17,398
Doubtful	Doubtful	—	—	—	—	—	—	—	—
Total Commercial & Industrial Loans	Total Commercial & Industrial Loans	$ 88,427	$141,517	$ 92,978	$ 33,096	$ 38,414	$ 54,780	$ 149,681	$ 598,893
Current Period Gross Charge-Offs	Current Period Gross Charge-Offs	$ —	$ 911	$ 32	$ 33	$ 7	$ 88	$ 181	$ 1,252
Current Period Gross Charge-Offs									
Current Period Gross Charge-Offs									
Commercial Real Estate:	Commercial Real Estate:								
Commercial Real Estate:									
Commercial Real Estate:									
Risk Rating	Risk Rating								
Risk Rating									
Risk Rating									
Pass									
Pass									
Pass	Pass	$218,088	$424,293	$473,834	$227,014	$150,687	$482,924	$ 36,185	$2,013,025
Special Mention	Special Mention	13,591	2,171	11,239	4,471	264	21,051	—	52,787
Substandard	Substandard	—	203	5,360	1,152	748	3,372	315	11,150
Doubtful	Doubtful	—	—	—	—	—	—	—	—
Total Commercial Real Estate Loans	Total Commercial Real Estate Loans	$231,679	$426,667	$490,433	$232,637	$151,699	$507,347	$ 36,500	$2,076,962
Current Period Gross Charge-Offs	Current Period Gross Charge-Offs	$ —	$ —	$ 56	$ —	$ —	$ —	$ —	$ 56
Current Period Gross Charge-Offs									
Current Period Gross Charge-Offs									
Agricultural:	Agricultural:								
Agricultural:									
Agricultural:									
Risk Rating	Risk Rating								
Risk Rating									
Risk Rating									
Pass									
Pass									
Pass	Pass	$ 33,037	$ 58,537	$ 41,034	$ 42,723	$ 22,653	$104,949	$ 65,960	$ 368,893
Special Mention	Special Mention	2,528	240	635	5,037	2,552	10,101	2,649	23,742
Substandard	Substandard	—	—	202	189	292	4,791	—	5,474
Doubtful	Doubtful	—	—	—	—	—	—	—	—
Total Agricultural Loans	Total Agricultural Loans	$ 35,565	$ 58,777	$ 41,871	$ 47,949	$ 25,497	$119,841	$ 68,609	$ 398,109
Current Period Gross Charge-Offs	Current Period Gross Charge-Offs	$ —	$ —	$ —	$ 2	$ —	$ —	$ 25	$ 27

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Current Period Gross Charge-Offs

Current Period Gross Charge-Offs

Leases:	Leases:								
Leases:									
Leases:									
Risk Rating	Risk Rating								
Risk Rating									
Risk Rating									
Pass									
Pass									
Pass	Pass	$ 27,207	$ 13,519	$ 11,533	$ 6,964	$ 6,076	$ 1,700	$ —	$ 66,999
Special Mention	Special Mention	—	—	—	—	—	—	—	—
Substandard	Substandard	—	—	—	—	—	—	—	—
Doubtful	Doubtful	—	—	—	—	—	—	—	—
Total Leases	Total Leases	$ 27,207	$ 13,519	$ 11,533	$ 6,964	$ 6,076	$ 1,700	$ —	$ 66,999
Current Period Gross Charge-Offs	Current Period Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Current Period Gross Charge-Offs

Current Period Gross Charge-Offs

NOTE 6 - Loans (continued)

As of December 31, 2022		2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost Basis	Total
		Term Loans Amortized Cost Basis by Origination Year							
As of December 31, 2023									
As of December 31, 2023									
As of December 31, 2023		2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Commercial and Industrial:	Commercial and Industrial:								
Risk Rating	Risk Rating								
Risk Rating									
Risk Rating									
Pass									
Pass									
Pass	Pass	$ 156,318	$ 117,648	$ 39,949	$ 46,505	$ 18,423	$ 51,482	$ 154,203	$ 584,528
Special Mention	Special Mention	56	148	577	78	551	2,346	1,672	5,428
Substandard	Substandard	1,714	5,629	849	1,304	1,028	2,237	17,389	30,150
Doubtful	Doubtful	—	—	—	—	—	—	—	—
Total Commercial & Industrial Loans	Total Commercial & Industrial Loans	$ 158,088	$ 123,425	$ 41,375	$ 47,887	$ 20,002	$ 56,065	$ 173,264	$ 620,106
Current Period Gross Charge-Offs									

Current Period Gross Charge-Offs
Current Period Gross Charge-Offs

Commercial Real Estate:
Commercial Real Estate:

Commercial Real Estate:								
Risk Rating								
Pass	$398,631	$490,747	$261,462	$162,701	$129,151	$427,433	$ 35,163	$1,905,288
Special Mention	3,982	1,568	4,612	135	13,689	25,371	—	49,357
Substandard	—	4,628	489	1,415	979	4,728	—	12,239
Doubtful	—	—	—	—	—	—	—	—
Total Commercial Real Estate Loans	$402,613	$496,943	$266,563	$164,251	$143,819	$457,532	$ 35,163	$1,966,884
Current Period Gross Charge-Offs								
Agricultural:								
Risk Rating								
Pass	$ 62,673	$ 47,682	$ 47,355	$ 25,431	$ 21,728	$ 92,344	$ 83,862	$ 381,075
Special Mention	634	842	6,066	4,149	2,355	11,440	4,310	29,796
Substandard	—	210	628	429	85	5,190	—	6,542
Doubtful	—	—	—	—	—	—	—	—
Total Agricultural Loans	$ 63,307	$ 48,734	$ 54,049	$ 30,009	$ 24,168	$108,974	$ 88,172	$ 417,413
Current Period Gross Charge-Offs								
Leases:								
Risk Rating								
Pass	$ 20,057	$ 14,461	$ 9,648	$ 8,901	$ 1,851	$ 1,478	$ —	$ 56,396
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total Leases	$ 20,057	$ 14,461	$ 9,648	$ 8,901	$ 1,851	$ 1,478	$ —	$ 56,396

Current Period Gross Charge-Offs

Current Period Gross Charge-Offs

Current Period Gross Charge-Offs

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NOTE 6 - Loans (continued)

The Company considers the performance of the loan portfolio and its impact on the allowance for credit losses. For residential and consumer 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 tables present the amortized cost in residential, home equity and consumer loans based on payment activity.

	Term Loans Amortized Cost Basis by Origination Year							
As of September 30, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Consumer:								
Payment performance								
Performing	$40,108	$28,347	$10,852	$ 3,710	$ 1,139	$ 2,121	$ 2,667	$ 88,944
Nonperforming	4	6	11	6	—	5	—	32
Total Consumer Loans	$40,112	$28,353	$10,863	$ 3,716	$ 1,139	$ 2,126	$ 2,667	$ 88,976
Current Period Gross Charge-Offs	$ 880	$ 42	$ 23	$ 24	$ 3	$ 1	$ 7	$ 980
Home Equity:								
Payment performance								
Performing	$ 225	$ 118	$ 87	$ 90	$ 68	$ 1,014	$ 284,657	$286,259
Nonperforming	—	—	251	—	—	92	278	621

	Term Loans Amortized Cost Basis by Origination Year						
As of March 31, 2024							
As of March 31, 2024							
As of March 31, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Consumer:							
Payment performance							
Payment performance							
Performing							
Performing							
Current Period Gross Charge-Offs							
Current Period Gross Charge-Offs							
Home Equity:							
Home Equity:							
Payment performance							
Payment performance							
Performing							
Performing							

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

Total Home Equity Loans	Total Home Equity Loans	$ 225	$ 118	$ 338	$ 90	$ 68	$ 1,106	$ 284,935	$ 286,880
Current Period Gross Charge-Offs	Current Period Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ 24	$ 15	$ 39
Current Period Gross Charge-Offs									
Current Period Gross Charge-Offs									
Residential Mortgage:	Residential Mortgage:								
Residential Mortgage:									
Residential Mortgage:									
Payment performance	Payment performance								
Payment performance									
Payment performance									
Performing									
Performing									
Performing	Performing	$ 40,631	$ 66,546	$ 87,909	$ 42,517	$ 18,330	$ 99,610	$ —	$ 355,543
Nonperforming	Nonperforming	—	110	140	123	109	585	—	1,067
Total Residential Mortgage Loans	Total Residential Mortgage Loans	$ 40,631	$ 66,656	$ 88,049	$ 42,640	$ 18,439	$ 100,195	$ —	$ 356,610
Current Period Gross Charge-Offs	Current Period Gross Charge-Offs	$ —	$ —	$ 22	$ 36	$ —	$ —	$ —	$ 58
Current Period Gross Charge-Offs									
Current Period Gross Charge-Offs									

NOTE 6 - Loans (continued)

	Term Loans Amortized Cost Basis by Origination Year							
As of December 31, 2022	**2022**	**2021**	**2020**	**2019**	**2018**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Total**

	Term Loans Amortized Cost Basis by Origination Year							
As of December 31, 2023								
As of December 31, 2023								
As of December 31, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Total**
Consumer:								
Payment performance								
Payment performance								

Payment performance

Performing

Performing

Performing	Performing	$42,685	$22,708	$ 5,610	$ 2,394	$ 1,543	$ 1,553	$ 3,157	$ 79,650
Nonperforming	Nonperforming	3	19	212	8	2	10	—	254
Total Consumer Loans	Total Consumer Loans	$42,688	$22,727	$ 5,822	$ 2,402	$ 1,545	$ 1,563	$ 3,157	$ 79,904

Current Period Gross Charge-Offs

Current Period Gross Charge-Offs

Current Period Gross Charge-Offs

Home Equity:

Home Equity:

Home Equity: Home Equity:

Payment performance Payment performance

Payment performance

Payment performance

Performing

Performing

Performing	Performing	$ 63	$ —	$ —	$ —	$ —	$ 591	$ 278,784	$279,438
Nonperforming	Nonperforming	—	20	—	—	19	1	270	310
Total Home Equity Loans	Total Home Equity Loans	$ 63	$ 20	$ —	$ —	$ 19	$ 592	$ 279,054	$279,748

Current Period Gross Charge-Offs

Current Period Gross Charge-Offs

Current Period Gross Charge-Offs

Residential Mortgage:

Residential Mortgage:

Residential Mortgage: Residential Mortgage:

Payment performance Payment performance

Payment performance

Payment performance

Performing

Performing

Performing	Performing	$69,982	$97,176	$46,851	$20,080	$16,664	$98,699	$ —	$349,452
Nonperforming	Nonperforming	—	161	253	—	78	738	—	1,230
Total Residential Mortgage Loans	Total Residential Mortgage Loans	$69,982	$97,337	$47,104	$20,080	$16,742	$99,437	$ —	$350,682

Current Period Gross Charge-Offs

Current Period Gross Charge-Offs

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

Current Period Gross Charge-Offs

The Company considers the performance of the loan portfolio and its impact on the allowance for credit loan losses. For certain retail 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 credit cards based on payment activity:

Credit Cards	Credit Cards	September 30, 2023	December 31, 2022	Credit Cards	March 31, 2024	December 31, 2023
Performing	Performing	$ 19,998	$ 17,366			
Performing						
Performing						
Nonperforming	Nonperforming	146	146			
Total	Total	$ 20,144	$ 17,512			
Total						
Total						

The following tables present loans purchased and/or sold during the year by portfolio segment and excludes the business combination activity:

September 30, 2023	Commercial and Industrial Loans	Commercial Real Estate Loans	Agricultural Loans	Leases	Consumer Loans	Home Equity Loans	Credit Cards	Residential Mortgage Loans	Total
Purchases	$ —	$ 544	$ —	$ —	$ —	$ —	$ —	$ —	$ 544
Sales	—	—	—	—	—	—	—	—	—

December 31, 2022	Commercial and Industrial Loans	Commercial Real Estate Loans	Agricultural Loans	Leases	Consumer Loans	Home Equity Loans	Credit Cards	Residential Mortgage Loans	Total
Purchases	$ 522	$ 411	$ —	$ —	$ —	$ —	$ —	$ —	$ 933
Sales	—	3,819	97	—	—	—	—	—	3,916

March 31, 2024	Commercial and Industrial Loans	Commercial Real Estate Loans	Agricultural Loans	Leases	Consumer Loans	Home Equity Loans	Credit Cards	Residential Mortgage Loans	Total
Purchases	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Sales	—	—	—	—	—	—	—	—	—

NOTE 6 - Loans (continued)

December 31, 2023	Commercial and Industrial Loans	Commercial Real Estate Loans	Agricultural Loans	Leases	Consumer Loans	Home Equity Loans	Credit Cards	Residential Mortgage Loans	Total
Purchases	$ —	$ 1,502	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,502
Sales	—	—	—	—	—	—	—	—	—

NOTE 7 – 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 $41,303 $38,764 and $64,961 $40,968 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. 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 8 – Segment Information

The Company's operations include three primary segments: core banking, wealth management 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 wealth management segment involves providing trust, investment advisory, brokerage and retirement planning 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.

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

The core banking segment is comprised by the Company's banking subsidiary, German American Bank, which operated through 76 75 banking offices at September 30, 2023 March 31, 2024. Net interest income from loans and investments funded by deposits and borrowings is the primary revenue for the core-banking segment. The wealth management 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, brokerage and retirement planning 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	Wealth Management Services	Insurance	Other	Consolidated Totals
Three Months Ended					
September 30, 2023					
Net Interest Income	$ 48,794	$ 32	$ 15	$ (1,282)	$ 47,559
Net Gains on Sales of Loans	614	—	—	—	614
Net Gains on Securities	—	—	—	—	—
Wealth Management Fees	1	2,956	—	—	2,957
Insurance Revenues	—	1	2,064	—	2,065
Noncash Items:					
Provision (Benefit) for Credit Losses	900	—	—	—	900
Depreciation and Amortization	2,236	7	12	114	2,369
Income Tax Expense (Benefit)	4,709	184	107	(409)	4,591
Segment Profit (Loss)	21,472	761	161	(943)	21,451
Segment Assets at September 30, 2023	5,998,860	8,374	15,631	(17,199)	6,005,666

NOTE 8 - Segment Information (continued)

		Core Banking	Wealth Management Services	Insurance	Other	Consolidated Totals		Core Banking	Wealth Management Services	Insurance	Other	Consolidated Totals
Three Months Ended	**Three Months Ended**						**Three Months Ended**					
September 30, 2022												
March 31, 2024							**March 31, 2024**					
Net Interest Income	Net Interest Income	$ 52,659	$ 14	$ 8	$ (983)	$ 51,698						
Net Gains on Sales of Loans	Net Gains on Sales of Loans	854	—	—	—	854						
Net Gains on Securities	Net Gains on Securities	23	—	—	—	23						
Wealth Management Fees	Wealth Management Fees	1	2,375	—	—	2,376						
Insurance Revenues	Insurance Revenues	1	9	1,985	—	1,995						
Noncash Items:	Noncash Items:											

Provision (Benefit) for Credit Losses		350	—	—	—	350
Provision for Credit Losses						
Provision for Credit Losses						
Provision for Credit Losses						
Depreciation and Amortization	Depreciation and Amortization	2,357	10	12	114	2,493
Income Tax Expense (Benefit)	Income Tax Expense (Benefit)	6,443	149	61	(520)	6,133
Segment Profit (Loss)	Segment Profit (Loss)	26,213	461	189	(2,267)	24,596
Segment Assets at December 31, 2022		6,152,346	8,846	14,706	(19,907)	6,155,991
Segment Assets at March 31, 2024						

