REPUBLIC BANCORP INC /KY/
Form 10-Q
May 08, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2015

or

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-24649

REPUBLIC BANCORP, INC.

(Exact name of registrant as specified in its charter)

Kentucky	**61-0862051**
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
601 West Market Street, Louisville, Kentucky	**40202**
(Address of principal executive offices)	(Zip Code)

(502) 584-3600

(Registrant s telephone number, including area code)

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 twelve 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. x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding twelve months(or for such shorter period that the registrant was required to submit and post such files). x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filero	Accelerated filer x	Non-accelerated filer o	Smaller reporting company o

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

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

The number of shares outstanding of the registrant s Class A Common Stock and Class B Common Stock, as of April 30, 2015, was 18,615,567 and 2,245,492.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSOLIDATED BALANCE SHEETS (*in thousands) (unaudited)*

	March 31, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	$ 136,349	$ 72,878
Securities available for sale	464,145	435,911
Securities held to maturity (fair value of $45,133 in 2015 and $45,807 in 2014)	44,574	45,437
Mortgage loans held for sale, at fair value	12,748	6,388
Loans	3,155,436	3,040,495
Allowance for loan and lease losses	(24,631)	(24,410)
Loans, net	3,130,805	3,016,085
Federal Home Loan Bank stock, at cost	28,208	28,208
Premises and equipment, net	31,817	32,987
Premises, held for sale	1,284	1,317
Goodwill	10,168	10,168
Other real estate owned	6,736	11,243
Bank owned life insurance	51,764	51,415
Other assets and accrued interest receivable	33,589	34,976
TOTAL ASSETS	$ 3,952,187	$ 3,747,013
LIABILITIES		
Deposits:		
Non interest-bearing	$ 666,166	$ 502,569
Interest-bearing	1,714,051	1,555,613
Total deposits	2,380,217	2,058,182
Securities sold under agreements to repurchase and other short-term borrowings	332,534	356,108
Federal Home Loan Bank advances	596,500	707,500
Subordinated note	41,240	41,240
Other liabilities and accrued interest payable	32,225	25,252
Total liabilities	3,382,716	3,188,282
Commitments and contingent liabilities (Footnote 9)		
STOCKHOLDERS EQUITY		
Preferred stock, no par value		
Class A Common Stock and Class B Common Stock, no par value	4,906	4,904
Additional paid in capital	135,168	134,889
Retained earnings	424,483	414,623
Accumulated other comprehensive income	4,914	4,315

Total stockholders equity		569,471		558,731
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	3,952,187	$	3,747,013

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME (*UNAUDITED*)

(*in thousands, except per share data*)

	Three Months Ended March,	
	2015	**2014**
INTEREST INCOME:		
Loans, including fees	$ 31,591	$ 30,162
Taxable investment securities	1,773	1,859
Federal Home Loan Bank stock and other	397	476
Total interest income	33,761	32,497
INTEREST EXPENSE:		
Deposits	1,144	978
Securities sold under agreements to repurchase and other short-term borrowings	38	22
Federal Home Loan Bank advances	2,928	3,564
Subordinated note	629	629
Total interest expense	4,739	5,193
NET INTEREST INCOME	29,022	27,304
Provision for loan and lease losses	185	(703)
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	28,837	28,007
NON INTEREST INCOME:		
Service charges on deposit accounts	3,039	3,295
Net refund transfer fees	15,335	14,388
Mortgage banking income	1,353	486
Interchange fee income	2,194	2,044
Net gain (loss) on other real estate owned	(119)	(482)
Increase in cash surrender value of bank owned life insurance	349	191
Other	835	793
Total non interest income	22,986	20,715
NON INTEREST EXPENSES:		
Salaries and employee benefits	15,277	14,483
Occupancy and equipment, net	5,201	5,822
Communication and transportation	1,046	1,026
Marketing and development	585	528
FDIC insurance expense	674	569
Bank franchise tax expense	2,401	2,339
Data processing	966	797
Interchange related expense	1,007	997
Supplies	361	440
Other real estate owned expense	219	390
Legal and professional fees	1,615	1,011
Other	1,722	1,797

Total non interest expenses		31,074		30,199
INCOME BEFORE INCOME TAX EXPENSE		20,749		18,523
INCOME TAX EXPENSE		6,961		6,539
NET INCOME	$	13,788	$	11,984
BASIC EARNINGS PER SHARE:				
Class A Common Stock	$	0.66	$	0.58
Class B Common Stock	$	0.65	$	0.56
DILUTED EARNINGS PER SHARE:				
Class A Common Stock	$	0.66	$	0.58
Class B Common Stock	$	0.64	$	0.56
DIVIDENDS DECLARED PER COMMON SHARE:				
Class A Common Stock	$	0.187	$	0.176
Class B Common Stock	$	0.170	$	0.160

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (*UNAUDITED)*

(*in thousands*)

	Three Months Ended March,	
	2015	**2014**
Net income	$ 13,788	$ 11,984
OTHER COMPREHENSIVE INCOME		
Change in fair value of derivatives used for cash flow hedges	(396)	(339)
Reclassification amount for derivative losses realized in income	101	100
Change in unrealized gain (loss) on securities available for sale	1,238	2
Change in unrealized gain on security available for sale for which a portion of an other-than-temporary impairment has been recognized in earnings	(22)	54
Net unrealized gains (losses)	921	(183)
Tax effect	(322)	63
Total other comprehensive income (loss), net of tax	599	(120)
COMPREHENSIVE INCOME	$ 14,387	$ 11,864

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (*UNAUDITED*)

THREE MONTHS ENDED MARCH 31, 2015

(in thousands)	Common Stock Class A Shares Outstanding	Common Stock Class B Shares Outstanding	Amount	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders Equity
Balance, January 1, 2015	18,603	2,245	$ 4,904	$ 134,889	$ 414,623	$ 4,315	$ 558,731
Net income					13,788		13,788
Net change in accumulated other comprehensive income						599	599
Dividend declared Common Stock:							
Class A Shares					(3,481)		(3,481)
Class B Shares					(382)		(382)
Stock options exercised, net of shares redeemed	8		2	182	(65)		119
Net change in notes receivable on Class A Common Stock				(48)			(48)
Deferred director compensation expense - Class A Common Stock	5			67			67
Stock based compensation - restricted stock				73			73
Stock based compensation expense - options				5			5
Balance, March 31, 2015	18,616	2,245	$ 4,906	$ 135,168	$ 424,483	$ 4,914	$ 569,471

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (*UNAUDITED*) (*in thousands*)

	Three Months Ended March,	
	2015	**2014**
OPERATING ACTIVITIES:		
Net income	$ 13,788	$ 11,984
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization on investment securities, net	154	283
Accretion on loans, net	(310)	(2,650)
Depreciation of premises and equipment	1,577	1,363
Amortization of mortgage servicing rights	338	314
Provision for loan and lease losses	185	(703)
Net gain on sale of mortgage loans held for sale	(1,222)	(498)
Origination of mortgage loans held for sale	(45,835)	(14,110)
Proceeds from sale of mortgage loans held for sale	40,697	15,700
Net gain realized on sale of other real estate owned	(365)	(402)
Writedowns of other real estate owned	484	884
Deferred director compensation expense - Company Stock	67	53
Stock based compensation expense	78	106
Increase in cash surrender value of bank owned life insurance	(349)	(191)
Net change in other assets and liabilities:		
Accrued interest receivable	(78)	270
Accrued interest payable	9	(112)
Other assets	1,127	8,256
Other liabilities	6,329	157
Net cash provided by operating activities	16,674	20,704
INVESTING ACTIVITIES:		
Purchases of securities available for sale	(767,299)	(30,000)
Proceeds from maturities and paydowns of securities available for sale	740,141	45,868
Proceeds from maturities and paydowns of securities held to maturity	850	1,472
Net change in outstanding warehouse lines of credit	(103,724)	13,314
Purchase of loans, including premiums paid	(19,531)	
Net change in other loans	10,370	1,910
Proceeds from redemption of Federal Home Loan Bank stock		32
Proceeds from sales of other real estate owned	2,630	2,627
Net purchases of premises and equipment	(374)	(1,403)
Purchase of bank owned life insurance		(5,000)
Net cash (used in)/provided by investing activities	(136,937)	28,820
FINANCING ACTIVITIES:		
Net change in deposits	322,035	93,355
Net change in securities sold under agreements to repurchase and other short-term borrowings	(23,574)	56,619
Payments of Federal Home Loan Bank advances	(198,000)	(48,000)
Proceeds from Federal Home Loan Bank advances	87,000	25,000
Repurchase of Common Stock		(347)
Net proceeds from Common Stock options exercised	119	20
Cash dividends paid	(3,846)	(3,648)
Net cash provided by used in financing activities	183,734	122,999
NET CHANGE IN CASH AND CASH EQUIVALENTS	63,471	172,523
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	72,878	170,863

CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	136,349	$	343,386
SUPPLEMENTAL DISCLOSURES OF CASHFLOW INFORMATION:				
Cash paid during the period for:				
Interest	$	4,730	$	5,305
Income taxes		585		397
SUPPLEMENTAL NONCASH DISCLOSURES:				
Transfers from loans to real estate acquired in settlement of loans	$	332	$	3,070
Loans provided for sales of other real estate owned		2,090		149

See accompanying footnotes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2015 and 2014 (UNAUDITED) AND DECEMBER 31, 2014

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The consolidated financial statements include the accounts of Republic Bancorp, Inc. (the Parent Company) and its wholly-owned subsidiaries, Republic Bank & Trust Company (RB&T or the Bank) and Republic Insurance Services, Inc. (the Captive). The Bank is a Kentucky-based, state chartered non-member financial institution. The Captive, which was formed during the third quarter of 2014, is a wholly-owned insurance subsidiary of the Company. The Captive provides property and casualty insurance coverage to the Company and the Bank as well as five other third-party insurance captives for which insurance may not be available or economically feasible. Republic Bancorp Capital Trust (RBCT) is a Delaware statutory business trust that is a wholly-owned unconsolidated finance subsidiary of Republic Bancorp, Inc. All companies are collectively referred to as Republic or the Company. All significant intercompany balances and transactions are eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. For further information, refer to the consolidated financial statements and footnotes thereto included in Republic s Form 10-K for the year ended December 31, 2014.

As of March 31, 2015, the Company was divided into four distinct business operating segments: Traditional Banking, Warehouse Lending (Warehouse), Mortgage Banking and Republic Processing Group (RPG). Management considers the first three segments to collectively constitute Core Bank or Core Banking activities. The Warehouse segment was reported as a division of the Traditional Banking segment prior to the fourth quarter of 2014, but realized the quantitative and qualitative nature of a segment by the end of 2014. All prior periods have been reclassified to conform to the current presentation.

Traditional Banking, Warehouse Lending and Mortgage Banking (collectively Core Banking)

As of March 31, 2015 in addition to Internet Banking and Correspondent Lending delivery channels, Republic had 40 full-service banking centers with locations as follows:

- Kentucky 32
- Metropolitan Louisville 19
- Central Kentucky 8

- Elizabethtown 1
- Frankfort 1
- Georgetown 1
- Lexington 4
- Shelbyville 1
- Western Kentucky 2
- Owensboro 2
- Northern Kentucky 3
- Covington 1
- Florence 1
- Independence 1
- Southern Indiana 3
- Floyds Knobs 1
- Jeffersonville 1
- New Albany 1
- Metropolitan Tampa, Florida 2
- Metropolitan Cincinnati, Ohio 1
- Metropolitan Nashville, Tennessee 2

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Republic s headquarters are located in Louisville, which is the largest city in Kentucky based on population.

Core Banking results of operations are primarily dependent upon net interest income, which represents the difference between the interest income and fees on interest-earning assets and the interest expense on interest-bearing liabilities. Principal interest-earning Core Banking assets represent investment securities and commercial and consumer loans primarily secured by real estate and/or personal property. Interest-bearing liabilities primarily consist of interest-bearing deposit accounts, securities sold under agreements to repurchase, as well as short-term and long-term borrowing sources. Federal Home Loan Bank (FHLB) advances have traditionally been a significant borrowing source for the Bank.

Other sources of Core Banking income include service charges on deposit accounts, debit and credit card interchange fee income, title insurance commissions, fees charged to clients for trust services, increase in the cash surrender value of Bank Owned Life Insurance (BOLI) and revenue generated from Mortgage Banking activities. Mortgage Banking activities represent both the origination and sale of loans in the secondary market and the servicing of loans for others, primarily the Federal Home Loan Mortgage Corporation (Freddie Mac or FHLMC).

Core Banking operating expenses consist primarily of salaries and employee benefits, occupancy and equipment expenses, communication and transportation costs, data processing, interchange related expenses, marketing and development expenses, Federal Deposit Insurance Corporation (FDIC) insurance expense, franchise tax expense and various general and administrative costs. Core Banking results of operations are significantly impacted by general economic and competitive conditions, particularly changes in market interest rates, government laws and policies and actions of regulatory agencies.

The Core Bank began acquiring single family, first lien mortgage loans for investment through its Correspondent Lending channel in May 2014. Correspondent Lending generally involves the Bank acquiring, primarily from its Warehouse clients, closed loans that meet the Bank s specifications. Substantially all loans purchased through the Correspondent Lending channel are purchased at a premium.

The Core Bank provides short-term, revolving credit facilities to mortgage bankers across the Nation through its Warehouse segment in the form of warehouse lines of credit. These credit facilities are secured by single family, first lien residential real estate loans. Outstanding balances on these credit facilities may be subject to significant fluctuations consistent with the overall market demand for mortgage loans.

Republic Processing Group

All divisions of the RPG segment operate through the Bank. Nationally, RPG facilitates the receipt and payment of federal and state tax refunds under the Tax Refund Solutions (TRS) division, primarily through refund transfers (RTs). RTs are products whereby a tax refund is issued to the taxpayer after the Bank has received the refund from the federal or state government. There is no credit risk or borrowing cost associated with these products because they are only delivered to the taxpayer upon receipt of the tax refund directly from the governmental paying authority. Fees earned on RTs, net of rebates, are the primary source of revenue for the TRS division and the RPG segment, and are reported as non interest income under the line item Net refund transfer fees.

The TRS division historically originated and obtained a significant source of revenue from Refund Anticipation Loans (RAL s), but terminated this product effective April 30, 2012. RALs were short-term consumer loans offered to taxpayers that were secured by the client s anticipated tax refund, which represented the sole source of repayment. While RALs were terminated in 2012, TRS may receive recoveries from previously charged-off RALs.

The Republic Payment Solutions (RPS) division is an issuing bank offering general purpose reloadable prepaid debit cards through third party program managers.

The Republic Credit Solutions (RCS) division offers short-term consumer credit products.

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2. INVESTMENT SECURITIES

Securities Available for Sale

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

March 31, 2015 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$ 186,819	$ 1,119	$ (1)	$ 187,937
Private label mortgage backed security	4,037	1,198		5,235
Mortgage backed securities - residential	112,764	5,330	(121)	117,973
Collateralized mortgage obligations	136,172	1,144	(709)	136,607
Freddie Mac preferred stock		271		271
Mutual fund	1,000	27		1,027
Corporate bonds	15,011	84		15,095
Total securities available for sale	$ 455,803	$ 9,173	$ (831)	$ 464,145

December 31, 2014 (in thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$ 146,625	$ 312	$ (15)	$ 146,922
Private label mortgage backed security	4,030	1,220		5,250
Mortgage backed securities - residential	118,836	5,511	(91)	124,256
Collateralized mortgage obligations	143,283	1,034	(1,146)	143,171
Freddie Mac preferred stock		231		231
Mutual fund	1,000	18		1,018
Corporate bonds	15,011	52		15,063
Total securities available for sale	$ 428,785	$ 8,378	$ (1,252)	$ 435,911

Securities Held to Maturity

The carrying value, gross unrecognized gains and losses, and fair value of securities held to maturity were as follows:

March 31, 2015 (in thousands)	Carrying Value	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value

U.S. Treasury securities and U.S. Government agencies	$ 1,549	$ 12	$ (5)	$ 1,556
Mortgage backed securities - residential	145	19		164
Collateralized mortgage obligations	37,880	600		38,480
Corporate bonds	5,000		(67)	4,933
Total securities held to maturity	$ 44,574	$ 631	$ (72)	$ 45,133

December 31, 2014 (in thousands)	**Carrying Value**	**Gross Unrecognized Gains**	**Gross Unrecognized Losses**	**Fair Value**
U.S. Treasury securities and U.S. Government agencies	$ 1,747	$ 1	$ (7)	$ 1,741
Mortgage backed securities - residential	147	20		167
Collateralized mortgage obligations	38,543	423	(4)	38,962
Corporate bonds	5,000		(63)	4,937
Total securities held to maturity	$ 45,437	$ 444	$ (74)	$ 45,807

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At March 31, 2015 and December 31, 2014, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders equity.

Sales of Securities Available for Sale

During the three months ended March 31, 2015 and 2014, there were no sales or calls of securities available for sale.

Investment Securities by Contractual Maturity

The amortized cost and fair value of the investment securities portfolio by contractual maturity at March 31, 2015 follows. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are detailed separately.

	Securities Available for Sale		Securities Held to Maturity	
March 31, 2015 (in thousands)	**Amortized Cost**	**Fair Value**	**Carrying Value**	**Fair Value**
Due in one year or less	$ 10,043	$ 10,085	$ 1,027	$ 1,039
Due from one year to five years	181,787	182,901	522	517
Due from five years to ten years	10,000	10,046	5,000	4,933
Due beyond ten years				
Private label mortgage backed security	4,037	5,235		
Mortgage backed securities - residential	112,764	117,973	145	164
Collateralized mortgage obligations	136,172	136,607	37,880	38,480
Freddie Mac preferred stock		271		
Mutual fund	1,000	1,027		
Total securities	$ 455,803	$ 464,145	$ 44,574	$ 45,133

Freddie Mac Preferred Stock

During 2008, the U.S. Treasury, the Federal Reserve Board, and the Federal Housing Finance Agency (FHFA) announced that the FHFA was placing Freddie Mac under conservatorship and giving management control to the FHFA. The Bank contemporaneously determined that its 40,000 shares of Freddie Mac preferred stock were fully impaired and recorded an other-than-temporarily impaired (OTTI) charge of $2.1 million in 2008. The OTTI charge brought the carrying value of the stock to $0. During the second quarter of 2014, based on active trading volume of Freddie Mac preferred stock, the Company determined it appropriate to record an unrealized gain to Other Comprehensive Income (OCI) related to its Freddie Mac preferred stock holdings. Based on the stock s market closing price as of March 31, 2015, the Company s unrealized gain for its Freddie Mac preferred stock totaled $271,000.

Mortgage Backed Securities and Collateralized Mortgage Obligations

At March 31, 2015, with the exception of the $5.2 million private label mortgage backed security, all other mortgage backed securities and collateralized mortgage obligations (CMOs) held by the Bank were issued by U.S. government-sponsored entities and agencies, primarily Freddie Mac and the Federal National Mortgage Association (Fannie Mae or FNMA), institutions that the government has affirmed its commitment to support. At March 31, 2015 and December 31, 2014, there were gross unrealized losses of $830,000 and $1.2 million related to available for sale mortgage backed securities and CMOs. Because the decline in fair value of these securities is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Bank does not have the intent to sell these mortgage backed securities, and it is likely that it will not be required to sell the securities before their anticipated recovery, management does not consider these securities to be OTTI.

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Market Loss Analysis

Securities with unrealized losses at March 31, 2015 and December 31, 2014, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Less than 12 months		12 months or more		Total	
March 31, 2015 (in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Securities available for sale:						
U.S. Treasury securities and U.S. Government agencies	$	$	$ 999	$ (1)	$ 999	$ (1)
Mortgage backed securities - residential	7,145	(121)			7,145	(121)
Collateralized mortgage obligations	2,507	(31)	52,491	(678)	54,998	(709)
Total securities available for sale	$ 9,652	$ (152)	$ 53,490	$ (679)	$ 63,142	$ (831)

	Less than 12 months		12 months or more		Total	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Securities held to maturity:						
U.S. Treasury securities and U.S. Government agencies	$ 517	$ (5)	$	$	$ 517	$ (5)
Corporate bonds			4,933	(67)	4,933	(67)
Total securities held to maturity	$ 517	$ (5)	$ 4,933	$ (67)	$ 5,450	$ (72)

	Less than 12 months		12 months or more		Total	
December 31, 2014 (in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Securities available for sale:						
U.S. Treasury securities and U.S. Government agencies	$ 2,089	$ (15)	$	$	$ 2,089	$ (15)
Mortgage backed securities - residential	7,535	(91)			7,535	(91)
Collateralized mortgage obligations	46,058	(881)	12,534	(265)	58,592	(1,146)
Total securities available for sale	$ 55,682	$ (987)	$ 12,534	$ (265)	$ 68,216	$ (1,252)

	Less than 12 months		12 months or more		Total	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Securities held to maturity:						
	$ 517	$ (7)	$	$	$ 517	$ (7)

U.S. Treasury securities and U.S. Government agencies								
Collateralized mortgage obligations		9,045		(4)			9,045	(4)
Corporate bonds		4,936		(63)			4,936	(63)
Total securities held to maturity	$	14,498	$	(74)	$	$	14,498	$ (74)

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At March 31, 2015, the Bank s security portfolio consisted of 159 securities, 14 of which were in an unrealized loss position. At December 31, 2014, the Bank s security portfolio consisted of 157 securities, 17 of which were in an unrealized loss position.