		Core Banking	**Wealth Management Services**	**Insurance**	**Other**	**Consolidated Totals**
		Core Banking	**Wealth Management Services**	**Insurance**	**Other**	**Consolidated Totals**
Nine Months Ended September 30, 2023						
Three Months Ended March 31, 2023	**Three Months Ended March 31, 2023**					
Net Interest Income	Net Interest Income	$ 148,363	$ 86	$ 45	$(3,668)	$ 144,826
Net Gains on Sales of Loans	Net Gains on Sales of Loans	1,831	—	—	—	1,831
Net Gains on Securities	Net Gains on Securities	40	—	—	—	40
Wealth Management Fees	Wealth Management Fees	4	8,509	—	—	8,513
Insurance Revenues	Insurance Revenues	1	22	7,307	—	7,330
Noncash Items:	Noncash Items:					
Provision (Benefit) for Credit Losses		2,550	—	—	—	2,550
Provision for Credit Losses						
Provision for Credit Losses						
Provision for Credit Losses						
Depreciation and Amortization	Depreciation and Amortization	6,803	26	37	342	7,208
Income Tax Expense (Benefit)	Income Tax Expense (Benefit)	14,099	474	427	(1,201)	13,799
Segment Profit (Loss)	Segment Profit (Loss)	63,987	2,083	1,470	(3,159)	64,381

Segment Assets at September 30, 2023	5,998,860	8,374	15,631	(17,199)	6,005,666
Segment Assets at December 31, 2023					

GERMAN AMERICAN BANCORP, INC.
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NOTE 8 - Segment Information (continued)

	Core Banking	Wealth Management Services	Insurance	Other	Consolidated Totals
Nine Months Ended September 30, 2022					
Net Interest Income	$ 150,798	$ 27	$ 14	$ (2,636)	$ 148,203
Net Gains on Sales of Loans	3,324	—	—	—	3,324
Net Gains on Securities	473	—	—	—	473
Wealth Management Fees	3	7,653	—	—	7,656
Insurance Revenues	30	11	7,929	—	7,970
Noncash Items:					
Provision (Benefit) for Credit Losses	5,850	—	—	—	5,850
Depreciation and Amortization	7,334	31	36	342	7,743
Income Tax Expense (Benefit)	12,189	551	643	(1,552)	11,831
Segment Profit (Loss)	58,162	1,717	2,038	(4,507)	57,410
Segment Assets at December 31, 2022	6,152,346	8,846	14,706	(19,907)	6,155,991

NOTE 9 – Stock Repurchase Plan

On January 31, 2022, the Company's Board of Directors approved a plan to repurchase up to 1,000,000 shares of the Company's outstanding common stock. On a share basis, the amount of common stock subject to the repurchase plan represented approximately 3% of the Company's outstanding shares at the time it was approved. The Company is not obligated to purchase shares under the plan, and the plan may be discontinued at any time. The actual timing, number and share price of shares purchased under the repurchase plan will be determined by the Company at its discretion and will depend upon such factors as the market price of the stock, general market and economic conditions and applicable legal requirements. At the time it approved the new plan, the Board also terminated a similar plan that had been adopted in January 2021. At the time of its termination, the Company had been authorized to purchase up to 1,000,000 shares of common stock under the 2021 repurchase plan. The Company did not repurchase any shares of common stock under the 2021 repurchase plan and has not repurchased any shares under the 2022 this repurchase plan.

In August 2022, the Inflation Reduction Act of 2022 (the "IRA") was enacted. Among other things, the IRA imposes a new 1% excise tax on the fair value of stock repurchased after December 31, 2022 by publicly traded U.S. corporations, like the Company. With certain exceptions, the value of stock repurchased is determined net of stock issued in the year, including shares issued pursuant to compensatory arrangements.

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NOTE 10 – Equity Plans and Equity Based Compensation

During the periods presented, the Company maintained two equity incentive plans its 2019 Long-Term Equity Incentive Plan (the "2019 LTI Plan"), under which stock options, restricted stock, and other equity incentive awards could be granted. Those plans include (i) the Company's 2009 Long-Term Equity Incentive Plan, under which no new grants may be made, and (ii) the Company's 2019 Long-Term Equity Incentive Plan (the "2019 LTI Plan"). The 2019 LTI Plan, which authorizes a maximum aggregate issuance of 1,000,000 shares of common stock (subject to certain permitted adjustments), became effective on May 16, 2019, following approval of the Company's shareholders. It will remain in effect until May 16, 2029, or until all shares of common stock subject to the 2019 LTI Plan are distributed, all awards have expired or terminated, or the plan is terminated pursuant to its terms, whichever occurs first.

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

For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company granted no options. The Company recorded no stock compensation expense applicable to options during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. 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. In 2019 and prior, awards that were granted to management and selected other employees under the Company's management incentive plan were granted in tandem with cash credit entitlements in the form of 60% restricted stock grants and 40% cash credit entitlements. In

NOTE 10 - Equity Plans and Equity Based Compensation (continued)

2020, awards granted under the management incentive plan were granted in tandem with cash credit entitlements in the form of 66.67% restricted stock grants and 33.33% cash credit entitlements. In 2019 and prior, the restricted stock grants and tandem cash credit entitlements, generally, vested Beginning in three annual installments of 33.33% each. In 2020, 100% of the cash portion of an award vested towards the end of the year in which the grant was made, followed by the restricted stock grants vesting 50% in each of the 2nd and 3rd years. Beginning in 2021, for named executive officers, awards are granted in the form of 100% restricted stock grants which vest in one-third installments on the first, second and third anniversaries of the award date. Awards that are granted to directors as additional retainers 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 31 of the year after grant or does not satisfy certain meeting attendance requirements, at which time they generally vest 100%. 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 and nine months ended September 30, 2023 March 31, 2024, the Company granted 2,668 and 83,786 87,918 shares respectively, of restricted stock. During the three and nine months ended September 30, 2022 March 31, 2023, the Company granted 2,076 and 65,334 shares, respectively, 80,390 of restricted stock. Total unvested shares of restricted stock at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were 136,622 186,307 and 74,873, 116,632, respectively.

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

		Three Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2024	2023
Restricted Stock Expense	Restricted Stock Expense	$497	$398		
Restricted Stock Expense					
Restricted Stock Expense					
Cash Entitlement Expense	Cash Entitlement Expense	209	163		
Tax Effect	Tax Effect	(183)	(146)		
Net of Tax	Net of Tax	$523	$415		

	Nine Months Ended September 30,	
	2023	2022
Restricted Stock Expense	$ 1,866	$ 1,915
Cash Entitlement Expense	570	497
Tax Effect	(632)	(626)
Net of Tax	$ 1,804	$ 1,786

Unrecognized expense associated with the restricted stock grants and cash entitlements totaled $3,805 $6,188 and $3,061 $5,516 as of September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

The Company's shareholders approved the Company's 2019 Employee Stock Purchase Plan on May 16, 2019, as well as an Amended and Restated 2019 Employee Stock Purchase Plan on May 21, 2020, which was amended and restated to reflect certain clarifying changes (the "2019 ESPP" “2019 ESPP”). The 2019 ESPP replaced the Company's 2009 Employee Stock Purchase Plan, which expired by its own terms on August 16, 2019. The 2019 ESPP provides for a series of 3-month offering periods, commencing on the first day and ending on the last trading day of each calendar quarter, for the purchase of the Company's common stock by participating employees. The purchase price of the shares has been set at 95% of the fair value of the Company's common stock on the last trading day of the offering period. A total of 750,000 common shares has been reserved for issuance under the 2019 ESPP. The 2019 ESPP will continue until September 30, 2029, or, if earlier, until all of the shares of common stock allocated to the 2019 ESPP have been purchased. Funding for the purchase of common stock is from employee and Company contributions.

For the three months ended September 30, 2023 March 31, 2024, the Company recorded $7 $12 of expense related to the employee stock purchase plan 2019 ESPP resulting in $5 net of tax. For the nine months ended September 30, 2023, the Company recorded $23 of expense related to the employee stock purchase plan resulting in $17 $9 net of tax. For the three months ended September 30, 2022 March 31, 2023, the Company recorded $11 $12 of expense related to the employee stock purchase plan 2019 ESPP resulting in $8 net of tax. For the nine months ended September 30, 2022, the Company recorded $39 of expense related to the employee stock purchase plan resulting in $30 net of

NOTE 10 - Equity Plans and Equity Based Compensation (continued)

in $9 net of tax. There was no unrecognized compensation expense as of September 30, 2023 March 31, 2024 and 2022 2023 for the employee stock purchase plan. 2019 ESPP. No stock options were outstanding as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

NOTE 11 – Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Investment Securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For investment securities where quoted prices are not available, fair values are calculated based on market prices of similar investment securities (Level 2). For investment securities where quoted prices or market prices of similar investment securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). Level 3 pricing is obtained from a third-party based upon similar trades that are not traded frequently without adjustment by the Company. At September 30, 2023 March 31, 2024, the Company held $82 $76 in Level 3 securities which consist of non-rated Obligations of State and Political Subdivisions and $943 $991 in Level 3 securities which consist of non-rated MBS/CMO. Absent the credit rating, significant assumptions must be made such that the credit risk input becomes an unobservable input and thus these investment securities are reported by the Company in a Level 3 classification.

Derivatives: The fair values of derivatives are based on valuation models using observable market data as of the measurement date (Level 2).

Individually Analyzed Loans: Fair values for collateral dependent loans are generally based on appraisals obtained from licensed real estate appraisers and in certain circumstances includes consideration of offers obtained to purchase properties prior to foreclosure. Appraisals for commercial real estate generally use three methods to derive value: cost, sales or market comparison and income approach. The cost method bases value in the cost to replace the current property. Value of market comparison approach evaluates the sales price of similar properties in the same market area. The income approach considers net operating income generated by the property and an investor's investor’s required return. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Comparable sales adjustments are based on known sales prices of similar type and similar use properties and duration of time that the property has been on the market to sell. Such adjustments made in the appraisal process are typically significant and result in a Level 3 classification of the inputs for determining fair value.

Appraisals for both collateral-dependent loans and other real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of the Company's Risk Management Area reviews the assumptions and approaches utilized in the appraisal. In determining the value of collateral dependent loans and other real estate owned, significant unobservable inputs may be used which include: physical condition of comparable properties sold, net operating income generated by the property and investor rates of return.

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

NOTE 11 - Fair Value (continued)

Other Real Estate: Nonrecurring adjustments to certain commercial and residential real estate properties classified as other real estate are measured at the lower of carrying amount or fair value, less costs to sell. Fair values are generally based on third party appraisals of the property utilizing similar techniques as discussed above for Individually Analyzed Loans, resulting in a Level 3 classification. In cases where the carrying amount exceeds the fair value, less costs to sell, impairment loss is recognized.

Loans Held-for-Sale: The fair values of loans held for sale are determined by using quoted prices for similar assets, adjusted for specific attributes of that loan resulting in a Level 2 classification.

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis, including financial assets and liabilities for which the Company has elected the fair value option, are summarized below:

		Fair Value Measurements at September 30, 2023 Using				Fair Value Measurements at March 31, 2024 Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:	Assets:								
U.S. Treasury									
U.S. Treasury									
U.S. Treasury	U.S. Treasury	$ —	$ —	$ —	$ —				
Obligations of State and Political Subdivisions	Obligations of State and Political Subdivisions	—	679,105	82	679,187				
MBS/CMO	MBS/CMO	—	619,620	943	620,563				
US Gov't Sponsored Entities & Agencies	US Gov't Sponsored Entities & Agencies	—	177,206	—	177,206				
Total Securities	Total Securities	$ —	$ 1,475,931	$ 1,025	$1,476,956				
Loans Held-for-Sale	Loans Held-for-Sale	$ —	$ 7,085	$ —	$ 7,085				
Loans Held-for-Sale									
Loans Held-for-Sale									
Derivative Assets									
Derivative Assets									
Derivative Assets	Derivative Assets	$ —	$ 10,318	$ —	$ 10,318				
Derivative Liabilities	Derivative Liabilities	$ —	$ 10,195	$ —	$ 10,195				
Derivative Liabilities									
Derivative Liabilities									

		Fair Value Measurements at December 31, 2022 Using				Fair Value Measurements at December 31, 2023 Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:	Assets:								

U.S. Treasury					
U.S. Treasury					
U.S. Treasury	U.S. Treasury	$ 64,119	$ —	$ —	$ 64,119
Obligations of State and Political Subdivisions	Obligations of State and Political Subdivisions	—	777,769	83	777,852
MBS/CMO	MBS/CMO	—	713,775	906	714,681
US Gov't Sponsored Entities & Agencies	US Gov't Sponsored Entities & Agencies	—	205,017	—	205,017
Total Securities	Total Securities	$ 64,119	$ 1,696,561	$ 989	$1,761,669
Loans Held-for-Sale	Loans Held-for-Sale	$ —	$ 8,600	$ —	$ 8,600
Loans Held-for-Sale					
Loans Held-for-Sale					
Derivative Assets					
Derivative Assets					
Derivative Assets	Derivative Assets	$ —	$ 9,899	$ —	$ 9,899
Derivative Liabilities	Derivative Liabilities	$ —	$ 9,749	$ —	$ 9,749
Derivative Liabilities					
Derivative Liabilities					

NOTE 11 - Fair Value (continued)

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the aggregate fair value, contractual balance (including accrued interest), and gain or loss on Loans Held-for-Sale was as follows:

		March 31, 2024	March 31, 2024	December 31, 2023
		September 30, 2023	December 31, 2022	
Aggregate Fair Value				
Aggregate Fair Value				
Aggregate Fair Value	Aggregate Fair Value	$ 7,085	$ 8,600	
Contractual Balance	Contractual Balance	6,973	8,474	
Gain (Loss)	Gain (Loss)	112	126	

The total amount of gains and losses from changes in fair value included in earnings for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 for loans held for sale were $(44) $88 and $(4), respectively. The total amount of gains and losses from changes in fair value included in earnings for the nine months ended September 30, 2023 and 2022 were $(14) and $(140) $(29), respectively.

The tables below present a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

		Obligations of State and Political Subdivisions		MBS/CMO		Obligations of State and Political Subdivisions		MBS/CMO	
		2023	2022	2023	2022	2024	2023	2024	2023
Balance of Recurring Level 3 Assets at July 1		$ 84	$ 94	$919	$ —				
Balance of Recurring Level 3 Assets at January 1									
Balance of Recurring Level 3 Assets at January 1									
Balance of Recurring Level 3 Assets at January 1									
Total Gains (Losses) Included in Other Comprehensive Income	Total Gains (Losses) Included in Other Comprehensive Income	(2)	(3)	24	—				
Maturities / Calls	Maturities / Calls	—	—	—	—				
Acquired through Bank Acquisition	Acquired through Bank Acquisition	—	—	—	—				
Balance of Recurring Level 3 Assets at September 30		$ 82	$ 91	$943	$ —				
Balance of Recurring Level 3 Assets at March 31									

	Obligations of State and Political Subdivisions		MBS/CMO	
	2023	2022	2023	2022
Balance of Recurring Level 3 Assets at January 1	$ 83	$ —	$ 906	$ —
Total Gains (Losses) Included in Other Comprehensive Income	(1)	(3)	37	—
Maturities / Calls	—	—	—	—
Acquired through Bank Acquisition	—	94	—	—
Balance of Recurring Level 3 Assets at September 30	$ 82	$ 91	$ 943	$ —

Of the total gain (loss) included in earnings for the three months ended September 30, 2023 March 31, 2024 and 2022, $22 2023, $8 and $(3) was attributable to other changes in fair value, respectively. Of the total gain (loss) included in earnings for the nine months ended September 30, 2023 and 2022, $36 and $(3) $11 was attributable to other changes in fair value, respectively.