Other-than-temporary impairment (OTTI)

Unrealized losses for all investment securities are reviewed to determine whether the losses are other-than-temporary. Investment securities are evaluated for OTTI on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether a decline in value below amortized cost is other-than-temporary. In conducting this assessment, the Bank evaluates a number of factors including, but not limited to:

- The length of time and the extent to which fair value has been less than the amortized cost basis;
- The Bank s intent to hold until maturity or sell the debt security prior to maturity;
- An analysis of whether it is more likely than not that the Bank will be required to sell the debt security before its anticipated recovery;
- Adverse conditions specifically related to the security, an industry, or a geographic area;
- The historical and implied volatility of the fair value of the security;
- The payment structure of the security and the likelihood of the issuer being able to make payments;
- Failure of the issuer to make scheduled interest or principal payments;
- Any rating changes by a rating agency; and
- Recoveries or additional decline in fair value subsequent to the balance sheet date.

The term other-than-temporary is not intended to indicate that the decline is permanent, but indicates that the prospects for a near-term recovery of value are not necessarily favorable, or that there is a general lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. Once a decline in value is determined to be other-than-temporary, the value of the security is reduced and a corresponding charge to earnings is recognized for the anticipated credit losses.

The Bank owns one private label mortgage backed security with a total carrying value of $5.2 million at March 31, 2015. This security, with an average remaining life currently estimated at three years, is mostly backed by Alternative A first lien mortgage loans, but also has an insurance wrap or guarantee as an added layer of protection to the security holder. This asset is illiquid, and as such, the Bank determined it to be a Level 3 security in accordance with Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures.* Based on this determination, the Bank utilized an income valuation model (present value model) approach, in determining the fair value of the security. This approach is beneficial for positions that are not traded in active markets or are subject to transfer restrictions, and/or where valuations are

adjusted to reflect illiquidity and/or non-transferability. Such adjustments are generally based on available market evidence. In the absence of such evidence, management s best estimate is used. Management s best estimate consists of both internal and external support for this investment.

See additional discussion regarding the Bank s private label mortgage backed security under Footnote 6 Fair Value in this section of the filing.

Pledged Investment Securities

Investment securities pledged to secure public deposits, securities sold under agreements to repurchase and securities held for other purposes, as required or permitted by law are as follows:

(in thousands)	March 31, 2015	December 31, 2014
Carrying amount	$ 413,731	$ 409,868
Fair value	414,350	410,307

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3. LOANS AND ALLOWANCE FOR LOAN AND LEASE LOSSES

The composition of the loan portfolio at March 31, 2015 and December 31, 2014 follows:

(in thousands)	March 31, 2015	December 31, 2014
Residential real estate:		
Owner occupied	$ 1,096,008	$ 1,118,341
Owner occupied - correspondent*	231,451	226,628
Non owner occupied	98,476	96,492
Commercial real estate	778,179	772,309
Commercial real estate - purchased whole loans*	35,086	34,898
Construction & land development	40,104	38,480
Commercial & industrial	172,017	157,339
Lease financing receivables	4,004	2,530
Warehouse lines of credit	423,155	319,431
Home equity	248,830	245,679
Consumer:		
RPG loans	4,109	4,095
Credit cards	9,946	9,573
Overdrafts	777	1,180
Purchased whole loans*	4,321	4,626
Other consumer	8,973	8,894
Total loans**	3,155,436	3,040,495
Allowance for loan and lease losses	(24,631)	(24,410)
Total loans, net	$ 3,130,805	$ 3,016,085

** - Identifies loans to borrowers located primarily outside of the Bank s historical market footprint.*

*** - Total loans are presented inclusive of premiums, discounts and net loan origination fees and costs. See table directly below for expanded detail.*

The table below reconciles the contractually receivable and carrying amounts of loans at March 31, 2015 and December 31, 2014:

(in thousands)	March 31, 2015	December 31, 2014
Contractually receivable	$ 3,164,578	$ 3,050,599
Unearned income(1)	(425)	(174)
Unamortized premiums(2)	4,242	4,490
Unaccreted discounts(3)	(14,322)	(15,675)
Net unamortized deferred origination fees and costs	1,363	1,255
Carrying value of loans	$ 3,155,436	$ 3,040,495

(1) - Relates to lease financing receivables.

(2) - Premiums predominately relate to loans acquired through the Bank s Correspondent Lending channel.

(3) - Discounts predominately relate to loans acquired in the Bank s 2012 FDIC-assisted transactions.

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Loan Purchases

In May 2014, the Bank began acquiring single family, first lien mortgage loans for investment within its loan portfolio through its Correspondent Lending channel. Correspondent Lending generally involves the Bank acquiring, primarily from Warehouse clients, closed loans that meet the Bank s specifications. Substantially all loans purchased through the Correspondent Lending channel are purchased at a premium. Loans acquired through the Correspondent Lending channel generally reflect borrowers outside of the Bank s historical market footprint, with 76% of such loans as of March 31, 2015 secured by collateral in the state of California.

In addition to secured mortgage loans acquired through its Correspondent Lending channel, the Bank also began acquiring unsecured consumer installment loans for investment from a third-party originator in April 2014. Such consumer loans are purchased at par and are selected by the Bank based on certain underwriting characteristics.

The table below reflects the purchased activity of single family, first lien mortgage loans and unsecured consumer loans, by class, during the first quarter of 2015. No purchases of these types of loans were made during the first quarter of 2014.

	Loan Purchase Activity* Three Months Ended March 31,	
(in thousands)	**2015**	**2014**
Residential real estate:		
Owner occupied - correspondent	$ 19,170	$
Consumer:		
Purchased whole loans	361	
Total purchased loans	$ 19,531	$

** - Represents origination amount, inclusive of purchase premiums, where applicable.*

Purchased Credit Impaired (PCI) Loans

PCI loans acquired during the Bank s 2012 FDIC-assisted transactions are accounted for under ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality.*

The table below reconciles the contractually required and carrying amounts of PCI loans at March 31, 2015 and December 31, 2014:

(in thousands)	**March 31, 2015**	**December 31, 2014**

Contractually-required principal	$	25,699	$	26,571
Non-accretable amount		(6,470)		(6,784)
Accretable amount		(2,170)		(2,297)
Carrying value of loans	$	17,059	$	17,490

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The following table presents a rollforward of the accretable amount on PCI loans for the three months ended March 31, 2015 and 2014:

(in thousands)	Three Months Ended March 31, 2015	2014
Balance, beginning of period	$ (2,297)	$ (3,457)
Transfers between non-accretable and accretable	24	(1,311)
Net accretion into interest income on loans, including loan fees	103	2,003
Balance, end of period	$ (2,170)	$ (2,765)

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Credit Quality Indicators

Based on the Bank s internal analyses performed as of March 31, 2015 and December 31, 2014, the following tables reflect loans by risk category. Risk categories are defined in the Company s Annual Report on Form 10-K for the year ended December 31, 2014:

March 31, 2015 (in thousands)	Pass	Special Mention *	Substandard *	Doubtful / Loss	Purchased Credit Impaired Loans - Group 1	Purchased Credit Impaired Loans - Substandard	Total Rated Loans**
Residential real estate:							
Owner occupied	$	$ 25,298	$ 15,534	$	$ 1,148	$	$ 41,980
Owner occupied - correspondent							
Non owner occupied		1,561	2,404		1,633		5,598
Commercial real estate	744,881	7,741	12,905		12,652		778,179
Commercial real estate - purchased whole loans	35,086						35,086
Construction & land development	36,879	118	2,701		406		40,104
Commercial & industrial	168,472	2,122	205		1,218		172,017
Lease financing receivables	4,004						4,004
Warehouse lines of credit	423,155						423,155
Home equity			2,690				2,690
Consumer:							
RPG loans							
Credit cards							
Overdrafts							
Purchased whole loans							
Other consumer		11	34		2		47
Total	$ 1,412,477	$ 36,851	$ 36,473	$	$ 17,059	$	$ 1,502,860

** - At March 31, 2015, Special Mention and Substandard loans included $184,000 and $4 million, respectively, which were removed from PCI accounting in accordance with ASC 310-30-35-13 due to a post-acquisition troubled debt restructuring.*

*** - The above table excludes all non-classified residential real estate and consumer loans at the respective period ends. The table also excludes most non-classified small Commercial and Industrial (C&I) and Commercial Real Estate (CRE) relationships totaling $100,000 or less. These loans are not rated by the Company since they are accruing interest and are not past due 80-days-or-more.*

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December 31, 2014 (in thousands)	Pass	Special Mention *	Substandard *	Doubtful / Loss	Purchased Credit Impaired Loans - Group 1	Purchased Credit Impaired Loans - Substandard	Total Rated Loans**
Residential real estate:							
Owner occupied	$	$ 26,828	$ 14,586	$	$ 1,205	$	$ 42,619
Owner occupied - correspondent							
Non owner occupied		844	2,886		1,709		5,439
Commercial real estate	736,012	7,838	15,636		12,823		772,309
Commercial real estate - purchased whole loans	34,898						34,898
Construction & land development	35,339	120	2,525		496		38,480
Commercial & industrial	153,362	625	2,108		1,244		157,339
Lease financing receivables	2,530						2,530
Warehouse lines of credit	319,431						319,431
Home equity			2,220				2,220
Consumer:							
RPG loans							
Credit cards							
Overdrafts							
Purchased whole loans							
Other consumer		13	38		13		64
Total	$ 1,281,572	$ 36,268	$ 39,999	$	$ 17,490	$	$ 1,375,329

** - At December 31, 2014, Special Mention and Substandard loans included $443,000 and $6 million, respectively, which were removed from PCI accounting in accordance with ASC 310-30-35-13 due to a post-acquisition troubled debt restructuring.*

*** - The above table excludes all non-classified residential real estate and consumer loans at the respective period ends. The table also excludes most non-classified small C&I and CRE relationships totaling $100,000 or less. These loans are not rated by the Company since they are accruing interest and are not past due 80-days-or-more.*

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Allowance for Loan and Lease Losses

Activity in the allowance for loan and leases (Allowance) follows:

(in thousands)	Three Months Ended March 31, 2015	2014
Allowance, beginning of period	$ 24,410	$ 23,026
Charge offs - Core Banking	(492)	(912)
Charge offs - RPG	(5)	
Total charge offs	(497)	(912)
Recoveries - Core Banking	338	493
Recoveries - RPG	195	463
Total recoveries	533	956
Net (charge offs) recoveries - Core Banking	(154)	(419)
Net (charge offs) recoveries - RPG	190	463
Net (charge offs) recoveries	36	44
Provision for loan and lease losses (Provision) - Core Banking	375	(240)
Provision - RPG	(190)	(463)
Total Provision	185	(703)
Allowance, end of period	$ 24,631	$ 22,367

The Allowance calculation includes the following qualitative factors, which are considered in combination with the Bank s historical loss rates in determining the general loss reserve within the Allowance:

- Changes in nature, volume and seasoning of the portfolio;

- Changes in experience, ability and depth of lending management and other relevant staff;

- Changes in the quality of the Bank s credit review system;

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;

- Changes in the volume and severity of past due, non-performing and classified loans and leases;

- Changes in the value of underlying collateral for collateral-dependent loans and leases;

- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of portfolios, including the condition of various market segments;

- The existence and effect of any concentrations of credit, and changes in the level of such concentrations; and

- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution s existing portfolio.

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The following tables present the activity in the Allowance by portfolio class for the three months ended March 31, 2015 and 2014:

Three Months Ended March 31, 2015 (in thousands)	Residential Real Estate Owner Occupied	Residential Real Estate Owner Occupied-Correspondent	Residential Real Estate Non Owner Occupied	Commercial Real Estate	Commercial Real Estate - Purchased Whole Loans	Construction & Land Development	Commercial & Industrial	Lease Financing Receivables
Beginning balance	$ 8,565	$ 567	$ 837	$ 7,740	$ 34	$ 926	$ 1,167	$ 25
Provision	140	12	80	(189)	1	32	(10)	15
Charge offs	(136)			(7)			(29)	
Recoveries	60		3	9			29	
Ending balance	$ 8,629	$ 579	$ 920	$ 7,553	$ 35	$ 958	$ 1,157	$ 40

(continued)	Warehouse Lines of Credit	Home Equity	RPG Loans	Credit Cards	Consumer Overdrafts	Purchased Whole Loans	Other Consumer	Total
Beginning balance	$ 799	$ 2,730	$ 44	$ 285	$ 382	$ 185	$ 124	$ 24,410
Provision	259	(8)	(190)	104	(79)	11	7	185
Charge offs		(51)	(5)	(40)	(146)	(12)	(71)	(497)
Recoveries		37	195	13	88		99	533
Ending balance	$ 1,058	$ 2,708	$ 44	$ 362	$ 245	$ 184	$ 159	$ 24,631

Three Months Ended March 31, 2014 (in thousands)	Residential Real Estate Owner Occupied	Residential Real Estate Owner Occupied-Correspondent	Residential Real Estate Non Owner Occupied	Commercial Real Estate	Commercial Real Estate - Purchased Whole Loans	Construction & Land Development	Commercial & Industrial	Lease Financing Receivables
Beginning balance	$ 7,816	$	$ 1,023	$ 8,309	$ 34	$ 1,296	$ 1,089	$
Provision	118		(30)	(178)		(88)	(57)	
Charge offs	(217)		(15)	(372)		(17)		
Recoveries	34		6	142		1	48	
Ending balance	$ 7,751	$	$ 984	$ 7,901	$ 34	$ 1,192	$ 1,080	$

(continued)	Warehouse Lines of Credit	Home Equity	RPG Loans	Credit Cards	Consumer Overdrafts	Purchased Whole Loans	Other Consumer	Total
Beginning balance	$ 449	$ 2,396	$	$ 289	$ 199	$	$ 126	$ 23,026
Provision	28		(463)	(18)	47		(62)	(703)
Charge offs		(66)		(5)	(151)		(69)	(912)
Recoveries		41	463	10	117		94	956
Ending balance	$ 477	$ 2,371	$	$ 276	$ 212	$	$ 89	$ 22,367

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Non-performing Loans and Non-performing Assets

Detail of non-performing loans and non-performing assets follows:

(dollars in thousands)	March 31, 2015	December 31, 2014
Loans on non-accrual status(1)	$ 24,423	$ 23,337
Loans past due 90-days-or-more and still on accrual(2)	572	322
Total non-performing loans	24,995	23,659
Other real estate owned	6,736	11,243
Total non-performing assets	$ 31,731	$ 34,902

Credit Quality Ratios:		
Non-performing loans to total loans	0.79%	0.78%
Non-performing assets to total loans (including OREO)	1.00%	1.14%
Non-performing assets to total assets	0.80%	0.93%

(1) Loans on non-accrual status include impaired loans.

(2) All loans past due 90-days-or-more and still accruing are PCI loans accounted for under ASC 310-30.

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

	Non-Accrual		Past Due 90-Days-or-More and Still Accruing Interest*	
(dollars in thousands)	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Residential real estate:				
Owner occupied	$ 12,759	$ 10,903	$ 274	$ 322
Owner occupied - correspondent				
Non owner occupied	1,559	2,352	298	
Commercial real estate	5,952	6,151		
Commercial real estate - purchased whole loans				
Construction & land development	1,990	1,990		
Commercial & industrial		169		
Lease financing receivables				
Warehouse lines of credit				
Home equity	2,077	1,678		
Consumer:				
RPG loans				

Credit cards				
Overdrafts				
Purchased whole loans				
Other consumer	86	94		
Total	$ 24,423	$ 23,337	$ 572	$ 322

** - For all periods presented, loans past due 90-days-or-more and still on accrual consist entirely of PCI loans.*

Non-accrual loans and loans past due 90-days-or-more and still on accrual include both smaller balance, primarily retail, homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Non-accrual loans are typically returned to accrual status when all the principal and interest amounts contractually due are brought current and held current for six consecutive months and future contractual payments are reasonably assured. Troubled Debt Restructurings (TDRs) on non-accrual status are reviewed for return to accrual status on an individual basis, with additional consideration given to performance under the modified terms.

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Delinquent Loans

The following tables present the aging of the recorded investment in loans by class of loans:

March 31, 2015 (dollars in thousands)	30 - 59 Days Delinquent	60 - 89 Days Delinquent	90 or More Days Delinquent*	Total Delinquent	Total Not Delinquent	Total
Residential real estate:						
Owner occupied	$ 3,152	$ 1,504	$ 3,721	$ 8,377	$ 1,087,631	$ 1,096,008
Owner occupied - correspondent					231,451	231,451
Non owner occupied	483	68	308	859	97,617	98,476
Commercial real estate	66	56	2,261	2,383	775,796	778,179
Commercial real estate - purchased whole loans					35,086	35,086
Construction & land development			1,990	1,990	38,114	40,104
Commercial & industrial					172,017	172,017
Lease financing receivables					4,004	4,004
Warehouse lines of credit					423,155	423,155
Home equity	55	225	1,176	1,456	247,374	248,830
Consumer:						
RPG loans	133	35		168	3,941	4,109
Credit cards	52	26		78	9,868	9,946
Overdrafts	104			104	673	777
Purchased whole loans	30		9	39	4,282	4,321
Other consumer	46	11		57	8,916	8,973
Total	$ 4,121	$ 1,925	$ 9,465	$ 15,511	$ 3,139,925	$ 3,155,436
Delinquency ratio**	0.13%	0.06%	0.30%	0.49%		

December 31, 2014 (dollars in thousands)	30 - 59 Days Delinquent	60 - 89 Days Delinquent	90 or More Days Delinquent*	Total Delinquent	Total Not Delinquent	Total
Residential real estate:						
Owner occupied	$ 3,039	$ 1,329	$ 3,640	$ 8,008	$ 1,110,333	$ 1,118,341
Owner occupied - correspondent					226,628	226,628
Non owner occupied	36	635	105	776	95,716	96,492
Commercial real estate	585		2,387	2,972	769,337	772,309
Commercial real estate - purchased whole loans					34,898	34,898
Construction & land development			1,990	1,990	36,490	38,480
Commercial & industrial	211			211	157,128	157,339
Lease financing receivables					2,530	2,530
Warehouse lines of credit					319,431	319,431
Home equity	706	158	498	1,362	244,317	245,679
Consumer:						
RPG loans	107	34		141	3,954	4,095
Credit cards	124	10		134	9,439	9,573

Overdrafts	178			178	1,002	1,180
Purchased whole loans	12			12	4,614	4,626
Other consumer	38	29		67	8,827	8,894
Total	$ 5,036	$ 2,195	$ 8,620	$ 15,851	$ 3,024,644	$ 3,040,495
Delinquency ratio**	0.17%	0.07%	0.28%	0.52%		

** - All loans, excluding PCI loans, 90-days-or-more past due as of March 31, 2015 and December 31, 2014 were on non-accrual status.*

*** - Represents total loans past due by aging category divided by total loans.*

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Impaired Loans

The Bank defines impaired loans as follows:

- All loans internally rated as Substandard, Doubtful or Loss;
- All loans internally rated in a PCI category with cash flows that have deteriorated from management s initial acquisition day estimate;
- All loans on non-accrual status and non-PCI loans past due 90 days-or-more still on accrual;
- All retail and commercial TDRs; and
- Any other situation where the full collection of the total amount due for a loan is improbable or otherwise meets the definition of impaired.

See the section titled Credit Quality Indicators in this section of the filing for additional discussion regarding the Bank s loan classification structure.

Information regarding the Bank s impaired loans follows:

(in thousands)	March 31, 2015	December 31, 2014
Loans with no allocated allowance for loan losses	$ 29,941	$ 32,560
Loans with allocated allowance for loan losses	53,069	53,620
Total impaired loans	$ 83,010	$ 86,180
Amount of the allowance for loan losses allocated	$ 5,136	$ 5,564

Approximately $9 million and $10 million of impaired loans at March 31, 2015 and December 31, 2014 were PCI loans. Approximately $4 million and $6 million of impaired loans at March 31, 2015 and December 31, 2014 were formerly PCI loans which became classified as Impaired through a post-acquisition troubled debt restructuring.