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NOTE 11 - Fair Value (continued)

Assets and Liabilities Measured on a Non-Recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

	Fair Value Measurements at September 30, 2023 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Individually Analyzed Loans				

Commercial and Industrial Loans	$ —	$ —	$ 2,699	$ 2,699
Commercial Real Estate Loans	$ —	$ —	$ 6,877	$ 6,877
Agricultural Loans	$ —	$ —	$ 1,841	$ 1,841
Consumer Loans	$ —	$ —	$ 9	$ 9
Home Equity Loans	$ —	$ —	$ 363	$ 363
Residential Mortgage Loans	$ —	$ —	$ 537	$ 537

		Fair Value Measurements at December 31, 2022 Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:	Assets:				
Individually Analyzed Loans	Individually Analyzed Loans				
Commercial and Industrial Loans	Commercial and Industrial Loans	$ —	$ —	$ 1,858	$ 1,858
Commercial Real Estate Loans	Commercial Real Estate Loans	$ —	$ —	$ 10,040	$ 10,040
Agricultural Loans	Agricultural Loans	$ —	$ —	$ 2,970	$ 2,970
Consumer Loans	Consumer Loans	$ —	$ —	$ 8	$ 8
Home Equity Loans	Home Equity Loans	$ —	$ —	$ 368	$ 368
Residential Mortgage Loans	Residential Mortgage Loans	$ —	$ —	$ 718	$ 718

	Fair Value Measurements at March 31, 2024 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Individually Analyzed Loans				

GERMAN AMERICAN BANCORP, INC.
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NOTE 11 - Fair Value (continued)

	Fair Value Measurements at December 31, 2023 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Individually Analyzed Loans				
Commercial and Industrial Loans	$ —	$ —	$ 2,506	$ 2,506
Commercial Real Estate Loans	$ —	$ —	$ 3,447	$ 3,447
Agricultural Loans	$ —	$ —	$ 2,395	$ 2,395
Consumer Loans	$ —	$ —	$ 9	$ 9
Home Equity Loans	$ —	$ —	$ 326	$ 326
Residential Mortgage Loans	$ —	$ —	$ 450	$ 450

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

The following tables present quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

September 30, 2023 March 31, 2024		**Fair Value**	**Valuation Technique(s)**	**Unobservable Input(s)**	**Range (Weighted Average)**
Individual Analyzed Loans - Commercial and Industrial Loans	$	2,699 2,715	Sales comparison approach	Adjustment for physical condition of comparable properties sold	30% 23%-100% (38% (37%)
Individual Analyzed Loans - Commercial Real Estate Loans	$	6,877 3,098	Sales comparison approach	Adjustment for physical condition of comparable properties sold	25% 20%-68% (37% (43%)
Individual Analyzed Loans - Agricultural Loans	$	1,841 2,220	Sales comparison approach	Adjustment for physical condition of comparable properties sold	19% 31%-100% (50% (52%)
Individual Analyzed Loans - Consumer Loans	$	9	Sales comparison approach	Adjustment for physical condition of comparable properties sold	20%-27% -20% (20%)
Individual Analyzed Loans - Home Equity Loans	$	363 326	Sales comparison approach	Adjustment for physical condition of comparable properties sold	20%-20% (20%)
Individual Analyzed Loans - Residential Mortgage Loans	$	537 326	Sales comparison approach	Adjustment for physical condition of comparable properties sold	20%-20% (20%)

December 31, 2022		**Fair Value**	**Valuation Technique(s)**	**Unobservable Input(s)**	**Range (Weighted Average)**
Individual Analyzed Loans - Commercial and Industrial Loans	$	1,858	Sales comparison approach	Adjustment for physical condition of comparable properties sold	0%-100% (40%)
Individual Analyzed Loans - Commercial Real Estate Loans	$	10,040	Sales comparison approach	Adjustment for physical condition of comparable properties sold	30%-100% (37%)
Individual Analyzed Loans - Agricultural Loans	$	2,970	Sales comparison approach	Adjustment for physical condition of comparable properties sold	30%-100% (48%)
Individual Analyzed Loans - Consumer Loans	$	8	Sales comparison approach	Adjustment for physical condition of comparable properties sold	27%-100% (20%)
Individual Analyzed Loans - Home Equity Loans	$	368	Sales comparison approach	Adjustment for physical condition of comparable properties sold	20%-51% (20%)
Individual Analyzed Loans - Residential Mortgage Loans	$	718	Sales comparison approach	Adjustment for physical condition of comparable properties sold	20%-100% (21%)

NOTE 11 - Fair Value (continued)

December 31, 2023		Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Individual Analyzed Loans - Commercial and Industrial Loans	$	2,506	Sales comparison approach	Adjustment for physical condition of comparable properties sold	23%-100% (33%)
Individual Analyzed Loans - Commercial Real Estate Loans	$	3,447	Sales comparison approach	Adjustment for physical condition of comparable properties sold	20%-68% (42%)
Individual Analyzed Loans - Agricultural Loans	$	2,395	Sales comparison approach	Adjustment for physical condition of comparable properties sold	31%-100% (51%)
Individual Analyzed Loans - Consumer Loans	$	9	Sales comparison approach	Adjustment for physical condition of comparable properties sold	20%-20% (20%)
Individual Analyzed Loans - Home Equity Loans	$	326	Sales comparison approach	Adjustment for physical condition of comparable properties sold	20%-20% (20%)
Individual Analyzed Loans - Residential Mortgage Loans	$	450	Sales comparison approach	Adjustment for physical condition of comparable properties sold	20%-20% (20%)

The carrying amounts and estimated fair values of the Company's financial instruments not previously presented are provided in the tables below for the periods ending September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. Not all of the Company's assets and liabilities are considered financial instruments, and therefore are not included in the tables. Because no active market exists for a significant portion of the Company's financial instruments, fair value estimates were based on subjective judgments, and therefore cannot be determined with precision.

			Fair Value Measurements at September 30, 2023 Using			
		Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets:	Financial Assets:					
Cash and Short-term Investments	Cash and Short-term Investments	$ 132,419	$ 72,063	$ 60,356	$ —	$ 132,419
Interest Bearing Time Deposits with Banks	Interest Bearing Time Deposits with Banks	500	—	500	—	500
Loans, Net	Loans, Net	3,830,578	—	—	3,725,317	3,725,317
Accrued Interest Receivable	Accrued Interest Receivable	29,115	—	9,634	19,481	29,115
Financial Liabilities:	Financial Liabilities:					
Demand, Savings, and Money Market Deposits	Demand, Savings, and Money Market Deposits	(4,434,355)	(4,434,355)	—	—	(4,434,355)
Demand, Savings, and Money Market Deposits						
Demand, Savings, and Money Market Deposits						
Time Deposits	Time Deposits	(701,516)	—	(698,642)	—	(698,642)
Short-term Borrowings	Short-term Borrowings	(158,303)	(117,000)	(41,303)	—	(158,303)
Long-term Debt	Long-term Debt	(127,890)	—	(51,983)	(72,280)	(124,263)

		Fair Value Measurements at March 31, 2024 Using			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets:					

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

Accrued Interest Payable	Accrued Interest Payable	(5,890)	—	(5,417)	(473)	(5,890)

		Fair Value Measurements at December 31, 2022 Using			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and Short-term Investments	$ 119,079	$ 77,174	$ 41,905	$ —	$ 119,079
Interest Bearing Time Deposits with Banks	500	—	500	—	500
Loans, Net	3,724,804	—	—	3,688,903	3,688,903
Accrued Interest Receivable	27,741	38	10,863	16,840	27,741
Financial Liabilities:					
Demand, Savings, and Money Market Deposits	(4,921,582)	(4,921,582)	—	—	(4,921,582)
Time Deposits	(428,469)	—	(426,184)	—	(426,184)
Short-term Borrowings	(101,161)	(36,200)	(64,961)	—	(101,161)
Long-term Debt	(102,645)	—	(26,830)	(72,272)	(99,102)
Accrued Interest Payable	(1,513)	—	(1,205)	(308)	(1,513)

NOTE 11 - Fair Value (continued)

		Fair Value Measurements at December 31, 2023 Using			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and Short-term Investments	$ 115,330	$ 78,805	$ 36,525	$ —	$ 115,330
Interest Bearing Time Deposits with Banks	500	—	500	—	500
Loans, Net	3,918,184	—	—	3,801,738	3,801,738
Accrued Interest Receivable	30,595	—	10,014	20,581	30,595
Financial Liabilities:					
Demand, Savings, and Money Market Deposits	(4,485,921)	(4,485,921)	—	—	(4,485,921)
Time Deposits	(767,042)	—	(759,217)	—	(759,217)
Short-term Borrowings	(65,968)	(25,000)	(40,968)	—	(65,968)
Long-term Debt	(127,969)	—	(52,522)	(74,562)	(127,084)
Accrued Interest Payable	(7,073)	—	(6,701)	(372)	(7,073)

NOTE 12 - Other Comprehensive Income (Loss)

The tables below summarize the changes in accumulated other comprehensive income (loss) by component for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, net of tax:

September 30, 2023	Unrealized Gains and Losses on Available-for-Sale Securities	Postretirement Benefit Items	Total
Beginning Balance at July 1, 2023	$ (248,338)	$ (514)	$ (248,852)

March 31, 2024	March 31, 2024	Unrealized Gains and Losses on Available-for-Sale Securities	Postretirement Benefit Items	Total
Beginning Balance at January 1, 2024				
Beginning Balance at January 1, 2024				

Beginning Balance at January 1, 2024				
Other Comprehensive Income (Loss) Before Reclassification	Other Comprehensive Income (Loss) Before Reclassification	(78,761)	—	(78,761)
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	—	—	—
Net Current Period Other Comprehensive Income (Loss)	Net Current Period Other Comprehensive Income (Loss)	(78,761)	—	(78,761)
Ending Balance at September 30, 2023		$ (327,099)	$ (514)	$(327,613)
Ending Balance at March 31, 2024				

September 30, 2023		Unrealized Gains and Losses on Available-for-Sale Securities	Postretirement Benefit Items	Total				
March 31, 2023					March 31, 2023	Unrealized Gains and Losses on Available-for-Sale Securities	Postretirement Benefit Items	Total
Beginning Balance at January 1, 2023								
Beginning Balance at January 1, 2023								
Beginning Balance at January 1, 2023	Beginning Balance at January 1, 2023	$ (262,924)	$ (514)	$(263,438)				
Other Comprehensive Income (Loss) Before Reclassification	Other Comprehensive Income (Loss) Before Reclassification	(64,143)	—	(64,143)				
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	(32)	—	(32)				
Net Current Period Other Comprehensive Income (Loss)	Net Current Period Other Comprehensive Income (Loss)	(64,175)	—	(64,175)				
Ending Balance at September 30, 2023		$ (327,099)	$ (514)	$(327,613)				
Ending Balance at March 31, 2023								

September 30, 2022	Unrealized Gains and Losses on Available-for-Sale Securities	Postretirement Benefit Items	Total
Beginning Balance at July 1, 2022	$ (210,527)	$ (568)	$ (211,095)
Other Comprehensive Income (Loss) Before Reclassification	(97,945)	—	(97,945)

Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	(18)	—	(18)
Net Current Period Other Comprehensive Income (Loss)	(97,963)	—	(97,963)
Ending Balance at September 30, 2022	$ (308,490)	$ (568)	$ (309,058)

GERMAN AMERICAN BANCORP, INC.
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September 30, 2023 March 31, 2024
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NOTE 12 - Other Comprehensive Income (Loss) (continued)

September 30, 2022	Unrealized Gains and Losses on Available-for-Sale Securities	Postretirement Benefit Items	Total
Beginning Balance at January 1, 2022	$ 16,052	$ (568)	$ 15,484
Other Comprehensive Income (Loss) Before Reclassification	(324,168)	—	(324,168)
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	(374)	—	(374)
Net Current Period Other Comprehensive Income (Loss)	(324,542)	—	(324,542)
Ending Balance at September 30, 2022	$ (308,490)	$ (568)	$ (309,058)

The tables below summarize the classifications out of accumulated other comprehensive income (loss) by component for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified From Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Statement Where Net Income is Presented
Unrealized Gains and Losses on Available-for-Sale Securities	$ — 35	Net Gains on Securities
	— (7)	Income Tax Expense
	— 28	Net of Tax
Total Reclassifications for the Three Months Ended September 30, 2023 March 31, 2024	$ — 28	

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified From Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Statement Where Net Income is Presented
Unrealized Gains and Losses on Available-for-Sale Securities	$ 40 2	Net Gains on Securities
	(8) —	Income Tax Expense
	32 2	Net of Tax
Total Reclassifications for the Nine Months Ended September 30, 2023	$ 32	

GERMAN AMERICAN BANCORP, INC.
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NOTE 12 - Other Comprehensive Income (Loss) (continued)

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified From Accumulated Other Comprehensive Income (Loss)		Affected Line Item in the Statement Where Net Income is Presented
Unrealized Gains and Losses on Available-for-Sale Securities	$	23	Net Gains on Securities
		(5)	Income Tax Expense
		18	Net of Tax
Total Reclassifications for the Three Months Ended September 30, 2022March 31, 2023	$	182	

	Net Gains on Securities
Income Tax Expense	
Net of Tax	

NOTE 13 - Revenue Recognition

The following tables present non-interest income, segregated by revenue streams in-scope and out-of-scope of FASB ASU No. 2014-09, "Revenue“Revenue from Contracts with Customers (Topic 606)"”, for the three and nine months ended September 30, 2023March 31, 2024 and 2022.2023. Wealth management fees are included in the wealth management services segment while insurance revenues are included in the insurance segment. All other revenue streams are primarily included in the banking segment.

		Three Months Ended September 30,				
		Three Months Ended March 31,			Three Months Ended March 31,	
Non-interest Income	Non-interest Income	2023	2022	Non-interest Income	2024	2023
In-Scope of Topic 606:	In-Scope of Topic 606:					
Wealth Management Fees						
Wealth Management Fees						
Wealth Management Fees	Wealth Management Fees	$ 2,957	$ 2,376			
Service Charges on Deposit Accounts	Service Charges on Deposit Accounts	2,982	3,014			
Insurance Revenues	Insurance Revenues	2,065	1,995			
Interchange Fee Income	Interchange Fee Income	4,470	4,054			
Other Operating Income		796	857			
Other Operating Income:						
ATM Fees						
ATM Fees						
ATM Fees						
Wire Transfer Fees						

Other (1)			
Non-interest Income (in-scope of Topic 606)	Non-interest Income (in-scope of Topic 606)	13,270	12,296
Non-interest Income (out-of-scope of Topic 606)	Non-interest Income (out-of-scope of Topic 606)	1,534	1,801
Total Non-interest Income	Total Non-interest Income	$14,804	$14,097

(1) “Other” income includes safe deposit box rentals and other non-interest related fees totaling $293 thousand and $296 thousand for the three months ended March 31, 2024 and 2023, respectively, all of which are within the scope of ASC 606.

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NOTE 13 - Revenue Recognition (continued)

	Nine Months Ended September 30,	
Non-interest Income	**2023**	**2022**
In-Scope of Topic 606:		
Wealth Management Fees	$ 8,513	$ 7,656
Service Charges on Deposit Accounts	8,653	8,568
Insurance Revenues	7,330	7,970
Interchange Fee Income	13,081	11,848
Other Operating Income	2,373	2,435
Non-interest Income (in-scope of Topic 606)	39,950	38,477
Non-interest Income (out-of-scope of Topic 606)	4,717	6,988
Total Non-interest Income	$ 44,667	$ 45,465

A description of the Company’s revenue streams accounted for under Topic 606 follows:

Service Charges on Deposit Accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as stop payment charges and statement rendering, are recognized at the time the transaction is executed (the point in time the Company fills the customer's customer’s request). Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs.

Interchange Fee Income: The Company earns interchange fees from debit/credit cardholder transactions conducted through various payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Wealth Management Fees: The Company earns wealth management fees from its contracts with trust and brokerage customers to manage assets for investment and/or to transact their accounts. These fees are primarily earned over time as the Company provides the contracted monthly or quarterly services and are generally assessed based on the market value of assets under management at month-end. Fees that are transaction based, including trade execution services, are recognized at the point in time that the transaction is executed (trade date).

Insurance Revenues: The Company earns insurance revenue from commissions derived from the sale of personal and corporate property and casualty insurance products. These commissions are primarily earned over time as the Company provides the contracted insurance product to customers.

Other Operating Income: The other operating income revenue streams within the scope of Topic 606 consist of ATM fees, wire transfer fees, safe deposit box rentals, check printing commissions and other non-interest related fees.

NOTE 14 – Leases

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

At the inception of a contract, an entity should determine whether the contract contains a lease. Topic 842 defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. Control over the use of an identified asset means that the customer has both (1) the right to obtain substantially all of the economic benefits from the use of the asset and (2) the right to direct the use of the asset.

The Bank has finance leases for branch offices as well as operating leases for branch offices, ATM locations and certain office equipment. The right-of-use asset is included in the 'Premises, 'Premises, Furniture and Equipment, Net' Net' line of the Consolidated Balance Sheet. The lease liability is included in the 'Accrued 'Accrued Interest Payable and Other Liabilities' Liabilities' line of the Consolidated Balance Sheet.

NOTE 14 - Leases (continued)

The Company used the implicit lease rate when determining the present value of lease payments for finance leases. The present value of lease payments for operating leases was determined using the incremental borrowing rate as of the date the Company adopted this standard.

The components of lease expense were as follows:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Finance Lease Cost:		
Amortization of Right-of -Use Assets	$ 52	$ 52
Interest on Lease Liabilities	75	81
Operating Lease Cost	343	360
Short-term Lease Cost	—	—
Total Lease Cost	$ 470	$ 493

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Finance Lease Cost:		
Amortization of Right-of -Use Assets	$ 157	$ 157
Interest on Lease Liabilities	230	246
Operating Lease Cost	1,080	1,105
Short-term Lease Cost	—	27
Total Lease Cost	$ 1,467	$ 1,535

The weighted average lease term and discount rates were as follows:

	September 30, 2023	September 30, 2022
Weighted Average Remaining Lease Term:		
Finance Leases	9 years	10 years
Operating Leases	7 years	8 years
Weighted Average Discount Rate:		
Finance Leases	11.38 %	11.42 %
Operating Leases	3.05 %	2.87 %

Supplemental balance sheet information related to leases were as follows:

	September 30, 2023	September 30, 2022
Finance Leases		
Premises, Furniture and Equipment, Net	$ 1,700	$ 1,910
Other Borrowings	2,699	2,908
Operating Leases		

Operating Lease Right-of-Use Assets	$	5,449	$	6,195
Operating Lease Liabilities		5,598		6,338

NOTE 14 - Leases (continued)

The components of lease expense were as follows:

	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
Finance Lease Cost:				
Amortization of Right-of -Use Assets	$	52	$	52
Interest on Lease Liabilities		72		78
Operating Lease Cost		338		373
Short-term Lease Cost		—		—
Total Lease Cost	$	462	$	503

The weighted average lease term and discount rates were as follows:

	March 31, 2024	March 31, 2023
Weighted Average Remaining Lease Term:		
Finance Leases	8 years	4 years
Operating Leases	6 years	7 years
Weighted Average Discount Rate:		
Finance Leases	11.36 %	7.58 %
Operating Leases	3.07 %	2.82 %

Supplemental balance sheet information related to leases were as follows:

	March 31, 2024		March 31, 2023	
Finance Leases				
Premises, Furniture and Equipment, Net	$	1,596	$	1,805
Other Borrowings		2,585		2,806
Operating Leases				
Operating Lease Right-of-Use Assets	$	4,882	$	5,971
Operating Lease Liabilities		5,043		6,127

Supplemental cash flow information related to leases were as follows:

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Three Months Ended March 31, 2024	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023

Cash paid for amounts in the Measurement of Lease Liabilities:

Cash paid for amounts in the Measurement of Lease Liabilities:

Cash paid for amounts in the Measurement of Lease Liabilities:

Cash paid for amounts in the Measurement of Lease Liabilities:

Operating Cash Flows from Finance Leases

Operating Cash Flows from Finance Leases

Operating Cash Flows from Finance Leases	Operating Cash Flows from Finance Leases	$ 230	$ 246
Operating Cash Flows from Operating Leases	Operating Cash Flows from Operating Leases	1,058	1,054
Financing Cash Flows from Finance Leases	Financing Cash Flows from Finance Leases	154	138

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NOTE 14 - Leases (continued)

The following table presents a maturity analysis of Finance and Operating Lease Liabilities:

	March 31, 2024		March 31, 2024
	Finance Leases	Finance Leases	Operating Leases

		September 30, 2023	
		Finance Leases	Operating Leases
Year 1			
Year 1			
Year 1	Year 1	$ 519	$ 1,264
Year 2	Year 2	519	1,124
Year 3	Year 3	519	867
Year 4	Year 4	519	702
Year 5	Year 5	438	620
Thereafter	Thereafter	1,619	1,643
Total Lease Payments	Total Lease Payments	4,133	6,220

Less Imputed Interest	Less Imputed Interest	(1,434)	(622)
Total	Total	$ 2,699	$ 5,598

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

GERMAN AMERICAN BANCORP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

German American Bancorp, Inc. is a Nasdaq-traded (symbol: GABC) financial holding company based in Jasper, Indiana. The Company, through its banking subsidiary German American Bank, operates 76 74 banking offices in 20 contiguous southern Indiana counties and 14 Kentucky counties. The Company also owns an investment brokerage subsidiary (German American Investment Services, Inc.) and a full line property and casualty insurance agency (German American Insurance, Inc.).

Throughout this Management's Discussion and Analysis, as elsewhere in this Report, when we use the term "Company," we will usually be referring to the business and affairs (financial and otherwise) of German American Bancorp, Inc. and its subsidiaries and affiliates as a whole. Occasionally, we will refer to the term "parent company" or "holding company" when we mean to refer to only German American Bancorp, Inc.

This section presents an analysis of the consolidated financial condition of the Company as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 and the consolidated results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. This discussion should be read in conjunction with the consolidated financial statements and other financial data presented elsewhere herein and with the financial statements and other financial data, as well as the Management's Discussion and Analysis of Financial Condition and Results of Operations, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

MANAGEMENT OVERVIEW

This updated discussion should be read in conjunction with the Management Overview that was included in our Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Net income for the quarter ended September 30, 2023 March 31, 2024 totaled $21,451,000, $19,022,000, or $0.73 $0.64 per share, a decline of 12% on a per share basis compared with the third quarter 2022 net income of $24,596,000, or $0.83 per share. The decline in net income in the third quarter of 2023 compared with the third quarter of 2022 was largely driven by a reduced level of average earning assets and net interest margin resulting in a decline in net interest income.

Net income for the nine months ended September 30, 2023 totaled $64,381,000, or $2.18 per share, an increase of 12% 10% on a per share basis compared with the first nine months of 2022 quarter 2023 net income of $57,410,000, $20,807,000, or $1.95 $0.71 per share. The decline in net income compared to the first nine quarter of 2023 was primarily attributable to lower net interest income as a result of modest net interest margin compression driven by higher deposit costs. Non-interest income increased $855,000, an increase of 6%, comparing the three months ended March 31, 2024 to the same period of 2022 2023 which was significantly impacted by costs associated largely attributable to increased wealth management fees. For the quarter ended March 31, 2024, non-interest expense declined $878,000, a decrease of 2%, compared with the acquisition same period of Citizens Union Bancorp of Shelbyville, Inc. ("CUB"), 2023 which closed effective January 1, 2022. was largely driven by a decline in salary expense.

On January 1, 2022 During the first quarter of 2024, loans remained stable with commercial real estate and retail organic loan growth helping to offset the larger seasonal reductions in utilization of agricultural lines of credit and ongoing reduced utilization in commercial and industrial lines. Total loans at March 31, 2024 increased by $1,019,000 compared with year-end 2023.

First quarter 2024 deposits declined approximately $33,600,000 million, the Company completed the acquisition or 3%, on an annualized linked quarter basis compared to December 31, 2023, driven by a delayed seasonal outflow of CUB through the merger of CUB public fund deposits into first quarter 2024. Non-public funds, however, continued to grow positively compared to year end 2023. The overall core deposit base remains diverse with stable and into the Company. Immediately following completion of the CUB holding company merger, CUB's subsidiary bank, Citizen Union Bank of Shelbyville, Inc., was merged with manageable exposure to uninsured and into the Company's subsidiary bank, German American Bank. CUB, headquartered in Shelbyville, Kentucky operated 15 retail banking offices located in Shelby, Jefferson, Spencer, Bullitt, Oldham, Owen, Gallatin and Hardin counties in Kentucky through Citizens Union Bank of Shelbyville, Inc. As of the closing of the transaction, CUB had total assets of approximately $1.109 billion, total loans of approximately $683.8 million, and total uncollateralized deposits of approximately $930.5 million. The Company issued approximately 2.9 million shares 21% and non-interest bearing demand accounts remaining stable at 28% of its common stock, and paid approximately $50.8 million in cash, in exchange for all of the issued and outstanding shares of common stock of CUB.

For further information regarding this merger and acquisition transaction, see Note 18 (Business Combinations, Goodwill and Intangible Assets) in the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022. total deposits.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial condition and results of operations for the Company presented in the Consolidated Financial Statements, accompanying Notes to the Consolidated Financial Statements, and selected financial data appearing elsewhere within this Report, are, to a large degree, dependent upon the Company's accounting policies. The selection of and application of these policies involve estimates, judgments, and uncertainties that are subject to change. The critical accounting policies and estimates that the Company has determined to be the most susceptible to change in the near term relate to the determination of the allowance for credit losses, the valuation of securities available for sale, income tax expense, and the valuation of goodwill and other intangible assets.

Allowance for Credit Losses

The Company maintains an allowance for credit losses to cover the estimated expected credit losses over the expected contractual life of the loan portfolio. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off. A provision for credit losses is charged to operations based on management's periodic evaluation of the necessary allowance balance. Evaluations are conducted at least quarterly and more often if deemed necessary. The ultimate recovery of all loans is susceptible to future market factors beyond the Company's control.

The Company has an established process to determine the adequacy of the allowance for credit losses. The determination of the allowance is inherently subjective, as it requires significant estimates, including the amounts and timing of expected future cash flows on individually analyzed loans, estimated losses on other classified loans and pools of homogeneous loans, and consideration of past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, reasonable and supportable forecasts and other factors, all of which may be susceptible to significant change. The allowance consists of two components of allocations, specific and general. These two components represent the total allowance for credit losses deemed adequate to cover expected credit losses over the expected life of the loan portfolio.

Commercial and agricultural loans are subject to a standardized grading process administered by an internal loan review function. The need for specific reserves is considered for credits when: (a) the customer's cash flow or net worth appears insufficient to repay the loan; (b) the loan has been criticized in a regulatory examination; (c) the loan is on non-accrual; or (d) other reasons where the ultimate collectability of the loan is in question, or the loan characteristics require special monitoring.

Specific reserves on individually analyzed loans are determined by comparing the loan balance to the present value of expected cash flows or expected collateral proceeds. Allocations are also applied to categories of loans not individually analyzed but for which the rate of loss is expected to be greater than other similar type loans, including non-performing consumer or residential real estate loans. Such allocations are based on past loss experience, reasonable and supportable forecasts and information about specific borrower situations and estimated collateral values.

General allocations are made for commercial and agricultural loans that are graded as substandard and special mention, but are not individually analyzed for specific reserves as well as 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 along with reasonable and supportable forecasts, judgmentally adjusted for economic, external and internal quantitative and qualitative factors and portfolio trends. Economic factors include evaluating changes in international, national, regional and local economic and business conditions that affect the collectability of the loan portfolio. Internal factors include evaluating changes in lending policies and procedures; changes in the nature and volume of the loan portfolio; and changes in experience, ability and depth of lending management and staff.

The allowance for credit losses for loans represents management's estimate of all expected credit losses over the expected contractual life of the loan portfolio. Determining the appropriateness and adequacy of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio may result in significant changes in the allowance for credit losses in future periods.

The Company uses a number of economic variables in its scenarios to estimate the allowance for credit losses, with the most significant drivers being an unemployment rate forecast, gross domestic product and the agricultural producer price index as well as qualitative adjustments. Historical loss rates from periods where the average unemployment rate, gross domestic product and agricultural producer pricing index matches the forecast range are considered when calculating the forecast period loss rate. The impact of loan growth, improvement in individually analyzed loans as well as rising interest rates and expanded inflationary impact on consumer discretionary spending resulted in an increase in At March 31, 2024, the allowance for credit losses of approximately $478,000 between September 30, 2023 and December 31, 2022 remained stable as compared to December 31, 2023.

Based on sensitivity analysis of all portfolios, a 0.050% change (slight improvement or decline on the Company's Company's scale) in all ten qualitative risk factors would have a $1,900,000 impact on the reserve allocation. The sensitivity and related range of impact is a hypothetical analysis and is not intended to represent management's management's judgements or assumptions of qualitative loss factors that were utilized at September 30, 2023 March 31, 2024 in estimation of the allowance for credit losses on loans recognized on the Consolidated Balance Sheets.

Securities Valuation

Available-for-sale debt securities in unrealized loss positions are evaluated for impairment related to credit losses at least quarterly. For available-for-sale debt securities in an unrealized loss position, the Company assesses whether we intend to sell, or it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for sale debt securities that do not meet the criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security and the issuer, among other factors. If this assessment indicates that a credit loss exists, the Company compares the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis for the security, a credit loss exists and an allowance for credit losses is recorded, limited to the amount that the fair value of the security is less than its amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income, (loss), net of applicable taxes. No allowance for credit losses for available-for-sale debt securities was needed at September 30, 2023 March 31, 2024. Accrued interest receivable on available-for-sale debt securities is excluded from the estimate of credit losses. As of September 30, 2023 March 31, 2024, gross unrealized gains on the securities available-for-sale portfolio totaled approximately $10,000 $339,000 and gross unrealized losses totaled approximately $414,489,000. $299,980,000. The net amount of these two items, net of applicable taxes, is included in accumulated other comprehensive income (loss).

Equity securities that do not have readily determinable fair values are carried at cost, less impairment with observable price changes being recognized in earnings.

Income Tax Expense

Income tax expense involves estimates related to the valuation allowance on deferred tax assets and loss contingencies related to exposure from tax examinations presumed to occur.

A valuation allowance reduces deferred tax assets to the amount management believes is more likely than not to be realized. In evaluating the realization of deferred tax assets, management considers the likelihood that sufficient taxable income of appropriate character will be generated within carry-back and carry-forward periods, including consideration of available tax planning strategies. Tax-related loss contingencies, including assessments arising from tax examinations and tax strategies, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. In considering the likelihood of loss, management considers the nature of the contingency, the progress of any examination or related protest or appeal, the views of legal counsel and other advisors, experience of the Company or other enterprises in similar matters, if any, and management's intended response to any assessment.

Goodwill and Other Intangible Assets

Goodwill resulting from business combinations represents the excess of the purchase price over the fair value of the net assets of businesses acquired. Goodwill resulting from business combinations is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually. The Company has selected December 31 as the date to perform the annual impairment test. Goodwill is the only intangible asset with an indefinite life on the Company's balance sheet. No impairment to Goodwill was indicated based on year-end testing and no triggering events occurred in 2023 causing reassessment. testing.

Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Other intangible assets consist of core deposit and acquired customer relationship intangible assets. They are initially measured at fair value and then are amortized over their estimated useful lives, which range from 6 to 10 years.

RESULTS OF OPERATIONS

Net Income:

Net income for the quarter ended September 30, 2023 March 31, 2024 totaled $21,451,000, $19,022,000, or $0.73 $0.64 per share, a decline of 12% on a per share basis compared with the third quarter 2022 net income of $24,596,000, or $0.83 per share. The decline in net income in the third quarter of 2023 compared with the third quarter of 2022 was largely driven by a reduced level of average earning assets and net interest margin resulting in a decline in net interest income.

Net income for the nine months ended September 30, 2023 totaled $64,381,000, or $2.18 per share, an increase of 12% 10% on a per share basis compared with the first nine months of 2022 quarter 2023 net income of $57,410,000, $20,807,000, or $1.95 $0.71 per share. The decline in net income compared to the first nine months quarter of 2022 2023 was significantly impacted largely the result of lower net interest income, driven by net interest margin compression, as higher deposit costs associated with exceeded the CUB acquisition, which closed effective January 1, 2022. improved yields on earning assets.