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The following tables present the balance in the Allowance and the recorded investment in loans by portfolio class based on impairment method as of March 31, 2015 and December 31, 2014:

March 31, 2015 (in thousands)	Residential Real Estate Owner Occupied	Residential Real Estate Owner Occupied - Correspondent	Residential Real Estate Non Owner Occupied	Commercial Real Estate	Commercial Real Estate - Purchased Whole Loans	Construction & Land Development	Commercial & Industrial	Lease Financing Receivables
Allowance:								
Ending Allowance balance:								
Individually evaluated for impairment, excluding PCI loans	$ 3,061	$	$ 162	$ 832	$	$ 187	$ 205	$
Collectively evaluated for impairment	5,529	579	682	6,350	35	771	905	40
PCI loans with post acquisition impairment	39		76	371			47	
PCI loans without post acquisition impairment								
Total ending Allowance:	$ 8,629	$ 579	$ 920	$ 7,553	$ 35	$ 958	$ 1,157	$ 40
Loans:								
Impaired loans individually evaluated, excluding PCI loans	$ 40,747	$	$ 3,988	$ 19,875	$	$ 2,802	$ 3,822	$
Loans collectively evaluated for impairment	1,054,112	231,451	92,856	745,652	35,086	36,896	166,977	4,004
PCI loans with post acquisition impairment	668		1,513	5,713			1,147	
PCI loans without post acquisition impairment	481		119	6,939		406	71	
Total ending loan balance	$ 1,096,008	$ 231,451	$ 98,476	$ 778,179	$ 35,086	$ 40,104	$ 172,017	$ 4,004

(continued)	Consumer Warehouse Lines of Credit	Consumer Home Equity	Consumer RPG Loans	Consumer Credit Cards	Consumer Overdrafts	Consumer Purchased Whole Loans	Consumer Other Consumer	Total
Allowance:								
Ending Allowance balance:								
Individually evaluated for impairment, excluding PCI loans	$	$ 121	$	$	$	$	$ 35	$ 4,603
Collectively evaluated for impairment	1,058	2,587	44	362	245	184	124	19,495
PCI loans with post acquisition impairment								533
PCI loans without post acquisition impairment								
Total ending Allowance:	$ 1,058	$ 2,708	$ 44	$ 362	$ 245	$ 184	$ 159	$ 24,631
Loans:								

Impaired loans individually evaluated, excluding PCI loans	$	$ 2,690	$	$	$	$	$ 45	$ 73,969
Loans collectively evaluated for impairment	423,155	246,140	4,109	9,946	777	4,321	8,926	3,064,408
PCI loans with post acquisition impairment								9,041
PCI loans without post acquisition impairment							2	8,018
Total ending loan balance	$ 423,155	$ 248,830	$ 4,109	$ 9,946	$ 777	$ 4,321	$ 8,973	$ 3,155,436

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December 31, 2014 (in thousands)	Residential Real Estate Owner Occupied	Residential Real Estate Owner Occupied - Correspondent	Residential Real Estate Non Owner Occupied	Commercial Real Estate	Commercial Real Estate - Purchased Whole Loans	Construction & Land Development	Commercial & Industrial	Lease Financing Receivables
Allowance:								
Ending Allowance balance:								
Individually evaluated for impairment, excluding PCI loans	$ 3,251	$	$ 101	$ 913	$	$ 187	$ 302	$
Collectively evaluated for impairment	5,264	567	672	6,462	34	739	800	25
PCI loans with post acquisition impairment	50		64	365			65	
PCI loans without post acquisition impairment								
Total ending Allowance:	$ 8,565	$ 567	$ 837	$ 7,740	$ 34	$ 926	$ 1,167	$ 25
Loans:								
Impaired loans individually evaluated, excluding PCI loans	$ 41,265	$	$ 3,388	$ 22,521	$	$ 2,627	$ 4,319	$
Loans collectively evaluated for impairment	1,075,871	226,628	91,395	736,965	34,898	35,357	151,776	2,530
PCI loans with post acquisition impairment	725		1,554	6,341			1,158	
PCI loans without post acquisition impairment	480		155	6,482		496	86	
Total ending loan balance	$ 1,118,341	$ 226,628	$ 96,492	$ 772,309	$ 34,898	$ 38,480	$ 157,339	$ 2,530

(continued)	Warehouse Lines of Credit	Consumer Home Equity	Consumer RPG Loans	Consumer Credit Cards	Consumer Overdrafts	Consumer Purchased Whole Loans	Consumer Other Consumer	Total
Allowance:								
Ending Allowance balance:								
Individually evaluated for impairment, excluding PCI loans	$	$ 225	$	$	$	$	$ 40	$ 5,019
Collectively evaluated for impairment	799	2,505	44	285	382	185	83	18,846
PCI loans with post acquisition impairment							1	545
PCI loans without post acquisition impairment								
Total ending Allowance:	$ 799	$ 2,730	$ 44	$ 285	$ 382	$ 185	$ 124	$ 24,410
Loans:								
Impaired loans individually evaluated, excluding PCI loans	$	$ 2,220	$	$	$	$	$ 52	$ 76,392

Loans collectively evaluated for impairment	319,431	243,459	4,095	9,573	1,180	4,626	8,829	2,946,613
PCI loans with post acquisition impairment							10	9,788
PCI loans without post acquisition impairment							3	7,702
Total ending loan balance	$ 319,431	$ 245,679	$ 4,095	$ 9,573	$ 1,180	$ 4,626	$ 8,894	$ 3,040,495

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The following tables present loans individually evaluated for impairment by class of loans as of March 31, 2015 and December 31, 2014 and for the three months ended March 31, 2015 and 2014. The difference between the Unpaid Principal Balance and Recorded Investment columns represents life-to-date partial write downs/charge offs taken on individual impaired credits.

	As of March 31, 2015			Three Months Ended March 31, 2015		
(in thousands)	**Unpaid Principal Balance**	**Recorded Investment**	**Allowance Allocated**	**Average Recorded Investment**	**Interest Income Recognized**	**Cash Basis Interest Income Recognized**
Impaired loans with no related allowance recorded:						
Residential real estate:						
Owner occupied	$ 5,981	$ 5,566	$	$ 5,881	$ 50	$
Owner occupied - correspondent						
Non owner occupied	2,690	2,588		2,402	8	
Commercial real estate	15,002	13,990		15,119	120	
Commercial real estate - purchased whole loans						
Construction & land development	2,124	2,124		2,134	3	
Commercial & industrial	3,618	3,618		3,781	55	
Lease financing receivables						
Warehouse lines of credit						
Home equity	2,210	2,055		1,935	7	
Consumer:						
RPG loans						
Credit cards						
Overdrafts						
Purchased whole loans						
Other consumer						
Impaired loans with an allowance recorded:						
Residential real estate:						
Owner occupied	36,341	35,849	3,100	35,822	225	
Owner occupied - correspondent						
Non owner occupied	2,913	2,913	238	2,820	35	
Commercial real estate	11,659	11,598	1,203	12,106	107	
Commercial real estate - purchased whole loans						
Construction & land development	678	678	187	581	9	
Commercial & industrial	1,351	1,351	252	1,443	18	
Lease financing receivables						
Warehouse lines of credit						
Home equity	759	635	121	521	1	
Consumer:						
RPG loans						
Credit cards						
Overdrafts						
Purchased whole loans						
Other consumer	45	45	35	54		
Total impaired loans	$ 85,371	$ 83,010	$ 5,136	$ 84,599	$ 638	$

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(in thousands)	As of December 31, 2014			Three Months Ended March 31, 2014		
	Unpaid Principal Balance	Recorded Investment	Allowance Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income Recognized
Impaired loans with no related allowance recorded:						
Residential real estate:						
Owner occupied	$ 6,598	$ 6,196	$	$ 6,960	$ 52	$
Owner occupied - correspondent						
Non owner occupied	2,368	2,215		1,306	8	
Commercial real estate	17,282	16,248		20,288	197	
Commercial real estate - purchased whole loans						
Construction & land development	2,144	2,144		2,084	1	
Commercial & industrial	3,943	3,943		4,233	59	
Lease financing receivables						
Warehouse lines of credit						
Home equity	1,969	1,814		1,758	9	
Consumer:						
RPG loans						
Credit cards						
Overdrafts						
Purchased whole loans						
Other consumer				9		
Impaired loans with an allowance recorded:						
Residential real estate:						
Owner occupied	36,361	35,794	3,301	34,475	244	
Owner occupied - correspondent						
Non owner occupied	2,755	2,727	165	6,589	71	
Commercial real estate	12,653	12,614	1,278	23,197	190	
Commercial real estate - purchased whole loans						
Construction & land development	483	483	187	594	6	
Commercial & industrial	1,534	1,534	367	1,785	3	
Lease financing receivables						
Warehouse lines of credit						
Home equity	452	406	225	740	2	
Consumer:						
RPG loans						
Credit cards						
Overdrafts						
Purchased whole loans						
Other consumer	62	62	41	85		
Total impaired loans	$ 88,604	$ 86,180	$ 5,564	$ 104,103	$ 842	$

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Troubled Debt Restructurings

A TDR is the situation where, due to a borrower s financial difficulties, the Bank grants a concession to the borrower that the Bank would not otherwise have considered. 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 the modification. This evaluation is performed under the Bank s internal underwriting policy.

All TDRs are considered Impaired, including PCI loans subsequently restructured. The majority of the Bank s commercial related and construction TDRs involve a restructuring of financing terms such as a reduction in the payment amount to require only interest and escrow (if required) and/or extending the maturity date of the debt. The substantial majority of the Bank s residential real estate TDR concessions involve reducing the client s loan payment through a rate reduction for a set period of time based on the borrower s ability to service the modified loan payment. Retail loans may also be classified as TDRs due to legal modifications, such as bankruptcies.

Non-accrual loans modified as TDRs typically remain on non-accrual status and continue to be reported as non-performing loans for a minimum of six months. Accruing loans modified as TDRs are evaluated for non-accrual status based on a current evaluation of the borrower s financial condition and ability and willingness to service the modified debt. At March 31, 2015 and December 31, 2014, $15 million and $14 million of TDRs were on non-accrual status.

Detail of TDRs differentiated by loan type and accrual status follows:

March 31, 2015 (dollars in thousands)	Troubled Debt Restructurings on Non-Accrual Status		Troubled Debt Restructurings on Accrual Status		Total Troubled Debt Restructurings	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate	84	$ 7,698	238	$ 31,013	322	$ 38,711
Commercial real estate	8	4,972	24	12,509	32	17,481
Construction & land development	2	1,990	7	812	9	2,802
Commercial & industrial			7	3,822	7	3,822
Total troubled debt restructurings	94	$ 14,660	276	$ 48,156	370	$ 62,816

December 31, 2014 (dollars in thousands)	Troubled Debt Restructurings on Non-Accrual Status		Troubled Debt Restructurings on Accrual Status		Total Troubled Debt Restructurings	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate	74	$ 7,166	250	$ 31,966	324	$ 39,132
Commercial real estate	8	5,030	30	14,502	38	19,532
Construction & land development	2	1,990	6	637	8	2,627
Commercial & industrial			8	3,975	8	3,975

Total troubled debt restructurings	84	$ 14,186	294	$ 51,080	378	$ 65,266

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The Bank considers a TDR to be performing to its modified terms if the loan is in accrual status and not past due 30 days or more as of the reporting date. A summary of the categories of TDR loan modifications outstanding and respective performance under modified terms at March 31, 2015 and December 31, 2014 follows:

March 31, 2015 (dollars in thousands)	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate loans (including home equity loans):						
Interest only payments	3	$ 838	5	$ 422	8	$ 1,260
Rate reduction	186	25,685	46	5,709	232	31,394
Principal deferral	10	936	7	811	17	1,747
Legal modifications	34	2,706	31	1,604	65	4,310
Total residential TDRs	233	30,165	89	8,546	322	38,711
Commercial related and construction/land development loans:						
Interest only payments	9	3,290	2	899	11	4,189
Rate reduction	12	6,396	6	3,711	18	10,107
Principal deferral	13	5,605	6	4,204	19	9,809
Total commercial TDRs	34	15,291	14	8,814	48	24,105
Total troubled debt restructurings	267	$ 45,456	103	$ 17,360	370	$ 62,816

December 31, 2014 (dollars in thousands)	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate loans (including home equity loans):						
Interest only payments	2	$ 218	4	$ 389	6	$ 607
Rate reduction	173	25,080	61	7,376	234	32,456
Principal deferral	12	1,408	5	349	17	1,757
Legal modifications	33	2,675	34	1,637	67	4,312
Total residential TDRs	220	29,381	104	9,751	324	39,132
Commercial related and construction/land development loans:						
Interest only payments	10	4,170	2	926	12	5,096
Rate reduction	19	9,043	3	1,915	22	10,958
Principal deferral	14	5,820	6	4,260	20	10,080
Total commercial TDRs	43	19,033	11	7,101	54	26,134
Total troubled debt restructurings	263	$ 48,414	115	$ 16,852	378	$ 65,266

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As of March 31, 2015 and December 31, 2014, 72% and 74% of the Bank s TDRs were performing according to their modified terms. The Bank had provided $4 million and $4 million of specific reserve allocations to customers whose loan terms have been modified in TDRs as of March 31, 2015 and December 31, 2014. Specific reserve allocations are generally assessed prior to loans being modified as a TDR, as most of these loans migrate from the Bank s internal watch list and have been specifically provided for or reserved for as part of the Bank s normal loan and lease provisioning methodology. The Bank has not committed to lend any additional material amounts to its existing TDR relationships at March 31, 2015 or December 31, 2014.

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A summary of the categories of TDR loan modifications and respective performance as of March 31, 2015 and 2014 that were modified during the three months ended March 31, 2015 and 2014 follows:

March 31, 2015 (dollars in thousands)	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate loans (including home equity loans):						
Interest only payments	1	$ 621		$	1	$ 621
Rate reduction	4	408	3	160	7	568
Principal deferral			1	25	1	25
Legal modifications			1	140	1	140
Total residential TDRs	5	1,029	5	325	10	1,354
Commercial related and construction/land development loans:						
Interest only payments	3	468			3	468
Rate reduction			1	1,730	1	1,730
Principal deferral			1	56	1	56
Total commercial TDRs	3	468	2	1,786	5	2,254
Total troubled debt restructurings	8	$ 1,497	7	$ 2,111	15	$ 3,608

March 31, 2014 (dollars in thousands)	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate loans (including home equity loans):						
Interest only payments		$	1	$ 2	1	$ 2
Rate reduction	13	1,102	3	1,134	16	2,236
Principal deferral	3	299			3	299
Legal modifications	20	2,070	11	664	31	2,734
Total residential TDRs	36	3,471	15	1,800	51	5,271
Commercial related and construction/land development loans:						
Interest only payments	3	718			3	718
Rate reduction	2	2,352	1	1,134	3	3,486
Principal deferral	2	968	1	1,908	3	2,876
Total commercial TDRs	7	4,038	2	3,042	9	7,080
Total troubled debt restructurings	43	$ 7,509	17	$ 4,842	60	$ 12,351

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As of March 31, 2015 and 2014, 42% and 61% of the Bank s TDRs that occurred during the first quarters of 2015 and 2014 were performing according to their modified terms. The Bank provided $476,000 and $358,000 in specific reserve allocations to customers whose loan terms were modified in TDRs during the first quarters of 2015 and 2014. As stated above, specific reserves are generally assessed prior to loans being modified as a TDR, as most of these loans migrate from the Bank s internal watch list and have been specifically reserved for as part of the Bank s normal reserving methodology.

There were no significant changes between the pre and post modification loan balances for the three months ending March 31, 2015 and March 31, 2014.

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The following tables present loans by class modified as troubled debt restructurings within the previous twelve months of March 31, 2015 and 2014 and for which there was a payment default during the three months ended March 31, 2015 and 2014:

March 31, 2015 (dollars in thousands)	Number of Loans	Recorded Investment
Residential real estate:		
Owner occupied	5	$ 324
Owner occupied - correspondent		
Non owner occupied		
Commercial real estate	1	56
Commercial real estate - purchased whole loans		
Construction & land development		
Commercial & industrial		
Lease financing receivables		
Warehouse lines of credit		
Home equity		
Consumer:		
RPG loans		
Credit cards		
Overdrafts		
Purchased whole loans		
Other consumer		
Total	6	$ 380

March 31, 2014 (dollars in thousands)	Number of Loans	Recorded Investment
Residential real estate:		
Owner occupied	12	$ 1,747
Owner occupied - correspondent		
Non owner occupied		
Commercial real estate	1	1,134
Commercial real estate - purchased whole loans		
Construction & land development		
Commercial & industrial		
Lease financing receivables		
Warehouse lines of credit		
Home equity	2	28
Consumer:		
RPG loans		
Credit cards		
Overdrafts		
Purchased whole loans		
Other consumer		
Total	15	$ 2,909

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The following table presents the carrying amount of foreclosed properties held at March 31, 2015 and December 31, 2014 as a result of the Bank obtaining physical possession of such properties:

(in thousands)	March 31, 2015	December 31, 2014
Residential real estate	$ 1,634	$ 3,209
Commercial real estate	1,908	3,324
Construction & land development	3,194	4,710
Total other real estate owned	$ 6,736	$ 11,243

The following table presents the recorded investment in consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process according to local requirements of the applicable jurisdiction as of March 31, 2015 and December 31, 2014:

(in thousands)	March 31, 2015	December 31, 2014
Recorded investment in consumer residential real estate mortgage loans in the process of foreclosure	$ 2,978	$ 2,466

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4. DEPOSITS

Ending deposit balances at March 31, 2015 and December 31, 2014 were as follows:

(in thousands)	March 31, 2015	December 31, 2014
Demand	$ 733,727	$ 691,787
Money market accounts	486,360	471,339
Brokered money market accounts	137,389	35,649
Savings	102,116	91,625
Individual retirement accounts*	35,884	28,771
Time deposits, $250,000 and over*	41,777	56,556
Other certificates of deposit*	122,481	104,010
Brokered certificates of deposit*(1)	54,317	75,876
Total interest-bearing deposits	1,714,051	1,555,613
Total non interest-bearing deposits	666,166	502,569
Total deposits	$ 2,380,217	$ 2,058,182

(*) Represents a time deposit.

(1) Includes brokered deposits less than, equal to and greater than $250,000.

5. FEDERAL HOME LOAN BANK (FHLB) ADVANCES

At March 31, 2015 and December 31, 2014, FHLB advances were as follows:

(dollars in thousands)	March 31, 2015	December 31, 2014
Overnight advance with an interest rate of 0.15% due on April 1, 2015	$ 57,000	$ 198,000
Variable interest rate advance indexed to 3-Month LIBOR plus 0.14% due on December 19, 2015	10,000	10,000
Fixed interest rate advances with a weighted average interest rate of 1.70% due through 2023	429,500	399,500
Putable fixed interest rate advances with a weighted average interest rate of 4.39% due through 2017(1)	100,000	100,000
Total FHLB advances	$ 596,500	$ 707,500

(1) - Represents putable advances with the FHLB. These advances have original fixed rate periods ranging from one to five years with original maturities ranging from three to ten years if not put back to the Bank earlier by the FHLB. At the end of their respective fixed rate periods and

on a quarterly basis thereafter, the FHLB has the right to require payoff of the advances by the Bank at no penalty. Based on market conditions at this time, the Bank does not believe that any of its putable advances are likely to be put back to the Bank in the short-term by the FHLB.

Each FHLB advance is payable at its maturity date, with a prepayment penalty for fixed rate advances that are paid off earlier than maturity. FHLB advances are collateralized by a blanket pledge of eligible real estate loans. At March 31, 2015 and December 31, 2014, Republic had available collateral to borrow an additional $555 million and $452 million, respectively, from the FHLB. In addition to its borrowing line with the FHLB, Republic also had unsecured lines of credit totaling $166 million through various other financial institutions as of March 31, 2015 and December 31, 2014. The total outstanding borrowings on such unsecured lines were $15 million and $0 at March 31, 2015 and December 31, 2014.

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Aggregate future principal payments on FHLB advances based on contractual maturity and the weighted average cost of such advances are detailed below:

Year (dollars in thousands)	Principal	Weighted Average Rate
2015	$ 77,000	0.49%
2016	82,000	1.74%
2017	145,000	3.44%
2018	117,500	1.53%
2019	100,000	1.80%
2020	45,000	1.84%
Thereafter	30,000	1.95%
Total	$ 596,500	1.98%

The following table illustrates real estate loans pledged to collateralize advances and letters of credit with the FHLB:

(in thousands)	March 31, 2015	December 31, 2014
First lien, single family residential real estate	$ 1,320,054	$ 1,333,811
Home equity lines of credit	103,912	103,064
Multi-family commercial real estate	14,968	12,682

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6. FAIR VALUE

Fair value represents 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 Bank used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Securities available for sale: Quoted market prices in an active market are available for the Bank s mutual fund investment and fall within Level 1 of the fair value hierarchy.

Except for the Bank s mutual fund investment and its private label mortgage backed security, the fair value of securities available for sale is typically determined by matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities relationship to other benchmark quoted securities (Level 2 inputs).

The Bank s private label mortgage backed security remains illiquid, and as such, the Bank classifies this security as a Level 3 security in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures.* Based on this determination, the Bank utilized an income valuation model (present value model) approach in determining the fair value of this security.

See in this section of the filing under Footnote 2 Investment Securities for additional discussion regarding the Bank s private label mortgage backed security.

Mortgage loans held for sale: The fair value of mortgage loans held for sale is determined using quoted secondary market prices. Mortgage loans held for sale are classified as Level 2 in the fair value hierarchy.

Derivative instruments: Mortgage Banking derivatives used in the ordinary course of business primarily consist of mandatory forward sales contracts (forward contracts) and interest rate lock loan commitments. The fair value of the Bank s derivative instruments is primarily measured by obtaining pricing from broker-dealers recognized to be market participants. The pricing is derived from market observable inputs that can generally be verified and do not typically involve significant judgment by the Bank. Forward contracts and rate lock loan commitments are classified as Level 2 in the fair value hierarchy.

Interest rate swap agreements used for interest rate risk management: Interest rate swaps are recorded at fair value on a recurring basis. The Company utilizes interest rate swap agreements as part of the management of interest rate risk to modify the repricing characteristics of certain portions of the Company s interest-bearing liabilities. The Company values its interest rate swaps using Bloomberg Valuation Service s derivative pricing functions and therefore classifies such valuations as Level 2. Valuations of these interest rate swaps are also received from the relevant counterparty and validated against internal calculations. The Company has considered counterparty credit risk in the valuation of its interest rate swap assets and has considered its own credit risk in the valuation of its interest rate swap liabilities.

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Impaired loans: Collateral dependent impaired loans generally reflect partial charge-downs to their respective fair value, which is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower s financial statements or aging reports, adjusted or discounted based on management s historical knowledge, changes in market conditions from the time of the valuation, and management s expertise and knowledge of the client and client s business, resulting in a Level 3 fair value classification. Collateral dependent loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Premises, held for sale: Premises held for sale are accounted for at the lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches, including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments may be significant and typically result in a Level 3 classification of the inputs for determining fair value.

Other real estate owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches, including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments may be significant and typically result in a Level 3 classification of the inputs for determining fair value.

Appraisals for both collateral-dependent impaired 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 Bank. Once the appraisal is received, a member of the Bank s Credit Administration Department reviews the assumptions and approaches utilized in the appraisal, as well as the overall resulting fair value in comparison with independent data sources, such as recent market data or industry-wide statistics. On at least an annual basis, the Bank performs a back test of collateral appraisals by comparing actual selling prices on recent collateral sales to the most recent appraisal of such collateral. Back tests are performed for each collateral class, e.g., residential real estate or commercial real estate, and may lead to additional adjustments to the value of unliquidated collateral of similar class.

Mortgage servicing rights: On at least a quarterly basis, MSRs are evaluated for impairment based upon the fair value of the MSRs as compared to carrying amount. If the carrying amount of an individual grouping exceeds fair value, impairment is recorded and the respective individual tranche is carried at fair value. If the carrying amount of an individual grouping does not exceed fair value, impairment is reversed if previously recognized and the carrying value of the individual tranche is based on the amortization method. The valuation model utilizes assumptions that market participants would use in estimating future net servicing income and that can generally be validated against available market data (Level 2).

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Assets and liabilities measured at fair value on a **recurring basis** as of March 31, 2015 and December 31, 2014, including financial assets and liabilities for which the Bank has elected the fair value option, are summarized below:

(in thousands)	Fair Value Measurements at March 31, 2015 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Financial assets:				
Securities available for sale:				
U.S. Treasury securities and U.S. Government agencies	$	$ 187,937	$	$ 187,937
Private label mortgage backed security			5,235	5,235
Mortgage backed securities - residential		117,973		117,973
Collateralized mortgage obligations		136,607		136,607
Freddie Mac preferred stock		271		271
Mutual fund	1,027			1,027
Corporate bonds		15,095		15,095
Total securities available for sale	$ 1,027	$ 457,883	$ 5,235	$ 464,145
Mortgage loans held for sale	$	$ 12,748	$	$ 12,748
Rate lock commitments		497		497
Financial liabilities:				
Mandatory forward contracts		125		125
Interest rate swap agreements		783		783

(in thousands)	Fair Value Measurements at December 31, 2014 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Financial assets:				
Securities available for sale:				
U.S. Treasury securities and U.S. Government agencies	$	$ 146,922	$	$ 146,922
Private label mortgage backed security			5,250	5,250
Mortgage backed securities - residential		124,256		124,256
Collateralized mortgage obligations		143,171		143,171
Freddie Mac preferred stock		231		231
Mutual fund	1,018			1,018
Corporate bonds		15,063		15,063
Total securities available for sale	$ 1,018	$ 429,643	$ 5,250	$ 435,911
Mortgage loans held for sale	$	$ 6,388	$	$ 6,388
Rate lock commitments		250		250

Financial liabilities:		
Mandatory forward contracts	33	33
Interest rate swap agreements	488	488

All transfers between levels are generally recognized at the end of each quarter. There were no transfers into or out of Level 1, 2 or 3 assets during the three months ended March 31, 2015 and 2014.

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Private Label Mortgage Backed Security

The table below presents a reconciliation of the Bank s private label mortgage backed security. This is the only asset that was measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the periods ended March 31, 2015 and 2014:

	Three Months Ended March 31,	
(in thousands)	**2015**	**2014**
Balance, beginning of period	$ 5,250	$ 5,485
Total gains or losses included in earnings:		
Net change in unrealized gain	(22)	54
Recovery of actual losses previously recorded	35	32
Principal paydowns	(28)	(301)
Balance, end of period	$ 5,235	$ 5,270

The fair value of the Bank s single private label mortgage backed security is supported by analysis prepared by an independent third party. The third party s approach to determining fair value involved several steps: 1) detailed collateral analysis of the underlying mortgages, including consideration of geographic location, original loan-to-value and the weighted average Fair Isaac Corporation (FICO) score of the borrowers; 2) collateral performance projections for each pool of mortgages underlying the security (probability of default, severity of default, and prepayment probabilities) and 3) discounted cash flow modeling.

The significant unobservable inputs in the fair value measurement of the Bank s single private label mortgage backed security are prepayment rates, probability of default and loss severity in the event of default. Significant fluctuations in any of those inputs in isolation would result in a significantly lower/higher fair value measurement.

The following table presents quantitative information about recurring Level 3 fair value measurements at March 31, 2015 and December 31, 2014:

March 31, 2015 (dollars in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Inputs**	**Range**
Private label mortgage backed security	$ 5,235	Discounted cash flow	(1) Constant prepayment rate	(1.5)% - 6.5%
			(2) Probability of default	3.0% - 9.1%
			(2) Loss severity	60% - 90%

December 31, 2014 (dollars in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Inputs**	**Range**
Private label mortgage backed security	$ 5,250	Discounted cash flow	(1) Constant prepayment rate	0.5% - 6.5%
			(2) Probability of default	3.0% - 6.2%
			(2) Loss severity	60% - 75%

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Mortgage Loans Held for Sale

The Bank has elected the fair value option for mortgage loans held for sale. These loans are intended for sale and the Bank believes that the fair value is the best indicator of the resolution of these loans. Interest income is recorded based on the contractual terms of the loan and in accordance with Bank policy for such instruments. None of these loans were past due 90-days-or-more nor on nonaccrual as of March 31, 2015 and December 31, 2014.

As of March 31, 2015 and December 31, 2014, the aggregate fair value, contractual balance (including accrued interest), and gain or loss was as follows:

(in thousands)	March 31, 2015	December 31, 2014
Aggregate fair value	$ 12,748	$ 6,388
Contractual balance	12,446	6,265
Gain	302	123

The total amount of gains and losses from changes in fair value included in earnings for the three months ended March 31, 2015 and 2014 for mortgage loans held for sale are presented in the following table:

	Three Months Ended March 31,	
(in thousands)	2015	2014
Interest income	$ 56	$ 46
Change in fair value	178	(35)
Total included in earnings	$ 234	$ 11

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Assets measured at fair value on a **non-recurring basis** as of March 31, 2015 and December 31, 2014 are summarized below:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements at March 31, 2015 Using: Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Impaired loans:				
Residential real estate:				
Owner occupied	$	$	$ 1,615	$ 1,615
Non owner occupied			686	686
Commercial real estate			5,283	5,283
Home equity			1,191	1,191
Total impaired loans*	$	$	$ 8,775	$ 8,775
Other real estate owned:				
Residential real estate	$	$	$ 1,110	$ 1,110
Commercial real estate			1,267	1,267
Construction & land development			2,443	2,443
Total other real estate owned	$	$	$ 4,820	$ 4,820
Premises, held for sale	$	$	$ 1,284	$ 1,284

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements at December 31, 2014 Using: Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Impaired loans:				
Residential real estate:				
Owner occupied	$	$	$ 1,678	$ 1,678
Non owner occupied			702	702
Commercial real estate			6,122	6,122
Home equity			1,346	1,346
Total impaired loans*	$	$	$ 9,848	$ 9,848
Other real estate owned:				
Residential real estate	$	$	$ 1,916	$ 1,916
Commercial real estate			2,845	2,845
Construction & land development			4,427	4,427
Total other real estate owned	$	$	$ 9,188	$ 9,188
Premises, held for sale	$	$	$ 1,317	$ 1,317

** - The impaired loan balances in the above two tables exclude TDRs which are not collateral dependent. The difference between the carrying value and the fair value of impaired loans measured at fair value is reconciled in a subsequent table of this Footnote 6 and represents estimated selling costs to liquidate the underlying collateral on such debt.*

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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 March 31, 2015 and December 31, 2014:

March 31, 2015 (dollars in thousands)	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Impaired loans - residential real estate owner occupied	$ 1,615	Sales comparison approach	Adjustments determined for differences between comparable sales	0% - 28% (7%)
Impaired loans - residential real estate non owner occupied	$ 686	Sales comparison approach	Adjustments determined for differences between comparable sales	0% - 33% (18%)
Impaired loans - commercial real estate	$ 1,791	Sales comparison approach	Adjustments determined for differences between comparable sales	0% - 9% (3%)
	$ 3,492	Income approach	Adjustments for differences between net operating income expectations	3%-37% (22%)
Impaired loans - home equity	$ 1,191	Sales comparison approach	Adjustments determined for differences between comparable sales	0% - 35% (17%)
Other real estate owned - residential real estate	$ 1,110	Sales comparison approach	Adjustments determined for differences between comparable sales	10% - 39% (25%)
Other real estate owned - commercial real estate	$ 1,267	Sales comparison approach	Adjustments determined for differences between comparable sales	18% - 28% (20%)
Other real estate owned - construction & land development	$ 374	Sales comparison approach	Adjustments determined for differences between comparable sales	13% (13%)
	$ 2,069	Income approach	Adjustments for differences between net operating income expectations	6% (6%)
Premises, held for sale	$ 1,284	Sales comparison approach	Adjustments determined for differences between comparable sales	1% (1%)

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December 31, 2014 (dollars in thousands)	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Impaired loans - residential real estate owner occupied	$ 1,678	Sales comparison approach	Adjustments determined for differences between comparable sales	0% - 33% (7%)
Impaired loans - residential real estate non owner occupied	$ 702	Sales comparison approach	Adjustments determined for differences between comparable sales	0% - 33% (18%)
Impaired loans - commercial real estate	$ 2,615	Sales comparison approach	Adjustments determined for differences between comparable sales	0% - 9% (2%)
	$ 3,507	Income approach	Adjustments for differences between net operating income expectations	3%-37% (22%)
Impaired loans - home equity	$ 1,346	Sales comparison approach	Adjustments determined for differences between comparable sales	0% - 35% (12%)
Other real estate owned - residential real estate	$ 1,916	Sales comparison approach	Adjustments determined for differences between comparable sales	9% - 23% (19%)
Other real estate owned - commercial real estate	$ 1,378	Sales comparison approach	Adjustments determined for differences between comparable sales	11% - 14% (13%)
	$ 1,467	Income approach	Adjustments for differences between net operating income expectations	19% (19%)
Other real estate owned - construction & land development	$ 2,000	Sales comparison approach	Adjustments determined for differences between comparable sales	13% - 70% (38%)
	$ 2,427	Income approach	Adjustments for differences between net operating income expectations	8% - 9% (8%)
Premises, held for sale	$ 1,317	Sales comparison approach	Adjustments determined for differences between comparable sales	1% (1%)

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The following section details impairment charges recognized during the period:

Impaired Loans

Collateral dependent impaired loans are generally measured for impairment using the fair value of the underlying collateral. The Bank s practice is to obtain new or updated appraisals on the loans subject to the initial impairment review and then to evaluate the need for an update to this value on an as necessary or possibly annual basis thereafter (depending on the market conditions impacting the value of the collateral). The Bank may discount the appraisal amount as necessary for selling costs and past due real estate taxes. If a new or updated appraisal is not available at the time of a loan s impairment review, the Bank may apply a discount to the existing value of an old appraisal to reflect the property s current estimated value if it is believed to have deteriorated in either: (i) the physical or economic aspects of the subject property or (ii) material changes in market conditions. The impairment review generally results in a partial charge-off of the loan if fair value less selling costs are below the loan s carrying value. Impaired loans that are collateral dependent are classified within Level 3 of the fair value hierarchy when impairment is determined using the fair value method.

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans are as follows:

(in thousands)	March 31, 2015	December 31, 2014
Carrying amount of loans measured at fair value	$ 7,646	$ 8,343
Estimated selling costs considered in carrying amount	1,129	1,505
Total fair value	$ 8,775	$ 9,848

Other Real Estate Owned

Other real estate owned, which is carried at the lower of cost or fair value, is periodically assessed for impairment based on fair value at the reporting date. Fair value is determined from external appraisals using judgments and estimates of external professionals. Many of these inputs are not observable and, accordingly, these measurements are classified as Level 3. All of the Bank s individual other real estate owned properties were carried at the lower of their fair value or cost at March 31, 2015 and December 31, 2014.

Details of other real estate owned carrying value and write downs follow:

(in thousands)	March 31, 2015	December 31, 2014
Other real estate carried at fair value	$ 4,820	$ 9,188
Other real estate carried at cost	1,916	2,055
Total carrying value of other real estate owned	$ 6,736	$ 11,243

(in thousands)	Three Months Ended March 31, 2015	2014
Other real estate owned write-downs during the period	$ 484	$ 884

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Premises, Held for Sale

The Company closed its Hudson, Florida banking center on January 16, 2015. The Hudson premises were held for sale at March 31, 2015 and December 31, 2014 and carried at $1 million, its fair value less estimated selling costs. Fair value was determined from an external appraisal using judgments and estimates. Many of these inputs are not observable and, accordingly, these measurements are classified as Level 3.

The Hudson premises were written down $33,000 during the three months ended March 31, 2015, with no similar write-down for the same period in 2014.

Mortgage Servicing Rights

MSRs are carried at lower of cost or fair value. No MSRs were carried at fair value at March 31, 2015 and December 31, 2014.

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The carrying amounts and estimated fair values of all financial instruments, at March 31, 2015 and December 31, 2014 follows:

(in thousands)	Carrying Value	Fair Value Measurements at March 31, 2015: Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash and cash equivalents	$ 136,349	$ 136,349	$	$	$ 136,349
Securities available for sale	464,145	1,027	457,883	5,235	464,145
Securities be held to maturity	44,574		45,133		45,133
Mortgage loans held for sale, at fair value	12,748		12,748		12,748
Loans, net	3,130,805			3,168,766	3,168,766
Federal Home Loan Bank stock	28,208				NA
Accrued interest receivable	8,885		8,885		8,885
Liabilities:					
Non interest-bearing deposits	666,166		666,166		666,166
Transaction deposits	1,459,592		1,459,592		1,459,592
Time deposits	254,459		254,586		254,586
Securities sold under agreements to repurchase and other short-term borrowings	332,534		332,534		332,534
Federal Home Loan Bank advances	596,500		613,356		613,356
Subordinated note	41,240		41,235		41,235
Accrued interest payable	1,271		1,271		1,271

NA - Not applicable

(in thousands)	Carrying Value	Fair Value Measurements at December 31, 2014: Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash and cash equivalents	$ 72,878	$ 72,878	$	$	$ 72,878
Securities available for sale	435,911	1,018	429,643	5,250	435,911
Securities be held to maturity	45,437		45,807		45,807
Mortgage loans held for sale, at fair value	6,388		6,388		6,388
Loans, net	3,016,085			3,045,443	3,045,443
Federal Home Loan Bank stock	28,208				NA
Accrued interest receivable	8,807		8,807		8,807
Liabilities:					
Non interest-bearing deposits	502,569		502,569		502,569
Transaction deposits	1,290,400		1,290,400		1,290,400
Time deposits	265,213		265,858		265,858
Securities sold under agreements to repurchase and other short-term borrowings	356,108		356,108		356,108
Federal Home Loan Bank advances	707,500		721,346		721,346

Subordinated note	41,240	41,198	41,198
Accrued interest payable	1,262	1,262	1,262

NA - Not applicable

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Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the Bank s estimates.

The assumptions used in the estimation of the fair value of the Company s financial instruments are explained below. Where quoted market prices are not available, fair values are based on estimates using discounted cash flow and other valuation techniques. Discounted cash flows can be significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The following fair value estimates cannot be substantiated by comparison to independent markets and should not be considered representative of the liquidation value of the Company s financial instruments, but rather a good-faith estimate of the fair value of financial instruments held by the Company.

In addition to those previously disclosed, the following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Cash and cash equivalents The carrying amounts of cash and short-term instruments approximate fair values and are classified as Level 1.

Loans, net of Allowance The fair value of loans is calculated using discounted cash flows by loan type resulting in a Level 3 classification. The discount rate used to determine the present value of the loan portfolio is an estimated market rate that reflects the credit and interest rate risk inherent in the loan portfolio without considering widening credit spreads due to market illiquidity. The estimated maturity is based on the Bank s historical experience with repayments adjusted to estimate the effect of current market conditions. The Allowance is considered a reasonable discount for credit risk. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

Federal Home Loan Bank stock It is not practical to determine the fair value of FHLB stock due to restrictions placed on its transferability.

Accrued interest receivable/payable The carrying amounts of accrued interest, due to their short-term nature, approximate fair value resulting in a Level 2 classification.

Deposits Fair values for certificates of deposit have been determined using discounted cash flows. The discount rate used is based on estimated market rates for deposits of similar remaining maturities and are classified as Level 2. The carrying amounts of all other deposits, due to their short-term nature, approximate their fair values and are also classified as Level 2.

Securities sold under agreements to repurchase and other short-term borrowings The carrying amount for securities sold under agreements to repurchase and other short-term borrowings generally maturing within ninety days approximates its fair value resulting in a Level 2 classification.

Federal Home Loan Bank advances The fair value of the FHLB advances is obtained from the FHLB and is calculated by discounting contractual cash flows using an estimated interest rate based on the current rates available to the Company for debt of similar remaining maturities and collateral terms resulting in a Level 2 classification.

Subordinated note The fair value for subordinated debentures is calculated using discounted cash flows based upon current market spreads to London Interbank Borrowing Rate (LIBOR) for debt of similar remaining maturities and collateral terms resulting in a Level 2 classification.

The fair value estimates presented herein are based on pertinent information available to management as of the respective period ends. Although management is not aware of any factors that would dramatically affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and, therefore, estimates of fair value may differ significantly from the amounts presented.

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7. MORTGAGE BANKING ACTIVITIES

Activity for mortgage loans held for sale was as follows:

(in thousands)	Three Months Ended March 31, 2015	2014
Balance, beginning of period	$ 6,388	$ 3,506
Origination of mortgage loans held for sale	45,835	14,110
Proceeds from the sale of mortgage loans held for sale	(40,697)	(15,700)
Net gain on sale of mortgage loans held for sale	1,222	498
Balance, end of period	$ 12,748	$ 2,414

The following table presents the components of Mortgage Banking income:

(in thousands)	Three Months Ended March 31, 2015	2014
Net gain realized on sale of mortgage loans held for sale	$ 889	$ 458
Net change in fair value recognized on loans held for sale	178	(35)
Net change in fair value recognized on rate lock commitments	247	80
Net change in fair value recognized on forward contracts	(92)	(5)
Net gain recognized	1,222	498
Loan servicing income	469	302
Amortization of mortgage servicing rights	(338)	(314)
Net servicing income recognized	131	(12)
Total Mortgage Banking income	$ 1,353	$ 486

Activity for capitalized mortgage servicing rights was as follows:

(in thousands)	Three Months Ended March 31, 2015	2014
Balance, beginning of period	$ 4,813	$ 5,409
Additions	389	132
Amortized to expense	(338)	(314)
Balance, end of period	$ 4,864	$ 5,227

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There was no balance or activity in the valuation allowance for capitalized mortgage servicing rights for the three months ended March 31, 2015 and 2014.