Net Interest Income:

The following table summarizes net interest income (on a tax-equivalent basis) for the three months ended September 30, 2023 March 31, 2024 and 2022. 2023. For tax-equivalent adjustments, an effective tax rate of 21% was used for both periods(1).

	Average Balance Sheet (Tax-equivalent basis / dollars in thousands)					
	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	Principal Balance	Income / Expense	Yield / Rate	Principal Balance	Income / Expense	Yield / Rate
ASSETS						
Federal Funds Sold and Other Short-term Investments	$ 20,243	$ 199	3.91 %	$ 402,006	$ 2,053	2.03 %
Securities:						
Taxable	861,293	4,871	2.26 %	1,009,395	5,276	2.09 %
Non-taxable	735,360	6,806	3.70 %	838,770	7,679	3.66 %
Total Loans and Leases[2]	3,855,586	55,343	5.70 %	3,676,862	43,251	4.67 %

	Average Balance Sheet (Tax-equivalent basis / dollars in thousands)						
	Three Months Ended March 31, 2024						Three Ma
	Principal Balance		Income / Expense		Yield / Rate		Pr
ASSETS							
Federal Funds Sold and Other Short-term Investments	$ 22,903	$	$ 299	5.25	5.25 %		$
Taxable	845,026		4,852		2.30 %		9
Non-taxable	750,674	6,685	6,685	3.56	3.56 %		
Total Loans and Leases[2]	3,972,232	58,067	58,067	5.88	5.88 %		

TOTAL INTEREST EARNING ASSETS	TOTAL INTEREST EARNING ASSETS	5,472,482	67,219	4.88 %	5,927,033	58,259	3.91 %	TOTAL INTEREST EARNING ASSETS	5,590,835	69,903	69,903	5.02	5.02	%	
Other Assets	Other Assets	575,219			558,823										
Less: Allowance for Credit Losses	Less: Allowance for Credit Losses	(44,632)			(45,276)										
Less: Allowance for Credit Losses															
Less: Allowance for Credit Losses															
TOTAL ASSETS															
TOTAL ASSETS															
TOTAL ASSETS	TOTAL ASSETS	$6,003,069			$6,440,580										
LIABILITIES AND SHAREHOLDERS' EQUITY	**LIABILITIES AND SHAREHOLDERS' EQUITY**														
Interest-bearing Demand, Savings and Money Market Deposits		$2,973,909	$10,601	1.41 %	$3,477,902	$ 3,131	0.36 %								
LIABILITIES AND SHAREHOLDERS' EQUITY															
LIABILITIES AND SHAREHOLDERS' EQUITY															
Interest-bearing Demand Deposits															
Interest-bearing Demand Deposits															
Interest-bearing Demand Deposits									$1,700,671		$ 7,524	1.78	%		$1,8
Savings Deposits and Money Market Accounts								Savings Deposits and Money Market Accounts	1,269,084		5,299	1.68	%		1,2
Time Deposits	Time Deposits	640,992	4,977	3.08 %	451,390	466	0.41 %	Time Deposits	806,976	8,166	8,166	4.07	4.07	%	
FHLB Advances and Other Borrowings	FHLB Advances and Other Borrowings	219,371	2,505	4.53 %	143,548	1,229	3.39 %	FHLB Advances and Other Borrowings	196,348	2,275	2,275	4.66	4.66	%	
TOTAL INTEREST-BEARING LIABILITIES	TOTAL INTEREST-BEARING LIABILITIES	3,834,272	18,083	1.87 %	4,072,840	4,826	0.47 %	TOTAL INTEREST-BEARING LIABILITIES	3,973,079	23,264	23,264	2.36	2.36	%	
Demand Deposit Accounts	Demand Deposit Accounts	1,524,682			1,738,237										
Other Liabilities	Other Liabilities	46,740			42,759										
Other Liabilities															
Other Liabilities															
TOTAL LIABILITIES															
TOTAL LIABILITIES															
TOTAL LIABILITIES	TOTAL LIABILITIES	5,405,694			5,853,836										

Shareholders' Equity	Shareholders' Equity	597,375	586,744
TOTAL LIBABILITIES AND SHAREHOLDERS' EQUITY		$6,003,069	$6,440,580

Shareholders' Equity

Shareholders' Equity

TOTAL LIBABILITIES AND SHAREHOLDERS' EQUITY

TOTAL LIBABILITIES AND SHAREHOLDERS' EQUITY

TOTAL LIBABILITIES AND SHAREHOLDERS' EQUITY

COST OF FUNDS

COST OF FUNDS

COST OF FUNDS	COST OF FUNDS	1.31 %	0.32 %	1.67 %
NET INTEREST INCOME	NET INTEREST INCOME	$ 49,136	$ 53,433	
NET INTEREST MARGIN	NET INTEREST MARGIN	3.57 %	3.59 %	

NET INTEREST MARGIN

NET INTEREST MARGIN 3.35 %

(1) Effective tax rates were determined as though interest earned on the Company's investments in municipal bonds and loans was fully taxable.

(2) Loans held-for-sale and non-accruing loans have been included in average loans.

During the third first quarter of 2023, 2024, net interest income, on a non tax-equivalent basis, totaled $47,559,000, $44,994,000, a decline of $4,139,000, $4,015,000, or 8%, compared to the third first quarter of 2022 2023 net interest income of $51,698,000. $49,009,000.

The decline in net interest income during the third first quarter of 2023 2024 compared with the third first quarter of 2022 2023 was primarily attributable to a decline in average earning assets, driven by a reduced level of average deposits and a modestly lower the Company's net interest margin.

The tax equivalent net interest margin for the quarter ended September 30, 2023 March 31, 2024 was 3.57% 3.35% compared with 3.59% 3.69% in the third first quarter of 2022. 2023. The decline in the net interest margin during the third first quarter of 2023 2024 compared with the third first quarter of 2022 2023 was largely driven by an increase in the cost of funds. The cost of funds continued to accelerate higher in the third first quarter of 2023 2024 due to the continued increase of market interest rates, very highly competitive deposit pricing in the marketplace, customers actively looking for yield opportunities within and outside the banking industry and a change continued shift in the Company's Company's deposit composition. composition to a higher level of time deposits.

The Company's Company's net interest margin and net interest income have been impacted by accretion of loan discounts on acquired loans. Accretion of discounts on acquired loans totaled $1,288,000 $360,000 during the third first quarter of 2023 2024 and $1,099,000 $530,000 during the third first quarter of 2022. 2023. Accretion of loan discounts on acquired loans contributed approximately 9 basis points to the net interest margin in the third quarter of 2023 and 7 basis points in the third quarter of 2022.

The following table summarizes net interest income (on a tax-equivalent basis) for the nine months ended September 30, 2023 and 2022. For tax-equivalent adjustments, an effective tax rate of 21% was used for both periods(1).

	Average Balance Sheet (Tax-equivalent basis / dollars in thousands)					
	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	Principal Balance	Income / Expense	Yield / Rate	Principal Balance	Income / Expense	Yield / Rate
ASSETS						
Federal Funds Sold and Other Short-term Investments	$ 40,303	$ 1,204	3.99 %	$ 533,758	$ 3,565	0.89 %
Securities:						
Taxable	908,835	15,490	2.27 %	1,033,881	14,909	1.92 %
Non-taxable	755,251	20,876	3.69 %	869,039	22,204	3.41 %
Total Loans and Leases(2)	3,805,903	156,939	5.51 %	3,664,506	122,331	4.46 %

TOTAL INTEREST EARNING ASSETS	5,510,292	194,509	4.72 %	6,101,184	163,009	3.57 %
Other Assets	572,791			549,657		
Less: Allowance for Credit Losses	(44,660)			(45,765)		
TOTAL ASSETS	$ 6,038,423			$ 6,605,076		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing Demand, Savings and Money Market Deposits	$ 3,070,169	$ 28,051	1.22 %	$ 3,531,100	$ 5,115	0.19 %
Time Deposits	547,233	9,855	2.41 %	490,483	1,360	0.37 %
FHLB Advances and Other Borrowings	213,628	6,913	4.33 %	157,761	3,387	2.87 %
TOTAL INTEREST-BEARING LIABILITIES	3,831,030	44,819	1.56 %	4,179,344	9,862	0.32 %
Demand Deposit Accounts	1,568,348			1,739,389		
Other Liabilities	45,775			44,017		
TOTAL LIABILITIES	5,445,153			5,962,750		
Shareholders' Equity	593,270			642,326		
TOTAL LIBABILITIES AND SHAREHOLDERS' EQUITY	$ 6,038,423			$ 6,605,076		
COST OF FUNDS			1.09 %			0.22 %
NET INTEREST INCOME		$ 149,690			$ 153,147	
NET INTEREST MARGIN			3.63 %			3.35 %

(1) Effective tax rates were determined as though interest earned on the Company's investments in municipal bonds and loans was fully taxable.

(2) Loans held-for-sale and non-accruing loans have been included in average loans.

During the first nine months of 2023, net interest income, on a non tax-equivalent basis, totaled $144,826,000, a decrease of $3,377,000, or 2%, compared to the same period of 2022 net interest income of $148,203,000. The decrease in net interest income during the first nine months of 2023 compared with the same period of 2022 was primarily attributable to a decline in average earning assets, driven by a reduced level of deposits which is somewhat offset by an improved net interest margin resulting from the rise in market interest rates.

The tax equivalent net interest margin for the nine months ended September 30, 2023 was 3.63% compared with 3.35% for the same period of 2022.

Accretion of loan discounts on acquired loans contributed approximately 6 3 basis points to the net interest margin in the first nine months quarter of 2023 2024 and 8 4 basis points in the same period first quarter of 2022. Accretion of discounts on acquired loans totaled $2,533,000 during the first nine months of 2023 and $3,739,000 during the same period of 2022. 2023.

Provision for Credit Losses:

The Company provides for credit losses through regular provisions to the allowance for credit losses. The provision is affected by net charge-offs on loans and changes in specific and general allocations of the allowance. During the quarter ended September 30, 2023 March 31, 2024, the Company recorded a provision for credit losses of $900,000 compared with a provision for credit losses of $350,000 $1,100,000 during the third first quarter of 2022.

During the nine months ended September 30, 2023, the Company recorded a provision for credit losses of $2,550,000 compared with a provision for credit losses of $5,850,000 for the same period of 2022. During the first nine months of 2022, the provision for credit losses included $6,300,000 for the Day 1 CECL addition to the allowance for credit loss related to the CUB acquisition. 2023.

Net charge-offs totaled $520,000, $911,000, or 5 9 basis points, on an annualized basis, of average loans outstanding during the third first quarter of 2023 2024 compared with $682,000, $953,000, or 7 10 basis points of average loans during the third first quarter of 2022. Net charge-offs totaled $2,072,000, or 7 basis points, on an annualized basis, of average loans outstanding during the nine months ended September 30, 2023 compared with $1,285,000, or 5 basis points, on an annualized basis, of average loans outstanding during the same period of 2022. 2023.

The provision for credit losses made during the three and nine months ended September 30, 2023 March 31, 2024 was made at a level deemed necessary by management to absorb expected losses in the loan portfolio. A detailed evaluation of the adequacy of the allowance for credit losses is completed quarterly by management, the results of which are used to determine provision for credit losses. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and reasonable and supportable forecasts along with other qualitative and quantitative factors.

Non-interest Income:

During the quarter ended September 30, 2023 March 31, 2024, non-interest income totaled $14,804,000, $15,822,000, an increase of $707,000, $855,000, or 5% 6%, compared with the third first quarter of 2022. 2023. The increase in non-interest income during the third first quarter of 2023 2024 compared to the third first quarter of 2022 2023 was in large part attributable to increased wealth management fees and interchange fee income. fees.

Non-interest Income (dollars in thousands)	Non-interest Income (dollars in thousands)	Three Months Ended September 30,		Change From Prior Period		Non-interest Income (dollars in thousands)	Three Months Ended March 31,		Change From Prior Period	
		2023	2022	Amount Change	Percent Change				Amount	Percent
		2024		Amount			2024	2023		Change
Wealth Management Fees	Wealth Management Fees	$ 2,957	$ 2,376	$ 581	24 %	Wealth Management Fees	$ 3,366	$ $ 2,644	$ $ 722	27 27 %
Service Charges on Deposit Accounts	Service Charges on Deposit Accounts	2,982	3,014	(32)	(1)					
Insurance Revenues	Insurance Revenues	2,065	1,995	70	4					
Company Owned Life Insurance	Company Owned Life Insurance	446	416	30	7					
Interchange Fee Income	Interchange Fee Income	4,470	4,054	416	10					
Other Operating Income	Other Operating Income	1,270	1,365	(95)	(7)					
Subtotal	Subtotal	14,190	13,220	970	7					
Net Gains on Sales of Loans	Net Gains on Sales of Loans	614	854	(240)	(28)					
Net Gains on Securities	Net Gains on Securities	—	23	(23)	(100)					
Total Non-interest Income	**Total Non-interest Income**	$ 14,804	$14,097	$ 707	5					

Wealth management fees increased $581,000, $722,000, or 24% 27%, during the third first quarter of 2023 2024 compared with the third first quarter of 2022. 2023. The increase during the third first quarter of 2023 2024 was largely attributable to increased assets under management within the Company's wealth management group as compared with the third quarter of 2022.

Interchange fee income increased $416,000, or 10%, during the three months ended September 30, 2023 compared with the third quarter of 2022. The increase in the level of fees during the third quarter of 2023 compared with the same period of 2022 was due to increased card utilization by customers.

Net gains on sales of loans declined $240,000, or 28%, during the third quarter of 2023 compared with the same period of 2022. The decline in the third quarter of 2023 compared with the third quarter of 2022 was largely related to a lower volume of loans sold and lower pricing levels. Loan sales totaled $33.8 million during the third quarter of 2023 compared with $40.9 million during the third quarter of 2022.

During the nine months ended September 30, 2023, non-interest income totaled $44,667,000, a decline of $798,000, or 2%, compared with the first nine months of 2022.

Non-interest Income (dollars in thousands)	Nine Months Ended September 30,		Change From Prior Period	
	2023	2022	Amount Change	Percent Change
Wealth Management Fees	$ 8,513	$ 7,656	$ 857	11 %

Service Charges on Deposit Accounts	8,653	8,568	85	1
Insurance Revenues	7,330	7,970	(640)	(8)
Company Owned Life Insurance	1,276	1,768	(492)	(28)
Interchange Fee Income	13,081	11,848	1,233	10
Other Operating Income	3,943	3,858	85	2
Subtotal	42,796	41,668	1,128	3
Net Gains on Sales of Loans	1,831	3,324	(1,493)	(45)
Net Gains on Securities	40	473	(433)	(92)
Total Non-interest Income	$ 44,667	$ 45,465	$ (798)	(2)

Wealth management fees increased $857,000, or 11%, during the first nine months of 2023 compared with the first nine months of 2022. The increase during the nine months ended September 30, 2023 was largely attributable to increased assets under management within the Company's Company's wealth management group as compared with the first nine months quarter of 2022. 2023.

Insurance revenues declined $640,000, $257,000, or 8%, during the first nine months of 2023 quarter ended March 31, 2024, compared with the same period first quarter of 2022 and 2023. The decline during the first quarter of 2024 compared with the first quarter of 2023 was primarily attributable related to decreased a decline in contingency revenue, partially mitigated by increased commercial lines revenue. Contingency revenue during the first nine months quarter of 2023 2024 totaled

$955,000 $391,000 compared with $1,641,000 $945,000 during the first nine months quarter of 2022. 2023. Contingency revenue is reflective of claims and loss experience with insurance carriers that the Company represents through its property and casualty insurance agency. Typically, the majority of contingency revenue is recognized during the first quarter of the year.

Company owned life insurance decreased $492,000, Other operating income increased $151,000, or 28% 12%, during the first nine months quarter of 2023 2024 compared with the first nine months quarter of 2022. 2023. The decline in increase during the first nine months quarter of 2023 was primarily the result of a decrease in the death benefit claims received 2024 compared with the same period of 2022.