Other information relating to mortgage servicing rights follows:

(dollars in thousands)	**March 31, 2015**	**December 31, 2014**
Fair value of mortgage servicing rights portfolio	$ 6,427	$ 6,651
Monthly prepayment rate of unpaid principal balance*	105% - 462%	95% - 462%
Discount rate	10%	10%
Weighted average default rate	1.50%	1.50%
Weighted average life in years	5.37	5.70

** - Rates are applied to individual tranches with similar characteristics.*

Mortgage Banking derivatives used in the ordinary course of business primarily consist of mandatory forward sales contracts and interest rate lock loan commitments. Mandatory forward contracts represent future commitments to deliver loans at a specified price and date and are used to manage interest rate risk on loan commitments and mortgage loans held for sale. Interest rate lock loan commitments represent commitments to fund loans at a specific rate. These derivatives involve underlying items, such as interest rates, and are designed to transfer risk. Substantially all of these instruments expire within 90 days from the date of issuance. Notional amounts are amounts on which calculations and payments are based, but which do not represent credit exposure, as credit exposure is limited to the amounts required to be received or paid.

Mandatory forward contracts also contain an element of risk in that the counterparties may be unable to meet the terms of such agreements. In the event the counterparties fail to deliver commitments or are unable to fulfill their obligations, the Bank could potentially incur significant additional costs by replacing the positions at then current market rates. The Bank manages its risk of exposure by limiting counterparties to those banks and institutions deemed appropriate by management and the Board of Directors. The Bank does not expect any counterparty to default on their obligations and therefore, the Bank does not expect to incur any cost related to counterparty default.

The Bank is exposed to interest rate risk on loans held for sale and rate lock loan commitments. As market interest rates fluctuate, the fair value of mortgage loans held for sale and rate lock commitments will decline or increase. To offset this interest rate risk the Bank enters into derivatives, such as mandatory forward contracts to sell loans. The fair value of these mandatory forward contracts will fluctuate as market interest rates fluctuate, and the change in the value of these instruments is expected to largely, though not entirely, offset the change in fair value of loans held for sale and rate lock commitments. The objective of this activity is to minimize the exposure to losses on rate loan lock commitments and loans held for sale due to market interest rate fluctuations. The net effect of derivatives on earnings will depend on risk management activities and a variety of other factors, including: market interest rate volatility; the amount of rate lock commitments that close; the ability to fill the forward contracts before expiration; and the time period required to close and sell loans.

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The following table includes the notional amounts and fair values of mortgage loans held for sale and mortgage banking derivatives as of the period ends presented:

(in thousands)	Notional Amount	Fair Value	Notional Amount	Fair Value
	March 31, 2015		December 31, 2014	
Included in Mortgage loans held for sale:				
Mortgage loans held for sale	$ 12,446	$ 12,748	$ 6,265	$ 6,388
Included in other assets:				
Rate lock loan commitments	$ 26,561	$ 497	$ 12,866	$ 250
Included in other liabilities:				
Mandatory forward contracts	$ 30,098	$ 125	$ 13,181	$ 33

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8. INTEREST RATE SWAPS

The Bank entered into two interest rate swap agreements during 2013 as part of its interest rate risk management strategy. The Bank designated the swaps as cash flow hedges intended to reduce the variability in cash flows attributable to either FHLB advances tied to the three-month London Interbank Offered Rate (LIBOR) or the overall changes in cash flows on certain money market deposit accounts tied to one-month LIBOR. The counterparty for both swaps met the Bank s credit standards and the Bank believes that the credit risk inherent in the swap contracts is not significant.

The swaps were determined to be fully effective during all periods presented; therefore, no amount of ineffectiveness was included in net income. The aggregate fair value of the swaps is recorded in other liabilities with changes in fair value recorded in OCI. The amount included in accumulated OCI would be reclassified to current earnings should the hedge no longer be considered effective. The Bank expects the hedges to remain fully effective during the remaining term of the swaps.

The following table reflects summary information about swaps designated as cash flow hedges as of March 31, 2015 and December 31, 2014:

(in thousands)	**March 31, 2015**	**December 31, 2014**
Notional amount (receive rate tied to 3-month LIBOR)	$ 10,000	$ 10,000
Notional amount (receive rate tied to 1-month LIBOR)	10,000	10,000
Total notional amount	$ 20,000	$ 20,000
Weighted average pay rate	2.25%	2.25%
Weighted average receive rate	0.22%	0.21%
Weighted average remaining maturity in years	6	6
Unrealized loss	$ (783)	$ (488)
Fair value of security pledged as collateral	$ 1,015	$ 734

The following table reflects the total interest expense recorded on these swap transactions in the consolidated statements of income during the three months ended March 31, 2015 and 2014:

	Three Months Ended March,	
(in thousands)	**2015**	**2014**
Interest expense on deposits related to money market swap transaction	$ 49	$ 49
Interest expense on FHLB advances related to FHLB swap transaction	52	51
Total interest expense on swap transactions	$ 101	$ 100

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The following tables present the net losses recorded in accumulated OCI and the consolidated statements of income relating to the swaps for the three months ended March 31, 2015 and 2014:

Three Months Ended March 31, 2015 (in thousands)	Gain (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion)	Gain (Loss) Reclassified from Accumulated Other Comprehensive Income on Derivative (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
Cash flow hedges - interest rate swaps	$ (396)	$ (101)	$

Three Months Ended March 31, 2014 (in thousands)	Gain (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion)	Gain (Loss) Reclassified from Accumulated Other Comprehensive Income on Derivative (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
Cash flow hedges - interest rate swaps	$ (339)	$ (100)	$

The following table reflects the cash flow hedges included in the consolidated balance sheet as of March 31, 2015 and December 31, 2014:

(in thousands)	Notional Amount	Fair Value	Notional Amount	Fair Value
	March 31, 2015		December 31, 2014	
Fair value included in other liabilities:				
Cash flow hedges - interest rate swaps	$ 20,000	$ 783	$ 20,000	$ 488

The estimated net amount of the existing losses that are reported in accumulated OCI at March 31, 2015 that is expected to be reclassified into earnings within the next twelve months is $427,000.

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9. OFF BALANCE SHEET RISKS, COMMITMENTS AND CONTINGENT LIABILITIES

The Company, in the normal course of business, is party to financial instruments with off balance sheet risk. These financial instruments primarily include commitments to extend credit and standby letters of credit. The contract or notional amounts of these instruments reflect the potential future obligations of the Company pursuant to those financial instruments. Creditworthiness for all instruments is evaluated on a case by case basis in accordance with the Company s credit policies. Collateral from the client may be required based on the Company s credit evaluation of the client and may include business assets of commercial clients, as well as personal property and real estate of individual clients or guarantors.

The Company also extends binding commitments to clients and prospective clients. Such commitments assure a borrower of financing for a specified period of time at a specified rate. Additionally, the Company makes binding purchase commitments to third party loan correspondent originators. These commitments assure that the Company will purchase a loan from such correspondent originators at a specific price for a specific period of time. The risk to the Company under such loan commitments is limited by the terms of the contracts. For example, the Company may not be obligated to advance funds if the client s financial condition deteriorates or if the client fails to meet specific covenants.

An approved but unfunded loan commitment represents a potential credit risk and a liquidity risk, since the Company s client(s) may demand immediate cash that would require funding. In addition, unfunded loan commitments represent interest rate risk as market interest rates may rise above the rate committed to the Company s client. Since a portion of these loan commitments normally expire unused, the total amount of outstanding commitments at any point in time may not require future funding.

The table below presents the Company s commitments, exclusive of Mortgage Banking loan commitments, for each period ended:

(in thousands)	**March 31, 2015**	**December 31, 2014**
Unused warehouse lines of credit	$ 139,345	$ 208,069
Unused home equity lines of credit	253,792	240,372
Unused loan commitments - other	261,964	216,806
Commitments to purchase loans*(1)*	56,837	15,798
Standby letters of credit	12,945	12,383
FHLB letters of credit		750
Total commitments	$ 724,883	$ 694,178

(1) - Commitments made through the Bank s Correspondent Lending channel.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a client to a third party. The terms and risk of loss involved in issuing standby letters of credit are similar to those involved in issuing loan commitments and extending credit. In addition to credit risk, the Company also has liquidity risk associated with standby letters of credit because funding for these obligations could be required immediately. The Company does not deem this risk to be material.

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10. EARNINGS PER SHARE

Class A and Class B Shares participate equally in undistributed earnings. The difference in earnings per share between the two classes of common stock results solely from the 10% per share cash dividend premium paid on Class A Common Stock over that paid on Class B Common Stock.

A reconciliation of the combined Class A and Class B Common Stock numerators and denominators of the earnings per share and diluted earnings per share computations is presented below:

(in thousands, except per share data)	Three Months Ended March 31, 2015	2014
Net income	$ 13,788	$ 11,984
Weighted average shares outstanding	20,859	20,796
Effect of dilutive securities	77	97
Average shares outstanding including dilutive securities	20,936	20,893
Basic earnings per share:		
Class A Common Stock	$ 0.66	$ 0.58
Class B Common Stock	$ 0.65	$ 0.56
Diluted earnings per share:		
Class A Common Stock	$ 0.66	$ 0.58
Class B Common Stock	$ 0.64	$ 0.56

Stock options excluded from the detailed earnings per share calculation because their impact was antidilutive are as follows:

	Three Months Ended March 31, 2015	2014
Antidilutive stock options	14,250	15,500
Average antidilutive stock options	14,250	15,500

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11. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND OTHER SHORT-TERM BORROWINGS

Securities sold under agreements to repurchase consist of short-term excess funds from correspondent banks, repurchase agreements and overnight liabilities to deposit clients arising from the Bank s treasury management program. While comparable to deposits in their transactional nature, these overnight liabilities to clients are in the form of repurchase agreements. Repurchase agreements collateralized by securities are treated as financings; accordingly, the securities involved with the agreements are recorded as assets and are held by a safekeeping agent and the obligations to repurchase the securities are reflected as liabilities. All securities underlying the agreements are under the Bank s control. Information regarding securities sold under agreements to repurchase follows:

(dollars in thousands)	March 31, 2015	December 31, 2014
Outstanding balance at end of period	$ 317,534	$ 356,108
Weighted average interest rate at end of period	0.02%	0.04%
Fair value of securities pledged	$ 389,421	$ 378,478

(dollars in thousands)	Three Months Ended March 31, 2015	2014
Average outstanding balance during the period	$ 391,254	$ 223,079
Average interest rate during the period	0.04%	0.04%
Maximum outstanding at any month end during the period	$ 408,955	$ 222,174

Other short-term borrowings included $15 million in federal funds purchased at March 31, 2015. These funds cost 0.75% and matured on April 1, 2015. No such borrowings existed at December 31, 2014.

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12. OTHER COMPREHENSIVE INCOME

OCI components and related tax effects were as follows:

(in thousands)	Three Months Ended March 31, 2015	2014
Available for Sale Securities:		
Unrealized gain on securities available for sale	$ 1,238	$ 2
Change in unrealized gain on security available for sale for which a portion of an other-than-temporary impairment has been recognized in earnings	(22)	54
Net unrealized gains	1,216	56
Tax effect	(426)	(20)
Net of tax	790	36
Cash Flow Hedges:		
Change in fair value of derivatives used for cash flow hedges	(396)	(339)
Reclassification amount for derivative losses realized in income	101	100
Net unrealized losses	(295)	(239)
Tax effect	104	83
Net of tax	(191)	(156)
Total OCI components, net of tax	$ 599	$ (120)

Significant amounts reclassified out of each component of accumulated OCI for the three months ended March 31, 2015 and 2014:

(in thousands)	Affected Line Items in the Consolidated Statements of Income	Amounts Reclassified From Accumulated Other Comprehensive Income Three Months Ended March 31, 2015	2014
Cash Flow Hedges:			
Derivative losses realized on cash flow hedge of deposits	Interest expense on deposits	$ (49)	$ (49)
Derivative losses realized on cash flow hedge of FHLB advance	Interest expense on Federal Home Loan Bank advances	(52)	(51)
Total derivative losses on cash flow hedges	Total interest expense	(101)	(100)
Tax effect	Income tax expense	35	35
Net of tax	Net income	$ (66)	$ (65)

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The following is a summary of the accumulated OCI balances, net of tax:

(in thousands)	Dec. 31, 2014	2015 Change	Mar. 31, 2015
Unrealized gain on securities available for sale	$ 3,839	$ 804	$ 4,643
Unrealized gain on security available for sale for which a portion of an other-than-temporary impairment has been recognized in earnings	792	(14)	778
Unrealized loss on cash flow hedge	(316)	(191)	(507)
Total unrealized gain	$ 4,315	$ 599	$ 4,914

(in thousands)	Dec. 31, 2013	2014 Change	Mar. 31, 2014
Unrealized gain on securities available for sale	$ 2,526	$ 1	$ 2,527
Unrealized gain on security available for sale for which a portion of an other-than-temporary impairment has been recognized in earnings	484	35	519
Unrealized gain (loss) on cash flow hedge	111	(156)	(45)
Total unrealized gain	$ 3,121	$ (120)	$ 3,001

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13. SEGMENT INFORMATION

Segment Data:

Reportable segments are determined by the type of products and services offered and the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business (such as banking centers and business units), which are then aggregated if operating performance, products/services, and clients are similar.

As of March 31, 2015, the Company was divided into four distinct operating segments: Traditional Banking, Warehouse Lending (Warehouse), Mortgage Banking and Republic Processing Group (RPG). Management considers the first three segments to collectively constitute Core Bank or Core Banking activities. The RPG segment includes the Tax Refund Solutions (TRS) division, Republic Payment Solutions (RPS) and Republic Credit Solutions (RCS). TRS generates the majority of RPG s income, with the relatively smaller divisions of RPG, RPS and RCS, considered immaterial for separate and independent segment reporting. All divisions of the RPG segment operate through the Company.

The nature of segment operations and the primary drivers of net revenues by reportable segment are provided below:

	Segment:	Nature of Operations	Primary Drivers of Net Revenues
Core Banking	Traditional Banking	Provides traditional banking products primarily to customers in the Company s market footprint.	Loans, investments and deposits
	Mortgage Warehouse	Provides short-term, revolving credit facilities to mortgage bankers across the Nation.	Mortgage warehouse lines of credit
	Mortgage Banking	Primarily originates, sells and services long-term, single family, first lien residential real estate loans.	Gain on sale of loans and servicing fees
	Republic Processing Group	TRS division facilitates the receipt and payment of federal and state tax refund products. The RPS division offers general purpose reloadable cards. The RCS division offers short-term credit products.	Net refund transfer fees

The accounting policies used for Republic s reportable segments are the same as those described in the summary of significant accounting policies in the Company s 2014 Annual Report on Form 10-K. Segment performance is evaluated using operating income. Goodwill is not allocated. Income taxes are generally allocated based on income before income tax expense unless specific segment allocations can be reasonably made. Transactions among reportable segments are made at carrying value.

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Segment information for the three months ended March 31, 2015 and 2014 follows:

	Three Months Ended March 31, 2015					
	Core Banking					
(dollars in thousands)	Traditional Banking	Warehouse Lending	Mortgage Banking	Total Core Banking	Republic Processing Group	Total Company
Net interest income	$ 25,758	$ 2,541	$ 56	$ 28,355	$ 667	$ 29,022
Provision for loan and lease losses	116	259		375	(190)	185
Net refund transfer fees					15,335	15,335
Mortgage banking income			1,353	1,353		1,353
Other non interest income	5,397	5	84	5,486	812	6,298
Total non interest income	5,397	5	1,437	6,839	16,147	22,986
Total non interest expenses	23,407	573	1,285	25,265	5,809	31,074
Income before income tax expense	7,632	1,714	208	9,554	11,195	20,749
Income tax expense	2,286	600	73	2,959	4,002	6,961
Net income	$ 5,346	$ 1,114	$ 135	$ 6,595	$ 7,193	$ 13,788
Segment end of period assets	$ 3,380,813	$ 422,652	$ 18,002	$ 3,821,467	$ 130,720	$ 3,952,187
Net interest margin	3.10%	3.62%	NM	3.14%	NM	3.14%

	Three Months Ended March 31, 2014					
	Core Banking					
(dollars in thousands)	Traditional Banking	Warehouse Lending	Mortgage Banking	Total Core Banking	Republic Processing Group	Total Company
Net interest income	$ 25,954	$ 1,159	$ 46	$ 27,159	$ 145	$ 27,304
Provision for loan and lease losses	(268)	28		(240)	(463)	(703)
Net refund transfer fees					14,388	14,388
Mortgage banking income			486	486		486
Other non interest income	5,072	2	74	5,148	693	5,841
Total non interest income	5,072	2	560	5,634	15,081	20,715
Total non interest expenses	23,482	380	1,210	25,072	5,127	30,199
Income (loss) before income tax expense	7,812	753	(604)	7,961	10,562	18,523
Income tax expense (benefit)	2,520	264	(211)	2,573	3,966	6,539
Net income (loss)	$ 5,292	$ 489	$ (393)	$ 5,388	$ 6,596	$ 11,984
Segment end of period assets	$ 3,305,197	$ 135,986	$ 8,062	$ 3,449,245	$ 57,927	$ 3,507,172

Net interest margin	3.27%	3.97%	NM	3.29%	NM	3.24%

Segment assets are reported as of the respective period ends while income and margin data are reported for the respective periods.

NM Not Meaningful

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

Management s Discussion and Analysis of Financial Condition and Results of Operations of Republic Bancorp, Inc. (Republic or the Company) analyzes the major elements of Republic s consolidated balance sheets and statements of income. Republic, a bank holding company headquartered in Louisville, Kentucky, is the parent company of Republic Bank & Trust Company (RB&T or the Bank) and Republic Insurance Services, Inc. (the Captive). The Bank is a Kentucky-based, state chartered non-member financial institution.

The Captive, which was formed during the third quarter of 2014, is a wholly-owned insurance subsidiary of the Company. The Captive provides property and casualty insurance coverage to the Company and the Bank as well as five other third-party insurance captives for which insurance may not be available or economically feasible.

Republic Bancorp Capital Trust is a Delaware statutory business trust that is a 100%-owned unconsolidated finance subsidiary of Republic Bancorp, Inc.

Management s Discussion and Analysis of Financial Condition and Results of Operations of Republic should be read in conjunction with Part I Item 1 *Financial Statements*.

As used in this filing, the terms Republic, the Company, we, our and us refer to Republic Bancorp, Inc., and, where the context requires, Republic Bancorp, Inc. and its subsidiaries; and the term the Bank refers to the Company s subsidiary bank, RB&T.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by the forward-looking statements. Actual results may differ materially from those expressed or implied as a result of certain risks and uncertainties, including, but not limited to: changes in political and economic conditions; interest rate fluctuations; competitive product and pricing pressures; equity and fixed income market fluctuations; personal and corporate clients bankruptcies; inflation; recession; acquisitions and integrations of acquired businesses; technological changes; changes in law and regulations or the interpretation and enforcement thereof; changes in fiscal, monetary, regulatory and tax policies; monetary fluctuations; success in gaining regulatory approvals when required; information security breaches or cyber security attacks involving either the Company or one of the Company s third party service providers; as well as other risks and uncertainties reported from time to time in the Company s filings with the Securities and Exchange Commission (SEC), including Part 1 Item 1A Risk Factors of the Company s 2014 Annual Report on Form 10-K.

Broadly speaking, forward-looking statements include:

- projections of revenue, income, expenses, losses, earnings per share, capital expenditures, dividends, capital structure or other financial items;

- descriptions of plans or objectives for future operations, products or services;
- forecasts of future economic performance; and
- descriptions of assumptions underlying or relating to any of the foregoing.

The Company may make forward-looking statements discussing management s expectations about various matters, including:

- loan delinquencies; non-performing, classified, or impaired loans; and troubled debt restructurings (TDR s);
- further developments in the Bank s ongoing review of and efforts to resolve possible problem credit relationships, which could result in, among other things, additional provisions for loan and lease losses (Provision);
- future credit quality, credit losses and the overall adequacy of the Allowance for Loan and Lease Losses (Allowance);
- potential impairment charges or write-downs of other real estate owned (OREO);
- future short-term and long-term interest rates and the respective impact on net interest income, net interest spread, net income, liquidity, capital and economic value of equity (EVE);
- the future impact of Company strategies to mitigate interest rate risk;
- future long-term interest rates and their impact on the demand for Mortgage Banking products, Warehouse lines of credit and Correspondent Lending products;
- the future value of mortgage servicing rights (MSRs);

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- the future financial performance of Tax Refund Solutions (TRS), a division of the Republic Processing Group (RPG) segment;
- future Refund Transfer (RT) volume for TRS;
- the future net revenue associated with RTs at TRS;
- the future financial performance of Republic Payment Solutions (RPS), a division of RPG;
- the future financial performance of Republic Credit Solutions (RCS), a division of RPG;
- the potential impairment of investment securities;
- the growth in the Bank s loan portfolio, in general;
- the growth in the Bank s Warehouse Lending portfolio;
- the growth in single family residential, first lien real estate loans originated through the Bank s Correspondent Lending delivery channel;
- the volatility of the Bank s Warehouse Lending portfolio outstanding balances;
- the Bank s ability to maintain and/or grow deposits;
- the concentrations and volatility of the Bank s securities sold under agreements to repurchase;
- the future redemption or repricing option available in 2015 for the Company s Trust Preferred Securities (TPS);
- the Company s ability to successfully implement strategic plans, including, but not limited to, those related to future business acquisitions;
- future accretion of discounts on loans acquired in the Bank s 2012 FDIC-assisted transactions and the effect of such accretion on the Bank s net interest income and net interest margin;
- future amortization of premiums on loans acquired through the Bank s Correspondent Lending channel and the effect of such amortization on the Bank s net interest income and net interest margin;
- the extent to which regulations written and implemented by the Consumer Financial Protection Bureau (CFPB), and other federal, state and local governmental regulation of consumer lending and related financial products and services, may limit or prohibit the operation of the Company s business;
- financial services reform and other current, pending or future legislation or regulation that could have a negative effect on the Company s revenue and businesses, including but not limited to, Basel III capital reforms; the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act); and legislation and regulation relating to overdraft fees (and changes to the Bank s overdraft practices as a result thereof), interchange fees, credit cards, and other bank services;
- the impact of new accounting pronouncements;

- legal and regulatory matters including results and consequences of regulatory guidance, litigation, administrative proceedings, rule-making, interpretations, actions and examinations;

- future capital expenditures; and

- the strength of the U.S. economy in general and the strength of the local and regional economies in which the Company conducts operations.

Forward-looking statements discuss matters that are not historical facts. As forward-looking statements discuss future events or conditions, the statements often include words such as anticipate, believe, estimate, expect, intend, plan, project, target, can, could, may, similar expressions. Do not rely on forward-looking statements. Forward-looking statements detail management s expectations regarding the future and are not guarantees. Forward-looking statements are assumptions based on information known to management only as of the date the statements are made and management may not update them to reflect changes that occur subsequent to the date the statements are made.

See additional discussion under Part I Item 1 Business and Part I Item 1A Risk Factors of the Company s 2014 Annual Report on Form 10-K.

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BUSINESS SEGMENT COMPOSITION

As of March 31, 2015, the Company was divided into four distinct operating segments: Traditional Banking, Warehouse Lending (Warehouse), Mortgage Banking and Republic Processing Group (RPG). Management considers the first three segments to collectively constitute Core Bank or Core Banking activities. The Warehouse segment was reported as a division of the Traditional Banking segment prior to the fourth quarter of 2014, but realized the quantitative and qualitative nature of a segment by the end of 2014. All prior periods have been reclassified to conform to the current presentation.

	Three Months Ended March 31, 2015					
	Core Banking					
(dollars in thousands)	Traditional Banking	Warehouse Lending	Mortgage Banking	Total Core Banking	Republic Processing Group	Total Company
Net income	$ 5,346	$ 1,114	$ 135	$ 6,595	$ 7,193	$ 13,788
Total assets	3,380,813	422,652	18,002	3,821,467	130,720	3,952,187
Net interest margin	3.10%	3.62%	NM	3.14%	NM	3.14%

	Three Months Ended March 31, 2014					
	Core Banking					
(dollars in thousands)	Traditional Banking	Warehouse Lending	Mortgage Banking	Total Core Banking	Republic Processing Group	Total Company
Net income	$ 5,292	$ 489	$ (393)	$ 5,388	$ 6,596	$ 11,984
Total assets	3,305,197	135,986	8,062	3,449,245	57,927	3,507,172
Net interest margin	3.27%	3.97%	NM	3.29%	NM	3.24%

Segment assets are reported as of the respective period ends while income and margin data are reported for the respective periods.

NM Not Meaningful

For expanded segment financial data see Footnote 13 Segment Information of Part I Item 1 Financial Statements.

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(I) Traditional Banking segment

As of March 31, 2015 in addition to Internet Banking and Correspondent Lending delivery channels, Republic had 40 full-service banking centers with locations as follows:

- Kentucky 32
- Metropolitan Louisville 19
- Central Kentucky 8
- Elizabethtown 1
- Frankfort 1
- Georgetown 1
- Lexington 4
- Shelbyville 1
- Western Kentucky 2
- Owensboro 2
- Northern Kentucky 3
- Covington 1
- Florence 1
- Independence 1
- Southern Indiana 3
- Floyds Knobs 1
- Jeffersonville 1
- New Albany 1
- Metropolitan Tampa, Florida 2

- Metropolitan Cincinnati, Ohio 1
- Metropolitan Nashville, Tennessee 2

Republic s headquarters are located in Louisville, which is the largest city in Kentucky based on population.

The Bank s principal lending activities consists of the following:

Retail Mortgage Lending Through its retail banking centers detailed above, its Correspondent Lending channel and its Internet Banking channel, the Bank originates single family, first lien residential real estate loans. In addition the Bank originates home equity loans and home equity lines of credit through its retail banking centers. All such loans are generally collateralized by owner occupied property. For those loans originated through the Bank s retail banking centers, the collateral is predominately located in the Bank s primary market area footprint, while loans originated through the Correspondent Lending channel and internet banking are generally secured by collateral located outside of the Bank s geographic footprint. All mortgage loans retained on balance sheet are included as a component of the Company s Traditional Banking segment and are discussed below and elsewhere in this filing.

Commercial Lending The Bank s commercial real estate (CRE) loans are generally made to small-to-medium sized businesses in amounts up to 80% or 85% LTV, depending on the market, of the lesser of the appraised value or purchase price of the property. The Bank s CRE loans are typically secured by improved property such as office buildings, medical facilities, retail centers, warehouses, apartment buildings, condominiums, schools, religious institutions and other types of commercial use property.

A broad range of short-to-medium-term collateralized commercial and industrial (C&I) loans are made available to businesses for working capital, business expansion (including acquisitions of real estate and improvements), and the purchase of equipment or machinery. These often represent term loans, lines of credit and equipment and receivables financing. Equipment loans are typically originated on a fixed-term basis ranging from one to five years.

In 2015, while continuing to increase its total commercial-related loan portfolio, the Bank intends to diversify its commercial loan mix by increasing the ratio of C&I loans to total commercial loans and conversely decreasing the ratio of CRE loans to total commercial loans.

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Construction and Land Development Lending The Bank originates residential construction real estate loans to finance the construction of single family dwellings. Construction loans also are made to contractors to build single family dwellings under contract. Construction loans are generally offered on the same basis as other single family, first lien residential real estate loans, except that a larger percentage down payment is typically required.

The Bank also originates land development loans to real estate developers for the acquisition, development and construction of commercial projects.

Consumer Lending Traditional consumer loans made by the Bank include home improvement and home equity loans, as well as other secured and unsecured personal loans in addition to credit cards. With the exception of home equity loans, which are actively marketed in conjunction with single family, first lien residential real estate loans, other traditional consumer loan products, while available, are not and have not been actively promoted in the Bank s markets.

Internet Lending The Bank accepts online loan applications through its website, www.republicbank.com. Historically, the majority of loans originated through the internet have been within the Bank s traditional markets of Kentucky and Indiana. Other states where loans may be originated include Tennessee, Florida, Ohio, Virginia, and Minnesota, as well as, the District of Columbia.

Correspondent Lending The Bank began acquiring single family, first lien mortgage loans for investment through its Correspondent Lending channel in May 2014. Correspondent Lending generally involves the Bank acquiring, primarily from its Warehouse clients, closed loans that meet the Bank s specifications. Substantially all loans purchased through the Correspondent Lending channel are purchased at a premium. Premiums on loans held for investment acquired though the Correspondent Lending channel are amortized into interest income on the level-yield method over the expected life of the loan. As previously disclosed, loans acquired through the Correspondent Lending channel are generally made to borrowers outside of the Bank s historical market footprint. As of March 31, 2015, 76% of loans originated through the Company s Correspondent Lending channel were secured by single family residences located in the state of California.

The Bank s other banking activities generally consists of the following:

Private Banking The Bank provides financial products and services to high net worth individuals through its Private Banking Department. The Bank s Private Banking officers have extensive banking experience and are trained to meet the unique financial needs of this clientele.

Treasury Management Services The Bank provides various deposit products designed for commercial business clients located throughout its market areas. Lockbox processing, remote deposit capture, business on-line banking, account reconciliation and Automated Clearing House (ACH) processing are additional services offered to commercial businesses through the Bank s Treasury Management Department.

Internet Banking The Bank expands its market penetration and service delivery by offering clients Internet banking services and products through its website, www.republicbank.com.

Other Banking Services The Bank also provides trust, title insurance and other financial institution related products and services.

Bank Acquisitions The Bank maintains an acquisition strategy to selectively grow its franchise as a complement to its internal growth strategies. The Bank s most recent acquisitions occurred during 2012 with the execution of two FDIC-assisted transactions.

See additional detail regarding the Traditional Banking segment under Footnote 13 Segment Information of Part I Item 1 Financial Statements.

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(II) Warehouse Lending segment

The Bank provides short-term, revolving credit facilities to mortgage bankers across the Nation through mortgage warehouse lines of credit. These credit facilities are secured by single family, first lien residential real estate loans. The credit facility enables the mortgage banking clients to close single family, first lien residential real estate loans in their own name and temporarily fund their inventory of these closed loans until the loans are sold to investors approved by the Bank or purchased by the Bank through its Correspondent Lending channel. These individual loans are expected to remain on the warehouse line for an average of 15 to 30 days. Interest income and loan fees are accrued for each individual loan during the time the loan remains on the warehouse line and collected when the loan is sold. The Bank receives the sale proceeds of each loan directly from the investor and applies the funds to pay off the warehouse advance and related accrued interest and fees. The remaining proceeds are credited to the mortgage banking client.

See additional detail regarding the Warehouse Lending segment under Footnote 13 Segment Information of Part I Item 1 Financial Statements.

(III) Mortgage Banking segment

Mortgage Banking activities primarily include 15-, 20- and 30-year fixed-term single family, first lien residential real estate loans that are sold into the secondary market, primarily to the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac). The Bank typically retains servicing on loans sold into the secondary market. Administration of loans with servicing retained by the Bank includes collecting principal and interest payments, escrowing funds for property taxes and property insurance and remitting payments to secondary market investors. A fee is received by the Bank for performing these standard servicing functions.

See additional detail regarding Mortgage Banking under Footnote 7 Mortgage Banking Activities and Footnote 13 Segment Information of Part I Item 1 Financial Statements.

(IV) Republic Processing Group segment

All divisions of the RPG segment operate through the Bank. Nationally, RPG facilitates the receipt and payment of federal and state tax refund products under the TRS division. The RPS division offers general purpose reloadable prepaid debit cards through third party program managers. The RCS division offers short-term consumer credit products.

See additional detail regarding RPG under Footnote 13 Segment Information of Part I Item 1 Financial Statements.

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OVERVIEW

Net income for the first quarter of 2015 was $13.8 million, representing an increase of $1.8 million, or 15%, compared to the same period in 2014. Diluted earnings per Class A Common Share increased to $0.66 for the quarter ended March 31, 2015 compared to $0.58 for the same period in 2014.

Within the Company s Traditional Banking segment, net income for the first quarter of 2015 increased $54,000, or 1%, from the same period in 2014, primarily due to an increase in net interest income, driven by solid loan growth during the previous twelve months.

Net income at the Company s Warehouse segment increased $625,000, or 128%, from the same period in 2014, primarily due to an increase in usage of Warehouse commitments, driven by a decrease in long-term interest rates during the first quarter of 2015.

The Company s Mortgage Banking segment reflected net income of $135,000 for the first quarter of 2015 compared to net loss of $393,000 from the same period in 2014. The improvement was primarily due to higher demand for mortgage products that was primarily driven by a decrease in long-term mortgage rates during the first quarter of 2015.

RPG s first quarter 2015 net income increased $597,000, or 9%, over the same period in 2014. The higher profitability was primarily driven by the TRS division, which experienced a 39% increase in RT volume.

Other general highlights by business segment for the quarter ended March 31, 2015 consisted of the following:

Traditional Banking segment

- Net income increased $54,000, or 1%, for the first quarter of 2015 compared to the same period in 2014.

- Net interest income decreased $196,000, or 1%, for the first quarter of 2015 to $25.8 million. The Traditional Banking segment net interest margin decreased 17 basis points for the quarter ended March 31, 2015 to 3.10%.

- The Traditional Banking Provision was $116,000 for the first quarter of 2015 compared to a net credit of $268,000 for the same period in 2014.

- Total non interest income increased $325,000, or 6%, for the first quarter of 2015 compared to the same period in 2014.

- Total non interest expense decreased $75,000, or less than 1%, during the first quarter of 2015 compared to the first quarter of 2014.

- Total non-performing loans to total loans for the Traditional Banking segment was 0.92% at March 31, 2015, compared to 0.87% at December 31, 2014 and 0.99% at March 31, 2014.

- Delinquent loans to total loans for the Traditional Banking segment was 0.57% at March 31, 2015, compared to 0.58% at December 31, 2014 and 0.59% at March 31, 2014.

- Gross Traditional Bank loans increased by $11 million, or less than 1%, from December 31, 2014 to March 31, 2015.

- Traditional Bank deposits grew by $204 million, or 10%, from December 31, 2014 to March 31, 2015.

Warehouse Lending segment

- Net income increased $625,000, or 128%, for the first quarter of 2015 compared to the same period in 2014.

- Net interest income increased $1.4 million, or 119%, for the first quarter of 2015 compared to the same period in 2014. The Warehouse segment net interest margin decreased 35 basis points from the first quarter of 2014 to 3.62% for the same period in 2015.

- The Warehouse Provision was $259,000 for the first quarter of 2015 compared to $28,000 for the same period in 2014.

- Outstanding balances for Warehouse lines of credit increased by $103 million, or 32%, from December 31, 2014 to March 31, 2015.

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- There were no non-performing loans or delinquent loans associated with the Warehouse segment at March 31, 2015, December 31, 2014 or March 31, 2014.

Mortgage Banking segment

- Within the Mortgage Banking segment, mortgage banking income increased $867,000 during the first quarter of 2015 compared to the same period in 2014.

- Overall, Republic s proceeds from the sale of secondary market loans totaled $41 million during the first quarter of 2015 compared to $16 million during the same period in 2014. Volume during the first quarter of 2015 benefited from a decrease in long-term interest rates during the first quarter of 2015.

Republic Processing Group segment

- Net income increased $597,000, or 9%, for the first quarter of 2015 compared to the same period in 2014.

- While the Bank permanently discontinued the offering of its Refund Anticipation Loan (RAL) product effective April 30, 2012, the Bank still records recoveries on RAL loans charged-off in prior periods. Additionally, RPG provides for losses on short-term consumer loans originated through the RCS division. Overall, RPG recorded a net credit to the Provision of $190,000 during the first quarter of 2015, compared to a net credit of $463,000 for the same period in 2014.

- Non interest income was $16.1 million for the first quarter of 2015 compared to $15.1 million for the same period in 2014.

- Net RT revenue increased $947,000, or 7%, during the first quarter of 2015 compared to the first quarter of 2014. Total RTs processed during the first quarter 2015 tax season by the TRS division increased by 39% from the first quarter 2014 tax season, driven by growth in retail store-front product demand resulting from an increase in the number of tax preparation offices served through existing contracts and new contracts between the Company and third party tax preparation companies.

- Non interest expenses were $5.8 million for the first quarter of 2015 compared to $5.1 million for the same period in 2014.

RESULTS OF OPERATIONS

Net Interest Income

Banking operations are significantly dependent upon net interest income. Net interest income is the difference between interest income on interest-earning assets, such as loans and investment securities and the interest expense on interest-bearing liabilities used to fund those assets, such as interest-bearing deposits, securities sold under agreements to repurchase and Federal Home Loan Bank (FHLB) advances. Net interest income is impacted by both changes in the amount and composition of interest-earning assets and interest-bearing liabilities, as well as market interest rates.

Total Company net interest income increased $1.7 million, or 6%, during the first quarter of 2015 compared to the same period in 2014. The total Company net interest margin decreased from 3.24% during the first quarter of 2014 to 3.14% for the same period in 2015. The primary driver of the increase in total Company net interest income was growth in the Company s average loans over the past twelve months, which increased $465 million, or 18%, over this time period. The benefit from loan growth was partially offset by a continuing general decline in the Company s interest-earning asset yields without a similar offsetting decline in funding costs, along with a decrease in accretion income associated with the Bank s 2012 FDIC-assisted transactions.

For the first quarters of 2015 and 2014, the significant majority of net interest income for the total Company was attributable to the Traditional Banking and Warehouse segments. The most significant components affecting the total Company s net interest income by business segment were as follow:

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Traditional Banking segment

Net interest income within the Traditional Banking segment decreased $196,000, or 1%, for the quarter ended March 31, 2015 compared to the same period in 2014. The Traditional Banking net interest margin decreased 17 basis points from the same period in 2014 to 3.10%. The decrease in the Traditional Bank s net interest income and net interest margin during the first quarter of 2015 was primarily attributable to the following factors:

- Traditional Bank loans, excluding loans acquired through the Company s 2012 FDIC-assisted transactions, experienced yield compression of 22 basis points from the first quarter of 2014 to the same period in 2015. Average loans outstanding, excluding loans from the 2012 FDIC-assisted transactions, were $2.37 billion with a weighted average yield of 4.32% during the first quarter of 2014 compared to $2.69 billion with a weighted average yield of 4.10% during the first quarter of 2015. The overall effect of these changes in rate and volume was an increase of $2.1 million in interest income. Growth over the previous twelve months was driven significantly by the Bank s Correspondent Lending origination channel, which first began acquiring loans in May 2014.

- Net interest income related to loans from the Company s 2012 FDIC-assisted transactions was lower due to diminishing benefits from discount accretion on these loans. Altogether, this discount accretion totaled $141,000 for the first quarter of 2015 compared to $2.1 million for the first quarter of 2014, contributing 2 and 25 basis points, respectively, to the net interest margin for these periods. Management projects accretion of loan discounts related to the 2012 FDIC-assisted transactions to be approximately $1.0 million for the remainder of 2015. The accretion estimate for the remainder of 2015 could be positively impacted by positive workout arrangements in which the Bank receives loan payoffs for amounts greater than the loans respective carrying values.

- Traditional Bank taxable investment securities experienced yield compression of 12 basis points from the first quarter of 2014 compared to the same period in 2015. Average taxable investment securities outstanding were $500 million with a weighted average yield of 1.70% during 2014 compared to $525 million with a weighted average yield of 1.58% during 2015. The overall effect of these changes in rate and volume was a decrease of $53,000 in interest income.

The downward repricing of interest-earning assets is expected to continue to cause compression in Republic s net interest income and net interest margin in the near future. Because the Federal Funds Target Rate (FFTR), the index which many of the Bank s short-term deposit rates track, has remained at a target range between 0.00% and 0.25%, no future FFTR decreases from the Federal Open Market Committee of the Federal Reserve Bank (FRB) are possible, exacerbating the compression to the Bank s net interest income and net interest-bearing margin caused by its repricing loans and investments. The Bank is unable to precisely determine its net interest income and net interest margin in the future because several factors remain unknown, including, but not limited to, the future demand for the Bank s financial products and its overall future liquidity needs, among many other factors.

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Warehouse Lending segment

Net interest income within the Warehouse Lending segment increased $1.4 million, or 119%, from the first quarter of 2014 compared to the same period in 2015, despite a decline in net interest margin of 35 basis points. The increase in net interest income was primarily attributable to growth in Warehouse commitments and increased usage.

Total Warehouse line commitments increased from $336 million at March 31, 2014 to $563 million at March 31, 2015. Average line usage rates of such commitments increased to 50% during the first quarter of 2015 compared to 34% during the first quarter of 2014. Usage rates for the first quarter of 2015 benefitted from favorably low, long-term mortgage rates during the period.

Driven by the aforementioned increase in outstanding commitments and usage rates, average outstanding Warehouse lines of credit during the first quarter of 2015 increased $164 million compared to the same period in 2014. Average outstanding warehouse lines were $281 million during the first quarter of 2015 with a weighted average yield of 3.85%, compared to average outstanding lines of $117 million with a weighted average yield of 4.20% for the same period in 2014.