Interchange fee income increased $1,233,000, or 10%, during the nine months ended September 30, 2023 compared with the nine months ended September 30, 2022. The increase in the prior year was primarily related to a higher level of fees during the first nine months of 2023 compared associated with the same period of 2022 was due to increased card utilization by interest rate swap transactions with loan customers.

Net gains on sales of loans declined $1,493,000, increased $164,000, or 45% 28%, during the first nine months quarter of 2023 compared with the first nine months of 2022. The decline in the nine months ended September 30, 2023 2024 compared with the same period of 2022 2023. The increase in the first quarter of 2024 compared with the first quarter of 2023 was largely related to a lower volume of improved pricing levels on loans sold and lower pricing levels. fair value adjustments on commitments to sell loans. Loan sales totaled $82.0 million $24.0 million during the first nine months quarter of 2023 2024 compared with $142.6 million $23.4 million during the first nine months quarter of 2022. 2023.

The Company realized $40,000 in gains on sales of securities during the nine months ended September 30, 2023 compared with $473,000 during the nine months ended September 30, 2022. The sales of securities, during the nine months ended September 30, 2022, was completed as part of modest shifts in the allocations within the securities portfolio.

Non-interest Expense:

During the quarter ended September 30, 2023 March 31, 2024, non-interest expense totaled $35,421,000 an increase $36,738,000, a decline of $705,000, $878,000, or 2%, compared with the third first quarter of 2022. 2023.

Non-interest Expense (dollars in thousands)	**Non-interest Expense (dollars in thousands)**	**Three Months Ended September 30,**		**Change From Prior Period**		**Non-interest Expense (dollars in thousands)**	**Three Months Ended March 31,**		**Change From Prior Period**	
				Amount Change	**Percent Change**					
		2023	**2022**							
		2024		**Amount**			**2024**	**2023**	**Amount**	**Percent Change**
Salaries and Employee Benefits	Salaries and Employee Benefits	$ 20,347	$19,751	$ 596	3 %	Salaries and Employee Benefits	$ 21,178	$ $ 21,846	$ $ (668)	(3) (3)%

Occupancy, Furniture and Equipment Expense	Occupancy, Furniture and Equipment Expense	3,691	3,685	6	—
FDIC Premiums	FDIC Premiums	700	477	223	47
Data Processing Fees	Data Processing Fees	2,719	2,712	7	—
Professional Fees	Professional Fees	1,229	1,188	41	3
Advertising and Promotion	Advertising and Promotion	1,278	1,215	63	5
Intangible Amortization	Intangible Amortization	685	897	(212)	(24)
Other Operating Expenses	Other Operating Expenses	4,772	4,791	(19)	—
Total Non-interest Expense	**Total Non-interest Expense**	$ 35,421	$34,716	$ 705	2

Salaries and benefits increased $596,000, declined $668,000, or 3%, during the third first quarter of 2023 2024 as compared with the third first quarter of 2022. 2023. The increase decline in salaries and benefits during the third first quarter of 2024 compared with the first quarter of 2023 compared with the same period of 2022 was due in large part to higher salary costs primarily associated with annual adjustments for employees throughout the past year.

FDIC premiums increased $223,000, or 47%, during the quarter ended September 30, 2023 compared with the third quarter of 2022. The increase in the third quarter of 2023 compared with the third quarter of 2022 was primarily related due to an industry-wide 2 basis point increase in the base FDIC premium assessment effective January 1, 2023. a lower level of full-time equivalent employees and lower incentive compensation.

Intangible amortization expense consists primarily of amortization associated with the core deposit intangible of acquired deposit portfolios. The core deposit intangibles are generally amortized on an accelerated basis over a period of six to ten years. Intangible Amortization decreased $212,000, $207,000, or 24% 26%, during the quarter ended September 30, 2023 March 31, 2024 compared with the same period of the prior year. The decrease in the third first quarter of 2023 2024 compared with the same period of the prior year was primarily attributable to the accelerated amortization method for which the intangible assets are amortized.

During the nine months ended September 30, 2023, non-interest expense totaled $108,763,000, a decrease of $9,814,000, or 8%, compared to the first nine months of 2022. The first nine months of 2022 non-interest expenses included approximately $12,276,000 of non-recurring acquisition-related expenses for the acquisition of CUB.

Non-interest Expense (dollars in thousands)	**Nine Months Ended September 30,**		**Change From Prior Period**	
	2023	**2022**	**Amount Change**	**Percent Change**
Salaries and Employee Benefits	$ 62,296	$ 63,223	$ (927)	(1)%
Occupancy, Furniture and Equipment Expense	10,954	11,266	(312)	(3)
FDIC Premiums	2,128	1,418	710	50
Data Processing Fees	8,277	12,896	(4,619)	(36)
Professional Fees	4,405	5,124	(719)	(14)
Advertising and Promotion	3,706	3,380	326	10
Intangible Amortization	2,204	2,871	(667)	(23)
Other Operating Expenses	14,793	18,399	(3,606)	(20)
Total Non-interest Expense	$ 108,763	$ 118,577	$ (9,814)	(8)

Salaries and benefits declined $927,000, or 1%, during the first nine months of 2023 compared with the same period of 2022. The decline in salaries and benefits during the first nine months of 2023 compared with the same period of 2022 was largely related to approximately $1,480,000 of acquisition-related salary and benefit costs of a non-recurring nature in the first nine months of 2022 related to the CUB acquisition.

FDIC premiums increased $710,000, or 50%, during the nine months ended September 30, 2023 compared with the same period of 2022. The increase in the nine months ended September 30, 2023 compared with the same period of 2022 was primarily related to an industry-wide 2 basis point increase in the base FDIC premium assessment effective January 1, 2023.

Data processing fees declined $4,619,000, or 36%, during the first nine months of 2023 compared with the first nine months of 2022. The decline during the first nine months of 2023 compared with the same period of 2022 was largely driven by acquisition-related costs associated with the CUB transaction, which totaled approximately $4,982,000 during the first nine months of 2022.

Professional fees declined $719,000, or 14%, during the first nine months of 2023 compared to the first nine months of 2022. The decline in the first nine months of 2023 compared to the same period of 2022 was primarily due to merger-related professional fees associated with the CUB acquisition that totaled approximately $1,755,000 partially mitigated by increased legal and other professional fees.

Intangible amortization expense consists primarily of amortization associated with the core deposit intangible of acquired deposit portfolios. The core deposit intangibles are generally amortized on an accelerated basis over a period of six to ten years. Intangible Amortization decreased $667,000, or 23%, during the nine months ended September 30, 2023 compared with the same period of the prior year. The decrease in the first nine months of 2023 compared with the same period of the prior year was primarily attributable to the accelerated amortization method for which the intangible assets are amortized.

Other operating expenses declined $3,606,000, or 20%, during the first nine months of 2023 compared to the first nine months of 2022. The decline in the first nine months of 2023 compared with the same period of 2022 was attributable to acquisition-related costs that totaled approximately $3,862,000 in the first nine months of 2022. The acquisition-related costs were primarily vendor contract termination costs.

Income Taxes:

The Company's effective income tax rate was 17.6% 17.9% and 20.0% 17.6%, respectively, during the three months ended September 30, 2023 March 31, 2024 and 2022. The Company's effective income tax rate was 17.7% and 17.1%, respectively, during the nine months ended September 30, 2023 and 2022. 2023. The effective tax rate in all periods presented was lower than the blended statutory rate resulting primarily from the Company's tax-exempt investment income on securities, loans and company-owned life insurance, income tax credits generated from affordable housing projects, and income generated by subsidiaries domiciled in a state with no state or local income tax.

FINANCIAL CONDITION

Total assets for the Company totaled $6.006 billion $6.112 billion at September 30, 2023 March 31, 2024, representing a decline of $150.3 million $40.3 million compared with year-end 2022. December 31, 2023. The modest decline in total assets at September 30, 2023 March 31, 2024 compared with December 31, 2022 year-end 2023 was largely attributable related to a decline in total deposits which in turn has led to declines in the Company's securities portfolio. These declines were partially offset by an increase in total loans.

Securities available for sale declined $284.7 million $57.6 million as of September 30, 2023 March 31, 2024 compared with December 31, 2022 December 31, 2023. The changes decline at March 31, 2024 in the available for sale securities portfolio during the first nine months of 2023 compared with year-end 2022 2023 was largely attributable to primarily the Company's result of the Company's utilization of cash flows from the securities portfolio to partially fund deposit declines and loan growth during the first nine months of the year and to a lesser extent the decline in the fair value of the securities portfolio. Total cash flow generated from the portfolio totaled approximately $238.0 million during the first nine months of 2023, reflecting principal and interest payments as well as a modest level of securities sales. other balance sheet funding needs. Current projections indicate approximately $140.0 million $190.0 million in principal and interest cash flows from the portfolio over the next twelve months with rates unchanged.

September 30, 2023 total Total loans increased $104.9 million, or 4% on an annualized basis, remained relatively stable at March 31, 2024 compared with December 31, 2022 year-end 2023, increasing by $1.0 million. The modest increase in during the first nine months quarter of the year 2024 compared with year-end 2023 was primarily driven by an increase in largely attributable to increased commercial real estate loans of $110.1 million, or 7% on an annualized basis, as well as an increase in and retail loans, of $24.8 million partially offset by lower seasonal line utilization for agricultural loans and lower line utilization for commercial and industrial loans. Commercial real estate loans increased $27.0 million, or 5% on an annualized basis, while retail loans grew $12.5 million, or 6% on an annualized basis. Retail loans include home equity and consumer loans and residential mortgage loans. These Partially offsetting these increases were somewhat offset by was a decline in agricultural loans of $19.3 million $23.1 million, or 22% on an annualized basis, and a decline in commercial and industrial loans of $10.6 million. $15.4 million, or 9% on an annualized basis, as line of credit utilization declined in both of these segments.

End of Period Loan Balances: **(dollars in thousands)**	**March 31, 2024**	**December 31, 2023**	**Current Period Change**
Commercial and Industrial Loans and Leases	$ 646,162	$ 661,529	$ (15,367)
Commercial Real Estate Loans	2,148,808	2,121,835	26,973
Agricultural Loans	400,733	423,803	(23,070)
Home Equity and Consumer Loans	421,980	407,889	14,091
Residential Mortgage Loans	361,236	362,844	(1,608)
Total Loans	$ 3,978,919	$ 3,977,900	$ 1,019

The composition Company's commercial real estate portfolio is well-diversified over numerous property types. The table below provides property type detail for the most significant segments of the Company's commercial real estate loan portfolio.

	March 31, 2024		December 31, 2023	
	% of Commercial Real Estate Portfolio	% of Total Loan Portfolio	% of Commercial Real Estate Portfolio	% of Total Loan Portfolio
Multi-Family Dwellings	21 %	11 %	21 %	11 %
Retail Space	14 %	7 %	14 %	7 %
1-4 Family Investment Properties	12 %	6 %	12 %	7 %
Industrial, Manufacturing, Warehousing Properties	10 %	5 %	10 %	5 %
Office Real Estate	8 %	4 %	8 %	4 %
Healthcare Facilities	8 %	4 %	7 %	4 %
Land Development and Construction	6 %	3 %	6 %	3 %
Lodging	6 %	3 %	6 %	3 %

The Company’s commercial real estate loan portfolio has remained relatively stable is further diversified by occupancy type, with approximately 76% of the CRE portfolio being non-owner occupied at March 31, 2024 (which is 41% of the Company’s overall loan portfolio), and diversified over 24% of the past several years, including 2023. The CRE portfolio being owner occupied (which is 13% of the Company’s total loan portfolio). At December 31, 2023, the Company’s commercial real estate loan portfolio is most heavily concentrated diversified by occupancy type, with approximately 77% of the CRE portfolio being non-owner occupied (which is 41% of the Company’s overall loan portfolio), and 23% of the CRE portfolio being owner occupied (which is 12% of the Company’s total loan portfolio).

Commercial real estate loans are underwritten after evaluating and understanding the borrower’s ability to operate profitably and prudently expand its business. Like much of the Bank’s lending activities, the underwriting standards for commercial real estate are designed to promote relationship banking rather than transactional banking. Once it is determined that the borrower’s management possesses sound ethics and solid business acumen, our management examines market conditions and current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. As discussed above, the properties securing our commercial real estate portfolio are diverse in terms of property type, occupancy type, and geographic location. This diversity helps reduce the Bank’s exposure to adverse economic events that affect any single market or industry. Management will continue to monitor and evaluate commercial real estate loans at 53% of the portfolio, followed by commercial based on collateral, geography and industrial loans at 17% of the portfolio, and agricultural loans at 10% of the portfolio. The Company’s commercial lending is extended to various industries, including multi-family housing and lodging, agribusiness and manufacturing, as well as health care, wholesale, and retail services. The Company's commercial real estate portfolio has limited exposure to office real estate, with office exposure totaling approximately 4% of the total loan portfolio.

End of Period Loan Balances: (dollars in thousands)	September 30, 2023	December 31, 2022	Current Period Change
Commercial and Industrial Loans and Leases	$ 665,892	$ 676,502	$ (10,610)
Commercial Real Estate Loans	2,076,962	1,966,884	110,078
Agricultural Loans	398,109	417,413	(19,304)
Home Equity and Consumer Loans	396,000	377,164	18,836
Residential Mortgage Loans	356,610	350,682	5,928
Total Loans	$ 3,893,573	$ 3,788,645	$ 104,928

risk grade criteria.

The following table indicates the breakdown of the allowance for credit losses for the periods indicated (dollars in thousands):

		September 30, 2023	December 31, 2022		
		March 31, 2024		March 31, 2024	December 31, 2023
Commercial and Industrial Loans and Leases	Commercial and Industrial Loans and Leases	$ 13,212	$ 13,958		
Commercial Real Estate Loans	Commercial Real Estate Loans	22,900	21,598		
Agricultural Loans	Agricultural Loans	3,786	4,188		

Home Equity and Consumer Loans	Home Equity and Consumer Loans	2,431	2,196
Residential Mortgage Loans	Residential Mortgage Loans	2,317	2,228
Unallocated	Unallocated	—	—
Total Allowance for Credit Losses	**Total Allowance for Credit Losses**	$ 44,646	$ 44,168

The Company's allowance for credit losses totaled $44.6 million $43.8 million at September 30, 2023 compared to $44.2 million at December 31, 2022 both March 31, 2024 and December 31, 2023. The allowance for credit losses represented 1.15% 1.10% of period-end loans at September 30, 2023 compared with 1.17% at December 31, 2022.

The Company adopted ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)" ("CECL") on January 1, 2020 both March 31, 2024 and December 31, 2023. Under the CECL model, certain acquired loans continue to carry a fair value discount as well as an allowance for credit losses. As of September 30, 2023 March 31, 2024, the Company held net discounts on acquired loans of $4.2 million $3.6 million.

The following is an analysis of the Company's non-performing assets at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

Non-performing Assets: (dollars in thousands)	**Non-performing Assets: (dollars in thousands)**	**September 30, 2023**	**December 31, 2022**	**Non-performing Assets: (dollars in thousands)**	**March 31, 2024**	**December 31, 2023**
Non-accrual Loans	Non-accrual Loans	$ 11,206	$12,888			
Past Due Loans (90 days or more)	Past Due Loans (90 days or more)	1,170	1,427			
Total Non-performing Loans	Total Non-performing Loans	12,376	14,315			
Other Real Estate	Other Real Estate	24	—			
Total Non-performing Assets	**Total Non-performing Assets**	$ 12,400	$14,315			
Restructured Loans	Restructured Loans	$ —	$ —			
Restructured Loans						
Restructured Loans						
Non-performing Loans to Total Loans	Non-performing Loans to Total Loans	0.32 %	0.38 %			
Non-performing Loans to Total Loans						
Non-performing Loans to Total Loans					0.25 %	0.23 %
Allowance for Credit Loss to Non-performing Loans	Allowance for Credit Loss to Non-performing Loans	360.75 %	308.54 %	Allowance for Credit Loss to Non-performing Loans	438.29 %	476.17 %

The following table presents non-accrual loans and loans past due 90 days or more still on accrual by class of loans:

		Non-Accrual Loans		Loans Past Due 90 Days or More & Still Accruing		Non-Accrual Loans		Loans Past Due 90 Days or More & Still Accruing	
		September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Commercial and Industrial Loans and Leases	Commercial and Industrial Loans and Leases	$ 7,298	$ 7,936	$ 1,000	$ 1,427				
Commercial Real Estate Loans	Commercial Real Estate Loans	1,006	1,950	145	—				
Agricultural Loans	Agricultural Loans	1,036	1,062	25	—				
Home Equity Loans	Home Equity Loans	621	310	—	—				
Consumer Loans	Consumer Loans	178	400	—	—				
Residential Mortgage Loans	Residential Mortgage Loans	1,067	1,230	—	—				
Total	**Total**	$ 11,206	$ 12,888	$ 1,170	$ 1,427				

Non-performing assets totaled $12.4 million $10.0 million at September 30, 2023 March 31, 2024 compared to $14.3 million $9.2 million at December 31, 2022 December 31, 2023. Non-performing assets represented 0.21% 0.16% of total assets at September 30, 2023 March 31, 2024 compared to 0.15% at year-end 2023. Non-performing loans totaled $10.0 million at March 31, 2024 compared to $9.2 million at December 31, 2023. Non-performing loans represented 0.25% of total loans at March 31, 2024 compared to 0.23% at year-end 2022. Non-performing December 31, 2023. The modest increase in both commercial and industrial non-performing loans totaled $12.4 million at September 30, 2023 compared as well as commercial real estate non-performing loans was related to $14.3 million at December 31, 2022. Non-performing loans represented 0.32% two credit relationships of total loans at September 30, 2023 compared to 0.38% at December 31, 2022. less than $1.0 million each.

September 30, 2023 March 31, 2024 total deposits declined $214.2 million $33.6 million, or 4%, 3% on an annualized basis, compared to December 31, 2022. year-end 2023. The decline in deposits stabilized following the first quarter at March 31, 2024 compared to year-end 2023 was largely attributable to seasonal outflows of 2023, during which $195.2 million of the overall decline occurred. The core deposit base remains diverse with stable and manageable exposure to uninsured and uncollateralized deposits of approximately 21% of total deposits.

public entity funds. The Company has continued to see customer movement from both interest bearing and non-interest bearing transactional accounts to time deposits due primarily to the rising a higher interest rate environment. Non-interest bearing deposits have remained relatively stable as a percent of total deposits with September 30, 2023 both March 31, 2024 and December 31, 2023 non-interest bearing deposits totaling 29% 28% of total deposits. The deposit base remains diverse with stable and manageable exposure to uninsured and uncollaterized deposits compared with 32% at December 31, 2022. of approximately 21% of total deposits.

Competitive deposit pricing in the marketplace as well as customers actively looking for yield opportunities within and outside the banking industry are contributing factors to the decline in total deposits over the course of the past year. Additionally, a meaningful level of the outflow of deposits experienced during the past year was captured within the Company's wealth management group.

End of Period Deposit Balances: (dollars in thousands)	**March 31, 2024**	**December 31, 2023**	**Current Period Change**
Non-interest-bearing Demand Deposits	$ 1,463,933	$ 1,493,160	$ (29,227)
Interest-bearing Demand, Savings, & Money Market Accounts	2,918,459	2,992,761	(74,302)
Time Deposits < $100,000	328,804	289,077	39,727
Time Deposits of $100,000 or more	508,151	477,965	30,186
Total Deposits	$ 5,219,347	$ 5,252,963	$ (33,616)

End of Period Deposit Balances: (dollars in thousands)	**September 30, 2023**	**December 31, 2022**	**Current Period Change**

Non-interest-bearing Demand Deposits	$ 1,502,175	$ 1,691,804	$ (189,629)
Interest-bearing Demand, Savings, & Money Market Accounts	2,932,180	3,229,778	(297,598)
Time Deposits < $100,000	269,829	235,219	34,610
Time Deposits of $100,000 or more	431,687	193,250	238,437
Total Deposits	$ 5,135,871	$ 5,350,051	$ (214,180)

September 30, 2023 total borrowings increased $82.4 million, or 40%, compared to December 31, 2022. The increase in total borrowings over the course of the past year has been to fund loan growth and mitigate deposit outflows.

Capital Resources:

As of September 30, 2023 March 31, 2024, shareholders' equity declined by $20.0 million $8.3 million to $538.4 million $655.3 million compared with $558.4 million $663.6 million at year-end 2022. 2023. The decline in shareholders' equity was primarily attributable to a decline in accumulated other comprehensive income (loss) of $64.2 million $20.0 million related to the decrease in value of the Company's Company's available-for-sale securities portfolio driven by changes in market interest rates during the first nine three months of 2023. 2024. Partially mitigating the decline was increased retained earnings of $42.3 million $11.1 million due to net income of $64.4 million $19.0 million, which was partially offset by the payment of $22.1 million $8.0 million in shareholder dividends.

Shareholders' equity represented 9.0% 11.0% of total assets at September 30, 2023 both March 31, 2024 and 9.1% of total assets at December 31, 2022 December 31, 2023. Shareholders' equity included $187.4 million $186.0 million of goodwill and other intangible assets at September 30, 2023 March 31, 2024 compared to $189.8 million $186.7 million of goodwill and other intangible assets at December 31, 2022 December 31, 2023.

On January 31, 2022, In January 2022, the Company's Board of Directors approved a plan to repurchase up to 1.0 million shares of the Company's outstanding common stock. On a share basis, the amount of common stock subject to the repurchase plan represented approximately 3% of the Company's outstanding shares on the date it was approved. The Company is not obligated to purchase any shares under the plan, and the plan may be discontinued at any time. The actual timing, number and share price of shares purchased under the repurchase plan will be determined by the Company at its discretion and will depend upon such factors as the market price of the stock, general market and economic conditions and applicable legal requirements. The Company has not repurchased any shares of common stock under the repurchase plan.

Federal banking regulations provide guidelines for determining the capital adequacy of bank holding companies and banks. These guidelines provide for a more narrow definition of core capital and assign a measure of risk to the various categories of assets. The Company is required to maintain minimum levels of capital in proportion to total risk-weighted assets and off-balance sheet exposures.

The current risk-based capital rules, as adopted by federal banking regulators, are based upon guidelines developed by the Basel Committee on Banking Supervision and reflect various requirements of the Dodd-Frank Act (the "Basel III Rules"). The Basel III Rules require banking organizations to, among other things, maintain a minimum ratio of Total Capital to risk-weighted assets, a minimum ratio of Tier 1 Capital to risk-weighted assets, a minimum ratio of "Common Equity Tier 1 Capital" to risk-weighted assets, and a minimum leverage ratio (calculated as the ratio of Tier 1 Capital to adjusted average consolidated assets). In addition, under the Basel III Rules, in order to avoid limitations on capital distributions, including dividend payments, the Company is required to maintain a 2.5% capital conservation buffer above the adequately capitalized regulatory capital ratios. At September 30, 2023 March 31, 2024, the capital levels for the Company and its subsidiary bank remained well in excess of the minimum amounts needed for capital adequacy purposes and the Bank's Bank's capital levels met the necessary requirements to be considered well-capitalized.

The table below presents the Company's consolidated and the subsidiary bank's bank's capital ratios under regulatory guidelines:

		9/30/2023 Ratio	12/31/2022 Ratio	Minimum for Capital Adequacy Purposes (1)	Well-Capitalized Guidelines		3/31/2024 Ratio	12/31/2023 Ratio	Minimum for Capital Adequacy Purposes (1)	Well-Capitalized Guidelines
Total Capital (to Risk Weighted Assets)	Total Capital (to Risk Weighted Assets)									
Consolidated	Consolidated	16.21 %	15.45 %	8.00 %	N/A					
Consolidated										
Consolidated							16.57 %	16.50 %	8.00 %	N/A
Bank	Bank	14.83 %	14.07 %	8.00 %	10.00 %	Bank	14.53 %	14.76 %	8.00 %	10.00 %
Tier 1 (Core) Capital (to Risk Weighted Assets)	Tier 1 (Core) Capital (to Risk Weighted Assets)									
Consolidated										
Consolidated										
Consolidated	Consolidated	14.66 %	13.97 %	6.00 %	N/A		14.97 %	14.97 %	6.00 %	N/A

Bank	Bank	14.10 %	13.42 %	6.00 %	8.00 %	Bank	13.73 %	14.04 %	6.00 %	8.00 %
Common Tier 1 (CET 1) Capital Ratio (to Risk Weighted Assets)	Common Tier 1 (CET 1) Capital Ratio (to Risk Weighted Assets)									
Consolidated	Consolidated	13.95 %	13.26 %	4.50 %	N/A					
Consolidated										
Consolidated							14.27 %	14.26 %	4.50 %	N/A
Bank	Bank	14.10 %	13.42 %	4.50 %	6.50 %	Bank	13.73 %	14.04 %	4.50 %	6.50 %
Tier 1 Capital (to Average Assets)	Tier 1 Capital (to Average Assets)									
Consolidated	Consolidated	11.70 %	10.50 %	4.00 %	N/A					
Consolidated										
Consolidated							12.01 %	11.75 %	4.00 %	N/A
Bank	Bank	11.26 %	10.09 %	4.00 %	5.00 %	Bank	11.02 %	11.03 %	4.00 %	5.00 %

(1) Excludes capital conservation buffer.

In December 2018,

The Company adopted the federal banking regulators approved a final rule to address changes to credit loss CECL accounting standard under GAAP including banking organizations' implementation of CECL. effective January 1, 2020. The final rule provides banking organizations regulatory capital rules applicable to the option to phase in over a Company provided an optional three-year phase-in period for the day-one adverse effects on regulatory capital that may result from the adoption effects of adopting CECL. In addition, as part of the new accounting standard. On March 27, 2020 Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), in an action related banking organizations were further permitted to the CARES Act, the federal banking regulators announced an interim final rule to delay mitigate the estimated impact on cumulative regulatory capital stemming from effects of CECL for up to an additional two years. As a result, on January 1, 2022, the implementation of CECL. The interim final rule, which was finalized effective September 30, 2020, maintained the three-year transition option in the previous rule and provides banks the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period (five-year transition option). The Company elected to adopt the five-year transition option and, as a result, began the required three-year phase-in by reflecting 25% of the previously deferred estimated capital impact of CECL in its regulatory capital effective January 1, 2022. capital. An additional 25% was phased in on each of January 1, 2023 and January 1, 2024, and another 25% will be phased in on each of January 1, 2024 and January 1, 2025 (at which time the cumulative effects of adopting CECL will have been fully phased into our regulatory capital). Under the five-year transition option, the amount of adjustments to regulatory capital that could be deferred until the phase-in period began included both the initial impact of our adoption of CECL at January 1, 2020 and 25% of subsequent changes in our allowance for credit losses during each quarter of the two-year period ended December 31, 2021.

Liquidity:

The Consolidated Statement of Cash Flows details the elements of changes in the Company's consolidated cash and cash equivalents. Total cash and cash equivalents increased $13.3 million $8.1 million during the nine three months ended September 30, 2023 March 31, 2024 ending at $132.4 million $123.5 million. During the nine three months ended September 30, 2023 March 31, 2024, operating activities resulted in net cash inflows of $77.7 million $23.9 million. Investing activities resulted in net cash inflows of $89.6 million $28.1 million during the nine three months ended September 30, 2023 March 31, 2024. Financing activities resulted in net cash outflows for the nine three months ended September 30, 2023 March 31, 2024 of $154.0 million $43.8 million.

The Company's primary source of funding is its customer deposits, supplemented by brokered deposits, reciprocal deposits. The bank subsidiary of the Company also utilizes short-term funding sources from time to time. These sources consist of overnight federal funds purchased from other financial institutions, secured repurchase agreements that generally mature within one day of the transaction date, and secured overnight variable rate borrowings from the FHLB. These borrowings represent an important source of short-term liquidity for the Company's bank subsidiary. In addition, the Company, as a separate and distinct corporation from its bank and other subsidiaries, also has the ability to borrow funds from other financial institutions and securities sold under agreements to repurchase. raise debt or equity capital from the capital markets and other sources.

The membership of Company's bank subsidiary is authorized by its Board to borrow up to $500 million at the Company's affiliate bank in FHLB, but availability at March 31, 2024 was limited to approximately $220 million based on the Federal Home Loan Bank System provides a significant additional source for both long then pledged collateral and short-term collateralized outstanding borrowings. In addition, in March 2023, the FRB created Company had a borrowing capacity of approximately $186 million at the Federal Reserve Bank Term Funding Program, a new facility established in response to liquidity concerns resulting, in part, as of March 31, 2024, based on the then pledged collateral. The capacity for borrowings from the bank failures that occurred earlier that month. FHLB and the Federal Reserve Bank could be increased, in each case, by the Company pledging additional available collateral. The program was designed to provide available additional funding to eligible depository institutions in order to help assure that banks have Company's Asset/Liability Committee closely monitors the ability to meet the needs availability of all their depositors. Under the program, eligible depository institutions can obtain loans these sources as part of up to one year in length by pledging U.S. Treasuries, agency debt its overall oversight and mortgage-backed securities, and other qualifying assets as collateral. These assets will be valued at par. The program is intended to eliminate the need for depository institutions to quickly sell their securities when they are experiencing stress on their liquidity. As management of the date of this Quarterly Report on Form 10-Q, the Company has not made any requests for loans under the program.

bank subsidiary's liquidity.

The parent company is a corporation separate and distinct from its bank and other subsidiaries. The Company uses funds at the parent-company level to pay dividends to its shareholders, to acquire or make other investments in other businesses or their securities or assets, to repurchase its stock from time to time, and for other general corporate purposes including debt service. The parent company does not have access at the parent-company level to the deposits and certain other sources of funds that are available to its bank subsidiary to support its operations. Instead, the parent company has historically derived most of its revenues from dividends paid to the parent company by its bank subsidiary. The Company's banking subsidiary is subject to statutory restrictions on its ability to pay dividends to the parent company. The parent company has, in recent years from time-to-time, supplemented the dividends received from its subsidiaries with borrowings. As of September 30, 2023 March 31, 2024, the parent company had approximately $47.3 million $83.4 million of cash and cash equivalents available to meet its cash flow needs.

FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS

The Company from time to time in its oral and written communications makes statements relating to its expectations regarding the future. These types of statements are considered "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company may include forward-looking statements in filings with the Securities and Exchange Commission ("SEC"), such as this Form 10-Q, in other written materials, and in oral statements made by senior management to analysts, investors, representatives of the media, and others. Such forward looking statements can include statements about the Company's net interest income or net interest margin; its adequacy of allowance for credit losses, levels of provisions for credit losses, and the quality of the Company's loans, investment securities and other assets; simulations of changes in interest rates; expected results from mergers with or acquisitions of other businesses; litigation results; tax estimates and recognition; dividend policy; parent company cash resources and cash requirements, and parent company capital resources; estimated cost savings, plans and objectives for future operations; and expectations about the Company's financial and business performance and other business matters as well as economic and market conditions and trends. They often can be identified by the use of words like "plan," "expect," "can," "might," "may," "will," "would," "could," "should," "intend," "project," "estimate," "believe" or "anticipate," or similar expressions.

Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the forward-looking statement is made.