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Table 1 Total Company Average Balance Sheets and Interest Rates for the Three Months Ended March 31, 2015 and 2014

(dollars in thousands)	Three Months Ended March 31, 2015 Average Balance	Interest	Average Rate	Three Months Ended March 31, 2014 Average Balance	Interest	Average Rate
ASSETS						
Interest-earning assets:						
Taxable investment securities, including FHLB stock(1)	$ 524,883	$ 2,070	1.58%	$ 499,698	$ 2,123	1.70%
Federal funds sold and other interest-earning deposits	142,172	100	0.28%	306,535	212	0.28%
RPG loans and fees(2)(3)	14,758	609	16.51%	12,228	66	2.16%
Outstanding Warehouse lines of credit and fees(2)(3)	281,005	2,705	3.85%	116,607	1,224	4.20%
Other loans and fees(2)(3)	2,733,304	28,277	4.14%	2,435,353	28,872	4.74%
Total interest-earning assets	3,696,122	33,761	3.65%	3,370,421	32,497	3.86%
Allowance for loan and lease losses	(24,542)			(22,947)		
Non interest-earning assets:						
Non interest-earning cash and cash equivalents	131,122			116,612		
Premises and equipment, net	33,938			33,032		
Bank owned life insurance	51,576			25,243		
Other assets(1)	56,311			48,700		
Total assets	$ 3,944,527			$ 3,571,061		
LIABILITIES AND STOCK-HOLDERS EQUITY						
Interest-bearing liabilities:						
Transaction accounts	$ 791,336	$ 125	0.06%	$ 725,719	$ 118	0.07%
Money market accounts	476,258	180	0.15%	486,141	192	0.16%
Time deposits	194,543	425	0.87%	177,557	272	0.61%
Brokered money market and brokered certificates of deposit	173,842	414	0.95%	115,403	396	1.37%
Total interest-bearing deposits	1,635,979	1,144	0.28%	1,504,820	978	0.26%
Securities sold under agreements to repurchase and other short-term borrowings	391,421	38	0.04%	223,079	22	0.04%
Federal Home Loan Bank advances	567,934	2,928	2.06%	595,061	3,564	2.40%
Subordinated note	41,240	629	6.10%	41,240	629	6.10%
Total interest-bearing liabilities	2,636,574	4,739	0.72%	2,364,200	5,193	0.88%
Non interest-bearing liabilities and Stockholders equity:						
Non interest-bearing deposits	719,581			639,785		
Other liabilities	20,873			15,167		
Stockholders equity	567,499			551,909		

Total liabilities and stock-holders equity	$ 3,944,527		$ 3,571,061	
Net interest income		$ 29,022		$ 27,304
Net interest spread		2.93%		2.98%
Net interest margin		3.14%		3.24%

(1) For the purpose of this calculation, the fair market value adjustment on investment securities resulting from FASB ASC Topic 320, Investments Debt and Equity Securities, is included as a component of other assets.

(2) The total amount of loan fee income included in total interest income was $1.8 million and $3.1 million for the three months ended March 31, 2015 and 2014.

(3) Average balances for loans include the principal balance of non-accrual loans, loans held for sale, loan premiums, discounts and unamortized loan origination fees and costs.

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Table 2 illustrates the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities impacted Republic s interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior rate), (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume) and (iii) net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

Table 2 Total Company Volume/Rate Variance Analysis for the Three Months Ended March 31, 2015 and 2014

(in thousands)	Total Net Change	Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014 Increase / (Decrease) Due to Volume	Rate
Interest income:			
Taxable investment securities, including FHLB stock	$ (53)	$ 104	$ (157)
Federal funds sold and other interest-earning deposits	(112)	(116)	4
RPG loans and fees	543	16	527
Outstanding Warehouse lines of credit and fees	1,481	1,591	(110)
Other loans and fees	(595)	3,312	(3,907)
Net change in interest income	1,264	4,907	(3,643)
Interest expense:			
Transaction accounts	7	11	(4)
Money market accounts	(12)	(4)	(8)
Time deposits	153	28	125
Brokered money market and brokered certificates of deposit	18	162	(144)
Securities sold under agreements to repurchase and other short-term borrowings	16	16	
Federal Home Loan Bank advances	(636)	(157)	(479)
Subordinated note			
Net change in interest expense	(454)	56	(510)
Net change in net interest income	$ 1,718	$ 4,851	$ (3,133)

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Provision for Loan and Lease Losses

The Company recorded a net Provision of $185,000 for the first quarter 2015, compared to a net credit Provision of $703,000 for the same period in 2014. The significant components comprising the Company s Provision by business segment were as follows:

Traditional Banking segment

The Traditional Banking Provision during the first quarter of 2015 was $116,000, compared to a $268,000 net credit recorded during the first quarter of 2014. The additional Provision from the first quarter of 2014 to 2015 was primarily due to the following:

- The Bank posted an increase of $363,000 in allocations associated with Pass rated and non-rated loans during the first quarter of 2015 compared to a net credit of $403,000 for such loans during the same period in 2014. The additional Provision during 2015 was generally associated with an increase in CRE and residential real estate loans during the period. The net credit during 2014 was generally associated with decreases in CRE loan balances during the period.

- The Bank posted net increases of $337,000 and $89,000 in Provision associated with loans rated Substandard for the first quarters of 2015 and 2014. During the first quarters of 2015 and 2014, the Bank had no significant impairment charges for individually evaluated Substandard relationships.

- The Bank posted net credits of $198,000 and $85,000 in Provision associated with loans rated Special Mention for the first quarters of 2015 and 2014. During the first quarters of 2015 and 2014, the Bank had no significant impairment charges for individually evaluated Special Mention relationships.

- The Bank posted net credits of $257,000 and $285,000 to the Traditional Bank s Provision during the first quarters of 2015 and 2014 primarily attributable to the generally positive dispositions of several purchased credit impaired (PCI) loans from its 2012 FDIC-assisted transactions, which led to a recovery of previously required loss reserves for these loans.

- The Bank posted a net credit of $129,000 to the Provision associated with small dollar non-performing loan portfolios evaluated as a pool during the first quarter of 2015 compared to an increase to the Provision of $416,000 for the same period in 2014. The changes during 2015 and 2014 were primarily driven by the Bank s updated loss migration analysis for these loan pools.

As a percentage of total loans, the Traditional Banking Allowance decreased to 0.86% at March 31, 2015 compared to 0.87% at December 31, 2014 and 0.87% at March 31, 2014. The Company believes, based on information presently available, that it has adequately provided for loans

and leases at March 31, 2015.

See the sections titled Allowance for Loan and Lease Losses and Asset Quality in this section of the filing under Comparison of Financial Condition for additional discussion regarding the Provision and the Bank s credit quality.

Warehouse Lending segment

The Warehouse Provision was $259,000 for the first quarter of 2015, a $231,000 increase from a $28,000 Provision recorded during the same period in 2014. The increased Provision was due to $104 million of growth in the Warehouse portfolio during the first quarter of 2015 compared to a $13 million decrease in the portfolio for the same period in 2014. The Warehouse segment has incurred no loan losses in its approximate four year history, with all loan loss reserves currently applied to the portfolio being qualitative in nature.

As a percentage of total Warehouse outstanding balances, the Warehouse Allowance was 0.25% at March 31, 2015 and December 31, 2014, compared to 0.35% at March 31, 2014. The Company believes, based on information presently available, that it has adequately provided for Warehouse loan losses at March 31, 2015.

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Republic Processing Group segment

As previously reported, the Company through the TRS division of RPG ceased offering the RAL product effective April 30, 2012. During the first quarters of 2015 and 2014, the Bank recorded recoveries of $195,000 and $463,000 to the RPG Provision for the collection of prior period RAL charge-offs. Additionally, the Bank recorded a charge of $5,000 to the Provision during the first quarter of 2015 associated with growth in short-term consumer loans originated by the RCS division. No such expense was recorded during the first quarter of 2014.

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An analysis of changes in the Allowance and selected credit quality ratios follows:

Table 3 Summary of Loan and Lease Loss Experience for the Three Months Ended March 31, 2015 and 2014

(dollars in thousands)	Three Months Ended March 31, 2015	2014
Allowance at beginning of period	$ 24,410	$ 23,026
Charge offs:		
Residential real estate		
Owner occupied	(136)	(217)
Owner occupied - correspondent		NA
Non owner occupied		(15)
Commercial real estate	(7)	(372)
Commercial real estate - purchased whole loans		
Construction & land development		(17)
Commercial & industrial	(29)	
Lease financing receivables		NA
Warehouse lines of credit		
Home equity	(51)	(66)
Consumer:		
Refund Anticipation Loans		
Other RPG loans	(5)	
Credit cards	(40)	(5)
Overdrafts	(146)	(151)
Purchased whole loans	(12)	NA
Other consumer	(71)	(69)
Total charge offs	(497)	(912)
Recoveries:		
Residential real estate		
Owner occupied	60	34
Owner occupied - correspondent		NA
Non owner occupied	3	6
Commercial real estate	9	142
Commercial real estate - purchased whole loans		
Construction & land development		1
Commercial & industrial	29	48
Lease financing receivables		NA
Warehouse lines of credit		
Home equity	37	41
Consumer:		
Refund Anticipation Loans	195	463
Other RPG loans		
Credit cards	13	10
Overdrafts	88	117
Purchased whole loans		NA
Other consumer	99	94
Total recoveries	533	956

Net loan charge offs		36		44
Provision - Core Banking		375		(240)
Provision - RPG		(190)		(463)
Total Provision		185		(703)
Allowance at end of period	$	24,631	$	22,367
Credit Quality Ratios:				
Allowance to total loans		0.78%		0.87%
Allowance for to non-performing loans		99%		93%
Annualized net loan charge offs (recoveries) to average loans		0.00%		-0.01%

NA - not applicable

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Non interest income (Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014)

Non interest income increased $2.3 million, or 11%, for the first quarter of 2015 compared to the same period in 2014. The most significant components comprising the total Company s change in non interest income by business segment were as follows:

Traditional Banking segment

Traditional Banking segment non interest income increased $325,000, or 6%, for the first quarter of 2015 compared to the same period in 2014. The most significant categories affecting the change in noninterest income for the quarter were as follows:

Service charges on deposit accounts decreased from $3.3 million for the first quarter of 2014 to $3.0 million for the first quarter of 2015. The Bank earns a substantial majority of its fee income related to its overdraft service program from the per item fee it assesses its customers for each insufficient funds check or electronic debit presented for payment. The total per item fees, net of refunds, included in service charges on deposits for the quarter ended March 31, 2015 and 2014 were $1.7 million and $1.8 million for the quarters ended March 31, 2015 and 2014. The total daily overdraft charges, net of refunds, included in interest income for the quarters ended March 31, 2015 and 2014 were $377,000 and $371,000.

Net losses on OREO fluctuated from a net loss of $482,000 during the first quarter of 2014 to a net loss of $119,000 for the same period in 2015. The net losses during the first quarters of 2015 and 2014 were primarily driven by mark-to-market writedowns of OREO properties.

The Bank recorded increases of $349,000 and $191,000 to the cash surrender value of its Bank Owned Life Insurance (BOLI) during the first quarters of 2015 and 2014. The increase of $158,000 from the first quarter of 2014 to the same period in 2015 was driven by additional BOLI investments of $5 million and $20 million on March 31, 2014 and April 1, 2014, respectively. BOLI offers tax-advantaged non interest income to assist the Bank in covering employee-related expenses.

Mortgage Banking segment

Within the Mortgage Banking segment, mortgage banking income increased $867,000, or 178%, during the first quarter of 2015 compared to the same period in 2014. Overall, Republic s proceeds from the sale of secondary market loans totaled $41 million during the first quarter of 2015 compared to $16 million during the same period in 2014. Volume during the first quarter of 2015 benefited from a decrease in long-term interest rates during the first quarter of 2015.

Republic Processing Group segment

The TRS division of RPG accounts for the majority of RPG s annualized revenues. TRS derives substantially all of its revenues during the first and second quarters of the year and historically operates at a net loss during the second half of the year, as the Company prepares for the next tax season.

RPG s first quarter 2015 non interest income increased $1.1 million, or 7%, to $16.1 million for the first quarter of 2015 compared to $15.1 million for the same period in 2014. The higher profitability was primarily driven by higher RT product volume, as RT volume increased 39% over the first quarter of 2014. This higher RT volume was driven by growth in retail store-front product demand resulting from an increase in the number of tax preparation offices served through existing contracts and new contracts between the Company and third party tax preparation companies.

The higher RT volume helped to offset the impact of a lower profit margin the Company earned on its RT product during the quarter due to less favorable pricing the Company is receiving on some of its newer contracts. Driving the overall decline in profit margin for Republic s RT product from its new contracts was stiff competition in the marketplace. In addition, as discussed in previous SEC filings, also driving a decline in RT profit margin was a shift in program management responsibilities, along with the corresponding revenue of those responsibilities, away from Republic over to some of its third party partners in the business.

Management is not currently aware of any drivers in the near term which might reverse the trend of a declining RT profit margin. As a result, management believes the Company s ability to increase net income in the future within the TRS division of RPG will be highly dependent upon its ability to grow volume in order to offset the negative trend of a declining profit margin on the RT product.

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Non interest expenses

Total Company non interest expenses increased $875,000, or 3%, during the first quarter of 2015 compared to the same period in 2014. The most significant components comprising the change in non interest expense by business segment were as follows:

Traditional Banking segment

For the first quarter of 2015 compared to the same period in 2014, Traditional Banking non interest expenses decreased $75,000, or less than 1%.

Salaries and benefits decreased $277,000, or less than 1%, for the first quarter of 2015 compared to the same period in 2014 as an increase in salaries resulting from year-end raises and an increase in first quarter staffing was outweighed by a reduction in staffing costs resulting from the Company s closure of five banking centers over the past fifteen months.

Occupancy expense decreased $402,000, or 8%, during the first quarter of 2015, due primarily to the aforementioned closure of five banking centers over the past fifteen months and a reduction in overhead costs associated with the Company s new telecommunications system that was implemented during the fourth quarter of 2014.

Warehouse Lending segment

For the first quarter of 2015 compared to the same period in 2014, Warehouse non interest expenses increased $193,000, or 51%. The increase was primarily related to salaries and employee benefits expense, driven primarily by additional staffing over the previous twelve months.

Republic Processing Group segment

For the first quarter of 2015 compared to the same period in 2014, RPG non interest expenses increased $682,000, or 13%.

Salaries and employee benefits increased $711,000, or 48%, primarily due to increased incentive compensation estimates for 2015 compared to 2014.

Occupancy expenses decreased $272,000, or 44%, for the first quarter of 2015 compared to the first quarter of 2014, primarily due to acceleration of depreciable lives on defunct assets during the first quarter of 2014.

Legal and professional fees increased $359,000, or 143%, primarily related to increased usage of outside legal counsel for contract review and program design of new RPG prepaid card and small dollar credit programs slated to commence later in 2015.

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COMPARISON OF FINANCIAL CONDITION AT MARCH 31, 2015 AND DECEMBER 31, 2014

Cash and Cash Equivalents

Cash and cash equivalents include cash, deposits with other financial institutions with original maturities less than 90 days and federal funds sold. Republic had $136 million in cash and cash equivalents at March 31, 2015 compared to $73 million at December 31, 2014. The increase in cash was associated with short-term deposits associated with the TRS division of the RPG segment.

For cash held at the FRB, the Bank earns a yield of 0.25% on amounts in excess of required reserves. For all other cash held within the Bank s banking center and ATM networks, the Bank does not earn interest. Due to ongoing contraction within the Bank s net interest margin, management s general near-term strategy is to keep minimal amounts of cash on its balance sheet; however, this strategy continues to be impacted by the Bank s ongoing interest rate risk management practices and strategies.

The Company s Captive maintains cash reserves to cover insurable claims. Captive cash reserves totaled $1 million at both March 31, 2015 and December 31, 2014.

Securities Available for Sale

Securities available for sale primarily consists of U.S. Treasury securities and U.S. Government agency obligations, including agency mortgage backed securities (MBSs) and agency collateralized mortgage obligations (CMOs). The agency MBSs primarily consist of hybrid mortgage investment securities, as well as other adjustable rate mortgage investment securities, underwritten and guaranteed by Ginnie Mae (GNMA), Freddie Mac (FHLMC) and Fannie Mae (FNMA). Agency CMOs held in the investment portfolio are substantially all floating rate securities that adjust monthly. The Bank uses a portion of the investment securities portfolio as collateral to Bank clients for securities sold under agreements to repurchase (repurchase agreements). The remaining eligible securities that are not pledged to secure client repurchase agreements may be pledged to the FHLB as collateral for the Bank s borrowing line. Strategies for the investment securities portfolio are influenced by economic and market conditions, loan demand, deposit mix and liquidity needs.

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Loan Portfolio

The composition of the loan portfolio follows:

Table 4 Loan Portfolio Composition as of March 31, 2015 and December 31, 2014

(in thousands)	March 31, 2015	December 31, 2014
Residential real estate:		
Owner occupied	$ 1,096,008	$ 1,118,341
Owner occupied - correspondent*	231,451	226,628
Non owner occupied	98,476	96,492
Commercial real estate	778,179	772,309
Commercial real estate - purchased whole loans*	35,086	34,898
Construction & land development	40,104	38,480
Commercial & industrial	172,017	157,339
Lease financing receivables	4,004	2,530
Warehouse lines of credit	423,155	319,431
Home equity	248,830	245,679
Consumer:		
RPG loans	4,109	4,095
Credit cards	9,946	9,573
Overdrafts	777	1,180
Purchased whole loans*	4,321	4,626
Other consumer	8,973	8,894
Total loans**	3,155,436	3,040,495
Allowance for loan and lease losses	(24,631)	(24,410)
Total loans, net	$ 3,130,805	$ 3,016,085

** - Identifies loans to borrowers located primarily outside of the Bank s historical market footprint.*

*** - Total loans are presented inclusive of premiums, discounts and net loan origination fees and costs.*

Gross loans increased by $115 million, or 4%, during the first quarter of 2015 to $3.2 billion at March 31, 2015.

Following are the more significant factors contributing to fluctuations in the Bank s loan portfolio:

Warehouse Lines of Credit

Mortgage warehouse lines of credit provide short-term, revolving credit facilities to mortgage bankers across the Nation. These credit facilities are secured by single family, first lien residential real estate loans. The credit facility enables mortgage banking clients to originate single family, first lien residential real estate loans in their own names and temporarily fund their inventory of these originated loans until the loans are sold to investors approved by the Bank. The individual loans are expected to remain on the Bank s warehouse line for an average of 15 to 30 days. Interest income and loan fees are accrued for each individual loan during the time the loan remains on the Bank s warehouse line and are collected when the loan is sold to the secondary market investor. The Bank receives the sale proceeds of each loan directly from the investor and applies the funds to pay off the warehouse advance and related accrued interest and fees. The remaining proceeds are credited to the mortgage banking client. Outstanding balances on these credit facilities may be subject to significant fluctuations consistent with the overall market demand for mortgage loans.

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As of March 31, 2015, the Bank had $423 million outstanding on total committed Warehouse credit lines of $563 million. As of December 31, 2014, the Bank had $319 million outstanding on total committed Warehouse credit lines of $527 million. The $104 million increase in outstanding balances was due primarily to the increase in overall usage of the Bank s Warehouse lines during the first quarter of 2015. The average Warehouse line commitment was approximately $28 million and $25 million at March 31, 2015 and December 31, 2014. The average Warehouse line usage increased to 50% during the first quarter of 2015 compared to 34% for the same period in 2014. The increased usage during the first quarter of 2015 was primarily driven by an increase in home loan refinance activity across the nation as long-term mortgage rates reached multi-year lows during the first quarter of 2015.

The Bank s Warehouse Lending business is significantly influenced by the overall residential mortgage market and the volume and composition of residential mortgage purchase and refinance transactions among the Bank s mortgage banking clients. For the first quarter of 2015, the Bank s Warehouse volume consisted of 49% purchase transactions, in which the mortgage company s borrower was purchasing a new residence, and 51% refinance transactions, in which the mortgage company s client was refinancing an existing mortgage loan. For the first quarter of 2014, Warehouse volume consisted of 68% purchase and 32% refinance transactions. Purchase volume is driven by a number of factors, including but not limited to, the overall economy, the housing market, and long-term residential mortgage interest rates, while refinance volume is primarily driven by long-term residential mortgage interest rates.

The growth of the Bank s Warehouse Lending business greatly depends on the overall mortgage market and typically follows industry trends. Since its entrance into this business segment during 2011, the Bank has historically experienced volatility in the Warehouse portfolio consistent with overall demand for mortgage products. Due to the volatility and seasonality of the mortgage market, it is difficult to project growth levels of outstanding Warehouse lines of credit.