Readers are cautioned that, by their nature, all forward-looking statements are based on assumptions and are subject to risks, uncertainties, and other factors. Actual results may differ materially and adversely from the expectations of the Company that are expressed or implied by any forward-looking statement. The discussions in this Item 2 list some of the factors that could cause the Company's actual results to vary materially from those expressed or implied by any forward-looking statements. Other risks, uncertainties, and factors that could cause the Company's actual results to vary materially from those expressed or implied by any forward-looking statement include:

- changes in interest rates and the timing and magnitude of any such changes;
- unfavorable economic conditions, including a prolonged period of inflation, and the resulting adverse impact on, among other things, credit quality;
- the impacts related to or resulting from recent bank failures or adverse developments at soundness of other banks on financial institutions and general investor sentiment regarding the stability and of financial institutions;
- changes in our liquidity of banks; program;
- the impacts of epidemics, pandemics or other infectious disease outbreaks;
- changes in competitive conditions;
- the introduction, withdrawal, success and timing of asset/liability management strategies or of mergers and acquisitions and other business initiatives and strategies;
- changes in customer borrowing, repayment, investment and deposit practices;
- changes in fiscal, monetary and tax policies;
- changes in financial and capital markets;
- capital management activities, including possible future sales of new securities, or possible repurchases or redemptions by the Company of outstanding debt or equity securities;
- risks of expansion through acquisitions and mergers, such as unexpected credit quality problems of the acquired loans or other assets, unexpected attrition of the customer base or employee base of the acquired institution or branches, and difficulties in integration of the acquired operations;
- factors driving impairment charges credit losses on investments;
- the impact, extent and timing of technological changes;
- potential cyber-attacks, information security breaches and other criminal activities;
- litigation liabilities, including related costs, expenses, settlements and judgments, or the outcome of matters before regulatory agencies, whether pending or commencing in the future;
- actions of the Federal Reserve Board;
- the possible effects of the replacement of the London Interbank Offered Rate (LIBOR);
- the potential for increases to, and volatility in, the balance of our allowance for credit losses and related provision expense due to the current expected credit loss (CECL) standard;
- changes in accounting principles and interpretations;
- potential increases of federal deposit insurance premium expense, and possible future special assessments of FDIC premiums, either industry wide or specific to the Company's banking subsidiary;

- actions of the regulatory authorities under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and the Federal Deposit Insurance Act and other possible legislative and regulatory actions and reforms;
- impacts resulting from possible amendments or revisions to the Dodd-Frank Act and the regulations promulgated thereunder, or to Consumer Financial Protection Bureau rules and regulations; and
- the continued availability of earnings and excess capital sufficient for the lawful and prudent declaration and payment of cash dividends.

Such statements reflect our views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. Readers are cautioned not to place undue reliance on these forward-looking statements.

Investors should consider these risks, uncertainties, and other factors, in addition to those mentioned by the Company in its Annual Report on Form 10-K for its fiscal year ended December 31, 2022 December 31, 2023, this Quarterly Report on Form 10-Q, and other SEC filings from time to time, when considering any forward-looking statement.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company’s exposure to market risk is reviewed on a regular basis by the Asset/Liability Committee and Boards of Directors of the parent company and its subsidiary bank. Primary market risks which impact the Company’s operations are liquidity risk and interest rate risk.

The liquidity of the parent company is dependent upon the receipt of dividends from its subsidiary bank, which is subject to certain regulatory limitations. The Bank’s source of funding is predominately core deposits, maturities of securities, repayments of loan principal and interest, federal funds purchased, securities sold under agreements to repurchase, and borrowings from the Federal Home Loan Bank and the Federal Reserve Bank.

The Company monitors interest rate risk by the use of computer simulation modeling to estimate the potential impact on its net interest income under various interest rate scenarios, and by estimating its static interest rate sensitivity position. Another method by which the Company’s interest rate risk position can be estimated is by computing estimated changes in its net portfolio value (“NPV”). This method estimates interest rate risk exposure from movements in interest rates by using interest rate sensitivity analysis to determine the change in the NPV of discounted cash flows from assets and liabilities. NPV represents the market value of portfolio equity and is equal to the estimated market value of assets minus the estimated market value of liabilities.

Computations for measuring both net interest income and NPV are based on a number of assumptions, including the relative levels of market interest rates and prepayments in mortgage loans and certain types of investments. These computations do not contemplate any actions management may undertake in response to changes in interest rates, and should not be relied upon as indicative of actual results. In addition, certain shortcomings are inherent in the method of computing both net interest income and NPV. Should interest rates remain or decrease below current levels, the proportion of adjustable rate loans could decrease in future periods due to refinancing activity. In the event of an interest rate change, prepayment levels would likely be different from those assumed in the modeling. Lastly, the ability of many borrowers to repay their adjustable rate debt may decline during a rising interest rate environment.

The Company from time to time utilizes derivatives to manage interest rate risk. Management continuously evaluates the merits of such interest rate risk products but does not anticipate the use of such products to become a major part of the Company’s risk management strategy.

The table below provides an assessment of the risk to net interest income over the next 12 months in the event of a sudden and sustained 1% and 2% increase and decrease in prevailing interest rates (dollars in thousands).

Interest Rate Sensitivity as of September 30, 2023 March 31, 2024 - Net Interest Income

			Net Interest Income		
			Net Interest Income		
Changes in Rates	**Changes in Rates**		**Amount**	**% Change**	
Changes in Rates					
Changes in Rates					
+2%					
+2%					
+2%	+2%	$	197,287	(0.32)	%
+1%	+1%		197,692	(0.12)	%
+1%					
+1%					
Base					
Base					
Base	Base		197,930	—	
-1%	-1%		195,745	(1.10)	%
-1%					
-1%					

-2%	-2%	191,533	(3.23)	%
-2%				
-2%				

The above table is a measurement of the Company's net interest income at risk, assuming a static balance sheet as of September 30, 2023 March 31, 2024 and instantaneous parallel changes in interest rates. The Company also monitors interest rate risk under other scenarios including a more gradual movement in market interest rates. This type of scenario can at times produce different modeling results in measuring interest rate risk sensitivity.

The table below provides an assessment of the risk to NPV in the event of a sudden and sustained 1% and 2% increase and decrease in prevailing interest rates (dollars in thousands).

Interest Rate Sensitivity as of September 30, 2023 March 31, 2024 - Net Portfolio Value

		Net Portfolio Value		Net Portfolio Value as a % of Present Value of Assets			Net Portfolio Value			Net Portfolio Value as a % of Present Value of Assets	
Changes in Rates	**Changes in Rates**	**Amount**	**% Change**	**NPV Ratio**	**Change**	**Changes in Rates**	**Amount**		**% Change**	**NPV Ratio**	**Change**
+2%											
+2%											
+2%	+2%	$582,710	(15.19)%	11.11 %	(117) b.p.		$636,724	(15.76)	(15.76) %	11.87 %	(134) b.p.
+1%	+1%	633,282	(7.83)%	11.69 %	(59) b.p.	+1%	696,934	(7.80)	(7.80)%	12.58 %	(63) b.p.
Base	Base	687,079	—	12.28 %	—						
-1%	-1%	735,299	7.02 %	12.72 %	44 b.p.	-1%	805,070	6.51	6.51 %	13.63 %	42 b.p.
-2%	-2%	775,055	12.80 %	12.98 %	70 b.p.	-2%	835,197	10.50	10.50 %	13.71 %	50 b.p.

This Item 3 includes forward-looking statements. See "Forward-looking Statements and Associated Risks" included in Part I, Item 2 of this Report for a discussion of certain factors that could cause the Company's actual exposure to market risk to vary materially from that expressed or implied above. These factors include possible changes in economic conditions; interest rate fluctuations, competitive product and pricing pressures within the Company's markets; and equity and fixed income market fluctuations. Actual experience may also vary materially to the extent that the Company's assumptions described above prove to be inaccurate.

Item 4. Controls and Procedures

As of September 30, 2023 March 31, 2024, the Company carried out an evaluation, under the supervision and with the participation of its principal executive officer and principal financial officer, of the effectiveness of the design and operation of its disclosure controls and procedures. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were, as of that date, effective in timely alerting them to material information required to be included in the Company's periodic reports filed with the Securities and Exchange Commission. There are inherent limitations to the effectiveness of systems of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective systems of disclosure controls and procedures can provide only reasonable assurances of achieving their control objectives.

There was no change in the Company's internal control over financial reporting that occurred during the Company's third first fiscal quarter of 2023 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no pending legal proceedings, other than routine litigation incidental to the business of the Company's subsidiaries, to which the Company or any of its subsidiaries is a party or of which any of their property is the subject.

Item 1A. Risk Factors

Except for the additional risk factors set forth below, there There have been no material changes to the risk factors previously disclosed in German American Bancorp, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Adverse developments affecting the financial services industry, such as recent bank failures or concerns involving liquidity, may have a material effect on our operations.

The failures of Silicon Valley Bank and Signature Bank in March 2023, followed by the failure of First Republic Bank in May 2023, have resulted in general uncertainty for the financial services industry and have caused concerns relative to the adequacy of liquidity in the banking sector as a whole. A financial institution's liquidity reflects its ability to meet customer demand for loans, accommodating possible outflows in deposits and accessing alternative sources of funds when needed, while at the same time taking advantage of interest rate market opportunities. The ability to manage liquidity is fundamental to a financial institution's business and success. The recent bank failures highlight the potential results of an insured depository institution unexpectedly having to obtain needed liquidity to satisfy deposit withdrawal requests, including how quickly such requests can accelerate once uninsured depositors lose confidence in an institutions ability to satisfy its obligations to depositors. Current market uncertainties and other external factors may impact the competitive landscape for deposits in the banking industry in an unpredictable manner. In addition, the rising interest rate environment has continued to increase competition for liquidity and the premium at which liquidity is available to meet funding needs. These possible impacts may adversely affect our future operating results, including net income, and negatively impact capital.

Regulatory requirements arising from recent events in the financial services industry, or the application of current regulations, could increase our expenses and affect our operations.

We anticipate the potential of new regulations for banks of similar size to the Company's banking subsidiary, German American Bank, designed to address the recent developments in the financial services industry, which may increase our costs of doing business and reduce our profitability. Among other things, there may be an increased focus by both regulators and investors on deposit composition and the level of uninsured deposits. We also expect that another result of the recent bank failures, as well as any future bank failures, may be an increase to our FDIC insurance premiums in future years, further increasing our cost of doing business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table sets forth information regarding the Company's purchases of its common shares during each of the three months ended September 30, 2023 March 31, 2024.

Period	Total Number of Shares (or Units) Purchased	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased under the Plans or Programs (1)
July 2023 January 2024	—	—	—	1,000,000
August 2023 February 2024	—	—	—	1,000,000
September 2023 March 2024	—	—	—	1,000,000
Total	—	—	—	

(1) On January 31, 2022, the Company's Board of Directors approved a plan to repurchase up to 1.0 million shares of the Company's outstanding common stock. On a share basis, the amount of common stock subject to the repurchase plan represented approximately 3% of the Company's outstanding shares on the date it was approved. The Company is not obligated to purchase any shares under the plan, and the plan may be discontinued at any time. The actual timing, number and share price of shares purchased under the repurchase plan will be determined by the Company at its discretion and will depend upon such factors as the market price of the stock, general market and economic conditions and applicable legal requirements. The Company has not repurchased any shares under the 2022 this repurchase plan.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) Information required to be disclosed in a report on Form 8-K.

None.

(b) Changes to director nomination procedures.

None.

(c) Insider trading arrangements.

During the three months ended September 30, 2023 March 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

The following exhibits are included with this Report or incorporated herein by reference.

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation of German American Bancorp, Inc., are incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed May 26, 2020 (SEC File No. 001-15877).
3.2	Amended and Restated Bylaws of German American Bancorp, Inc. are incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed July 1, 2020 December 20, 2023 (SEC File No. 001-15877).
4.1	Terms of Common Shares and Preferred Shares of the Registrant (included in Restatement of Articles of Incorporation) are incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed May 26, 2020 (SEC File No. 001-15877).
4.2	Specimen stock certificate for Common Shares of the Registrant is incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed October 21, 2010 (SEC File No. 001-15877).
4.3	Indenture, dated as of June 25, 2019, by and between German American Bancorp, Inc. and U.S. Bank National Association, as trustee, is incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed June 25, 2019 (SEC File No. 001-15877).
4.4	Form of 4.50% Fixed-to-Floating Subordinated Note due 2029 of German American Bancorp, Inc. is incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed June 25, 2019 (SEC File No. 001-15877).
10.1 10.1**	Description of Director Compensation Arrangements, effective as of July 1, 2023, Executive Management Incentive Plan for 2024 (awards payable in 2025) is incorporated by reference to Exhibit 10.1 to from the Registrant's Quarterly description contained in Item 5.02 of the Registrant's Current Report on Form 10-Q for the quarter ended June 30, 2023, 8-K filed August 8, 2023 March 7, 2024 (SEC File No. 001-15877).
31.1+	Sarbanes-Oxley Act of 2002, Section 302 Certification of Principal Executive Officer.
31.2+	Sarbanes-Oxley Act of 2002, Section 302 Certification of Principal Financial Officer.
32.1++	Sarbanes-Oxley Act of 2002, Section 906 Certification of Principal Executive Officer.
32.2++	Sarbanes-Oxley Act of 2002, Section 906 Certification of Principal Financial Officer.
101.INS+	Inline XBRL Instance Document (The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.)
101.SCH+	Inline XBRL Taxonomy Extension Schema Document
101.CAL+	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF+	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB+	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE+	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

Note: No long-term debt instrument issued by the Registrant exceeds 10% of consolidated total assets or is registered. In accordance with paragraph 4 (iii) of Item 601(b) of Regulation S-K, the Registrant will furnish the Securities and Exchange Commission copies of long-term debt instruments and related agreements upon request.

* Exhibits that describe or evidence management contracts or compensatory plans or arrangements required to be filed as exhibits to this Report are indicated by an asterisk.

+Filed with this Report (other than through incorporation by reference to other disclosures or exhibits).

++Furnished with this Report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

GERMAN AMERICAN BANCORP, INC.

Date: November 7, 2023 May 8, 2024	By: /s/D. Neil Dauby
	D. Neil Dauby
	Chairman and Chief Executive Officer
	(Principal Executive Officer)
Date: November 7, 2023 May 8, 2024	By: /s/Bradley M. Rust
	Bradley M. Rust
	President and Chief Financial Officer
	(Principal Financial Officer)
Date: November 7, 2023 May 8, 2024	By: /s/Vicki L. Schuler
	Vicki L. Schuler
	Senior Vice President, Controller
	(Principal Accounting Officer)

Exhibit 31.1

Sarbanes-Oxley Act of 2002, Section 302 Certification of Principal Executive Officer

I, D. Neil Dauby, Chairman and Chief Executive Officer of German American Bancorp, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of German American Bancorp, Inc. (the "registrant"):

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2023 May 8, 2024
Date

/s/ D. Neil Dauby
D. Neil Dauby
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Sarbanes-Oxley Act of 2002, Section 302 Certification of Principal Financial Officer

I, Bradley M. Rust, President and Chief Financial Officer of German American Bancorp, Inc. certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of German American Bancorp, Inc. (the “registrant”):

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2023 May 8, 2024
Date

/s/ Bradley M. Rust
Bradley M. Rust
President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Sarbanes-Oxley Act of 2002, Section 906 Certification of Principal Executive Officer

I, D. Neil Dauby, Chairman and Chief Executive Officer of German American Bancorp, Inc. certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), that:

1. The Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 (the "Periodic Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2. Information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of German American Bancorp, Inc.

This certificate is being furnished solely for purposes of Section 906 and is not being filed as part of the Periodic Report.

November 7, 2023 May 8, 2024
Date

/s/ D. Neil Dauby
D. Neil Dauby
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Sarbanes-Oxley Act of 2002, Section 906 Certification of Principal Financial Officer

I, Bradley M. Rust, President and Chief Financial Officer of German American Bancorp, Inc. certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), that:

1. The Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 (the "Periodic Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2. Information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of German American Bancorp, Inc.

This certificate is being furnished solely for purposes of Section 906 and is not being filed as part of the Periodic Report.

November 7, 2023 May 8, 2024
Date

/s/ Bradley M. Rust
Bradley M. Rust
President and Chief Financial Officer
(Principal Financial Officer)