Allowance for Loan and Lease Losses (Allowance)

The Bank maintains an Allowance for probable incurred credit losses inherent in the Bank s loan portfolio, which includes overdrawn deposit accounts. Management evaluates the adequacy of the Allowance on a monthly basis and presents and discusses the analysis with the Audit Committee and the Board of Directors on a quarterly basis.

The Allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component is based on historical loss experience adjusted for qualitative factors.

U.S. Generally Accepted Accounting Principles (GAAP) recognizes three methods to measure specific loan impairment, including:

- **Cash Flow Method** The recorded investment in the loan is measured against the present value of expected future cash flows discounted at the effective interest rate. The Bank employs this method for a significant portion of its impaired TDRs. Impairment amounts under this method are reflected in the Bank s Allowance as specific reserves on the respective impaired loan. These specific reserves are adjusted quarterly based upon reevaluation of the expected future cash flows and changes in the recorded investment.

- **Collateral Method** The recorded investment in the loan is measured against the fair value of the collateral value less applicable selling costs. The Bank employs the fair value of collateral method for its impaired loans when repayment is based solely on the sale of or the operations of the underlying collateral. Collateral fair value is typically based on the most recent real estate appraisal on file. Measured impairment under this method is classified loss and charged off. The Bank s selling costs for its collateral dependent loans typically range from 10-13% of the fair value of the underlying collateral, depending on the asset class. Selling costs are not applicable for collateral dependent loans whose repayment is based solely on the operations of the underlying collateral.

- **Market Value Method** The recorded investment in the loan is measured against the loan s obtainable market value. The Bank does not currently employ this technique, as it is typically found impractical.

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In addition to obtaining appraisals at the time of origination, the Bank typically updates appraisals and/or broker price opinions for loans with potential impairment. Updated valuations for commercial related credits exhibiting an increased risk of loss are typically obtained within one year of the previous appraisal. Collateral values for past due residential mortgage loans and home equity loans are generally updated prior to a loan becoming 90 days delinquent, but no more than 180 days past due. When measuring impairment, to the extent updated collateral values cannot be obtained due to the lack of recent comparable sales or for other reasons, the Bank discounts the valuation of the collateral primarily based on the age of the appraisal and the real estate market conditions of the location of the underlying collateral.

The general component of the Allowance covers loans collectively evaluated for impairment and is based on historical loss experience, with potential adjustments for current relevant qualitative factors. The historical loss experience is determined by loan performance and class and is based on the actual loss history experienced by the Bank. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are included in the general component unless the loans are classified as TDRs.

In determining the historical loss rates for each respective loan class, management evaluates the following historical loss rate scenarios:

- Rolling four quarter average
- Rolling eight quarter average
- Rolling twelve quarter average
- Rolling sixteen quarter average
- Rolling twenty quarter average
- Rolling twenty-four quarter average
- Rolling twenty-eight quarter average
- Current year to date historical loss factor average
- Peer group loss factors

For the Bank s current Allowance methodology, in order to take account of periods of economic growth and economic downturn, management currently uses the highest of the rolling eight, twelve, sixteen, twenty, twenty-four, or twenty-eight quarter averages for each loan class when determining its historical loss factors for its Pass rated and nonrated credits.

Loan classes are also evaluated utilizing subjective factors in addition to the historical loss calculations to determine a loss allocation for each of those classes.

As this analysis, or any similar analysis, is an imprecise measure of loss, the Allowance is subject to ongoing adjustments. Therefore, management will often take into account other significant factors that may be necessary or prudent in order to reflect probable incurred losses in the total loan portfolio.

The Bank s Allowance increased $221,000, or 1%, during the first quarter of 2015 to $25 million at March 31, 2015. As a percent of total loans, the Allowance decreased to 0.78% at March 31, 2015 compared to 0.80% at December 31, 2014.

Notable fluctuations in the Allowance were as follows:

- The Bank increased its Allowance for loans collectively evaluated for impairment by a net $649,000 during the first quarter of 2015 consistent with the $118 million increase in this portfolio from December 31, 2014 to March 31, 2015.

- The Bank decreased its PCI rated loan Allowance by a net $12,000 during 2014 consistent with the $431,000 decrease in this portfolio from December 31, 2014 to March 31, 2015.

- The Bank decreased its Allowance for non-PCI loans individually evaluated for impairment by a net $416,000 during the first quarter of 2015 consistent with the $2 million decrease in this portfolio from December 31, 2014 to March 31, 2015.

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Asset Quality

Classified and Special Mention Loans

The Bank applies credit quality indicators, or ratings, to individual loans based on internal Bank policies. Such internal policies are informed by regulatory standards. Loans rated Loss, Doubtful, Substandard and PCI-Substandard (PCI-Sub) are considered Classified. Loans rated Special Mention or PCI Group 1 (PCI-1) are considered Special Mention. The Bank s Classified and Special Mention loans decreased $3 million during the first quarter of 2015 primarily due to payoffs and paydowns of loans rated Substandard.

The composition of loans classified within the Allowance follows:

Table 5 Classified and Special Mention Loans as of March 31, 2015 and December 31, 2014

(in thousands)	March 31, 2015	December 31, 2014
Loss	$	$
Doubtful		
Substandard	36,473	39,999
Purchased Credit Impaired - Substandard		
Total Classified Loans	36,473	39,999
Special Mention	36,851	36,268
Purchased Credit Impaired - Group 1	17,059	17,490
Total Special Mention Loans	53,910	53,758
Total Classified and Special Mention Loans	$ 90,383	$ 93,757

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Non-performing Loans

Non-performing loans include loans on non-accrual status and loans past due 90-days-or-more and still accruing. Impaired loans that are not placed on non-accrual status are not included as non-performing loans. The non-performing loan category includes impaired loans totaling approximately $25 million at March 31, 2015, with approximately $15 million of these loans also reported as TDRs. The non-performing loan category includes impaired loans totaling approximately $24 million at December 31, 2014, with approximately $14 million of these loans also reported as TDRs.

Non-performing loans to total loans increased to 0.79% at March 31, 2015, from 0.78% at December 31, 2014, as the total balance of non-performing loans increased by $1 million during the three months ended March 31, 2015.

The following table details the Bank s non-performing loans and non-performing assets and select credit quality ratios:

Table 6 Non-performing Loans and Non-performing Assets Summary as of March 31, 2015 and December 31, 2014

(dollars in thousands)	March 31, 2015	December 31, 2014
Loans on non-accrual status(1)	$ 24,423	$ 23,337
Loans past due 90-days-or-more and still on accrual(2)	572	322
Total non-performing loans	24,995	23,659
Other real estate owned	6,736	11,243
Total non-performing assets	$ 31,731	$ 34,902
Credit Quality Ratios:		
Non-performing loans to total loans	0.79%	0.78%
Non-performing assets to total loans (including OREO)	1.00%	1.14%
Non-performing assets to total assets	0.80%	0.93%

(1) Loans on non-accrual status include impaired loans. See Footnote 3 Loans and Allowance for Loan and Lease Losses of Part I Item 1 Financial Statements for additional discussion regarding impaired loans.

(2) All loans past due 90 days-or-more and still accruing are PCI loans accounted for under ASC 310-30.

Approximately $15 million, or 60%, of the Bank s total non-performing loans at March 31, 2015 was concentrated in the residential real estate category, with the underlying collateral predominantly located in the Bank s primary market area of Kentucky. The Bank s non-performing residential real estate concentration was $14 million, or 57%, as of December 31, 2014.

Approximately $8 million, or 32%, of the Bank s total non-performing loans was concentrated in the CRE and construction and land development portfolios as of March 31, 2015, approximately equivalent to the $8 million, or 34%, at December 31, 2014. While CRE is the primarily collateral for such loans, the Bank also obtained in many cases, at the time of origination, personal guarantees from the principal borrowers and secured liens on the guarantors primary residences.

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The composition of the Bank s non-performing loans follows:

Table 7 Non-performing Loan Composition as of March 31, 2015 and December 31, 2014

(in thousands)	March 31, 2015	December 31, 2014
Residential real estate		
Owner occupied	$ 13,033	$ 11,225
Owner occupied - correspondent		
Non owner occupied	1,857	2,352
Commercial real estate	5,952	6,151
Commercial real estate - purchased whole loans		
Construction & land development	1,990	1,990
Commercial & industrial		169
Lease financing receivables		
Warehouse lines of credit		
Home equity	2,077	1,678
Consumer:		
RPG loans		
Credit cards		
Overdrafts		
Purchased whole loans		
Other consumer	86	94
Total non-performing loans	$ 24,995	$ 23,659

Table 8 Non-performing Loans to Total Loans by Loan Type as of March 31, 2015 and December 31, 2014

	March 31, 2015	December 31, 2014
Residential real estate		
Owner occupied	1.19%	1.00%
Owner occupied - correspondent	0.00%	0.00%
Non owner occupied	1.89%	2.44%
Commercial real estate	0.76%	0.80%
Commercial real estate - purchased whole loans	0.00%	0.00%
Construction & land development	4.96%	5.17%
Commercial & industrial	0.00%	0.11%
Lease financing receivables	0.00%	0.00%
Warehouse lines of credit	0.00%	0.00%
Home equity	0.83%	0.68%
Consumer:		
RPG loans	0.00%	0.00%
Credit cards	0.00%	0.00%
Overdrafts	0.00%	0.00%
Purchased whole loans	0.00%	0.00%
Other consumer	0.96%	1.06%

Total non-performing loans	0.79%	0.78%

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The composition of the Bank s non-performing loans stratified by the number of loans within a specific balance range follows:

Table 9 Stratification of Non-performing Loans as of March 31, 2015 and December 31, 2014

March 31, 2015 (dollars in thousands)	Number of Non-performing Loans and Recorded Investment Balance							
	No.	Balance <= $100	No.	Balance > $100 <= $500	No.	Balance > $500	No.	Total Balance
Residential real estate:								
Owner occupied	129	$ 6,481	35	$ 5,925	1	$ 627	165	$ 13,033
Owner occupied - correspondent								
Non owner occupied	7	271	3	577	2	1,009	12	1,857
Commercial real estate	3	111	7	1,756	4	4,085	14	5,952
Commercial real estate - purchased whole loans								
Construction & land development			1	490	1	1,500	2	1,990
Commercial & industrial								
Lease financing receivables								
Warehouse lines of credit								
Home equity	32	650	6	1,427			38	2,077
Consumer:								
RPG loans								
Credit cards								
Overdrafts								
Purchased whole loans								
Other consumer	20	86					20	86
Total	191	$ 7,599	52	$ 10,175	8	$ 7,221	251	$ 24,995

December 31, 2014 (dollars in thousands)	Number of Non-performing Loans and Recorded Investment Balance							
	No.	Balance <= $100	No.	Balance > $100 <= $500	No.	Balance > $500	No.	Total Balance
Residential real estate:								
Owner occupied	117	$ 5,799	32	$ 5,426		$	149	$ 11,225
Owner occupied - correspondent								
Non owner occupied	10	405	3	393	2	1,554	15	2,352
Commercial real estate	3	124	8	1,903	4	4,124	15	6,151
Commercial real estate - purchased whole loans								
Construction & land development			1	490	1	1,500	2	1,990
Commercial & industrial			1	169			1	169
Lease financing receivables								
Warehouse lines of credit								
Home equity	27	572	5	1,106			32	1,678
Consumer:								
RPG loans								
Credit cards								
Overdrafts								

Purchased whole loans												
Other consumer	20		94						20		94	
Total	177	$	6,994	50	$	9,487	7	$	7,178	234	$	23,659

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Approximately $1 million in non-performing loans at December 31, 2014, were removed from the non-performing loan classification during the first quarter 2015. Approximately $43,000, or 4%, of these loans were removed from the non-performing category because they were charged-off. Approximately $305,000, or 25%, in loan balances were transferred to OREO with $732,000, or 60%, refinanced at other financial institutions. The remaining $132,000, or 11%, was returned to accrual status for performance reasons, such as six consecutive months of performance.

Based on the Bank s review of the large individual non-performing commercial credits, as well as its migration analysis for its residential real estate and home equity non-performing portfolio, management believes that its reserves as of March 31, 2015, are adequate to absorb probable losses on all non-performing loans.

The following tables detail the activity of the Bank s non-performing loans:

Table 10 Rollforward of Non-performing Loan Activity for the Three Months Ended March 31, 2015 and 2014

	Three Months Ended March 31,	
(in thousands)	**2015**	**2014**
Non-performing loans, beginning of period	$ 23,659	$ 21,078
Loans added to non-performing status	2,940	6,549
Loans removed from non-performing status *(see table below)*	(1,212)	(3,319)
Principal paydowns	(392)	(269)
Non-performing loans, end of period	$ 24,995	$ 24,039

Table 11 Detail of Loans Removed from Non-Performing Status for the Three Months Ended March 31, 2015 and 2014

	Three Months Ended March 31,	
(in thousands)	**2015**	**2014**
Loans charged-off	$ (43)	$ (18)
Loans transferred to OREO	(305)	(2,370)
Loans refinanced at other institutions	(732)	(611)
Loans returned to accrual status	(132)	(320)
Total non-performing loans removed from non-performing status	$ (1,212)	$ (3,319)

Delinquent Loans

Delinquent loans to total loans decreased to 0.49% at March 31, 2015, from 0.52% at December 31, 2014, as the total balance of delinquent loans decreased by $340,000. With the exception of PCI loans, all traditional bank loans past due 90-days-or-more as of March 31, 2015 and December 31, 2014 were on non-accrual status.

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The composition of the Bank s delinquent loans follows:

Table 12 Delinquent Loan Composition *(1)* as of March 31, 2015 and December 31, 2014

(in thousands)	March 31, 2015	December 31, 2014
Residential real estate		
Owner occupied	$ 8,377	$ 8,008
Owner occupied - correspondent		
Non owner occupied	859	776
Commercial real estate	2,383	2,972
Commercial real estate - purchased whole loans		
Construction & land development	1,990	1,990
Commercial & industrial		211
Lease financing receivables		
Warehouse lines of credit		
Home equity	1,456	1,362
Consumer:		
RPG loans	168	141
Credit cards	78	134
Overdrafts	104	178
Purchased whole loans	39	12
Other consumer	57	67
Total past due loans	$ 15,511	$ 15,851

(1) - Represents total loans 30-days-or-more past due.

Table 13 Delinquent Loans to Total Loans by Loan Type *(1)* as of March 31, 2015 and December 31, 2014

	March 31, 2015	December 31, 2014
Residential real estate		
Owner occupied	0.76%	0.72%
Owner occupied - correspondent	0.00%	0.00%
Non owner occupied	0.87%	0.80%
Commercial real estate	0.31%	0.38%
Commercial real estate - purchased whole loans	0.00%	0.00%
Construction & land development	4.96%	5.17%
Commercial & industrial	0.00%	0.13%
Lease financing receivables	0.00%	0.00%
Warehouse lines of credit	0.00%	0.00%
Home equity	0.59%	0.55%
Consumer:		

RPG loans	4.09%	3.44%
Credit cards	0.78%	1.40%
Overdrafts	13.38%	15.08%
Purchased whole loans	0.90%	0.26%
Other consumer	0.64%	0.75%
Total past due loans to total loans	0.49%	0.52%

(1) - Represents total loans 30-days-or-more past due divided by total loans.

As detailed in the preceding tables, past due loans within the residential real estate and home equity categories increased $546,000, or 5%, from December 31, 2014 to March 31, 2015, while CRE and C&I delinquencies decreased $800,000, or 25%, for the same period.

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Approximately $5 million in delinquent loans at December 31, 2014, were removed from delinquent status as of March 31, 2015. Approximately $58,000, or 1%, of these loans were removed from the delinquent category because they were charged-off. Approximately $305,000, or 6%, in loan balances were transferred to OREO with $1 million, or 28%, refinanced at other financial institutions. The remaining $3 million, or 65%, in delinquent loans were paid current in 2015.

Table 14 Rollforward of Delinquent Loan Activity for the Three Months Ended March 31, 2015 and 2014

	Three Months Ended March 31,	
(in thousands)	**2015**	**2014**
Delinquent loans, beginning of period	$ 15,851	$ 16,223
Loans that became delinquent during the period	4,600	5,803
Delinquent loans removed from delinquent status *(see table below)*	(4,747)	(7,471)
Principal paydowns of loans delinquent in both periods	(193)	(112)
Delinquent loans, end of period	$ 15,511	$ 14,443

Table 15 Detail of Delinquent Loans Removed From Delinquent Status for the Three Months Ended March 31, 2015 and 2014

	Three Months Ended March 31,	
(in thousands)	**2015**	**2014**
Loans charged-off	$ (58)	$ (33)
Loans transferred to OREO	(305)	(2,654)
Loans refinanced at other institutions	(1,317)	(1,110)
Loans paid current	(3,067)	(3,674)
Total delinquent loans removed from delinquent status	$ (4,747)	$ (7,471)

Impaired Loans and Troubled Debt Restructurings

The Bank s policy is to charge-off all or that portion of its recorded investment in a collateral dependent impaired credit upon a determination that it is probable the full amount of contractual principal and interest will not be collected. Impaired loans totaled $83 million at March 31, 2015 compared to $86 million at December 31, 2014, with $2 million, or 77%, of the decrease consisting of TDRs liquidated during 2015.

A TDR is the situation where, due to a borrower s financial difficulties, the Bank grants a concession to the borrower that the Bank would not otherwise have considered. The majority of the Bank s TDRs involve a restructuring of loan terms such as a temporary reduction in the payment

amount to require only interest and escrow (if required) and/or extending the maturity date of the debt. Non-accrual loans modified as TDRs remain on non-accrual status and continue to be reported as non-performing loans. Accruing loans modified as TDRs are evaluated for non-accrual status based on a current evaluation of the borrower s financial condition, and ability and willingness to service the modified debt. As of March 31, 2015, the Bank had $63 million in TDRs, of which $15 million were also on non-accrual status. As of December 31, 2014, the Bank had $65 million in TDRs, of which $14 million were also on non-accrual status.

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The composition of the Bank s impaired loans follows:

Table 16 Impaired Loan Composition as of March 31, 2015 and December 31, 2014

(in thousands)	March 31, 2015	December 31, 2014
Troubled debt restructurings	$ 62,816	$ 65,266
Impaired loans (which are not TDRs)	20,194	20,914
Total impaired loans	$ 83,010	$ 86,180

See Footnote 3 Loans and Allowance for Loan and Lease Losses of Part I Item 1 Financial Statements for additional discussion regarding impaired loans and TDRs.

Other Real Estate Owned

The composition of the Bank s other real estate stratified by the number of properties within a specific value range follows:

Table 17 Stratification of Other Real Estate Owned as of March 31, 2015 and December 31, 2014

	Number of OREO Properties and Carrying Value Range							
March 31, 2015 (dollars in thousands)	No.	Carrying Value <= $100	No.	Carrying Value > $100 <= $500	No.	Carrying Value > $500	No.	Total Carrying Value
Residential real estate	9	$ 454	2	$ 349	1	$ 831	12	$ 1,634
Commercial real estate	1	88	1	289	2	1,531	4	1,908
Construction & land development			7	2,019	1	1,175	8	3,194
Total	10	$ 542	10	$ 2,657	4	$ 3,537	24	$ 6,736

	Number of OREO Properties and Carrying Value Range							
December 31, 2014 (dollars in thousands)	No.	Carrying Value <= $100	No.	Carrying Value > $100 <= $500	No.	Carrying Value > $500	No.	Total Carrying Value

Residential real estate	17	$	834	5	$	809	2	$	1,566	24	$	3,209
Commercial real estate	4		321	3		884	2		2,119	9		3,324
Construction & land development	2		66	8		1,947	3		2,697	13		4,710
Total	23	$	1,221	16	$	3,640	7	$	6,382	46	$	11,243

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The table below presents a rollforward of the Bank s OREO for the periods presented:

Table 18 Rollforward of Other Real Estate Owned Activity for the Three Months Ended March 31, 2015 and 2014

	Three Months Ended March 31,	
(in thousands)	**2015**	**2014**
OREO, beginning of period	$ 11,243	$ 17,102
Transfer from loans to OREO	332	3,070
Proceeds from sale*	(4,720)	(2,776)
Net gain on sale	365	402
Writedowns	(484)	(884)
OREO, end of period	$ 6,736	$ 16,914

* *Inclusive of non-cash proceeds where the Bank financed the sale of the property.*

The fair value of OREO represents the estimated value that management expects to receive when the property is sold, net of related costs to sell. These estimates are based on the most recently available real estate appraisals, with certain adjustments made based on the type of property, age of appraisal, current status of the property and other relevant factors to estimate the current value of the property.

Approximately 73%, or $1 million, of the CRE OREO balance at March 31, 2015 related to one property added during 2014 located in the Bank s central Kentucky market. Approximately 36%, or $2 million, of the construction and land development OREO balance at March 31, 2015 related to one land development property added during 2012 located in the Bank s greater Louisville, Kentucky market.

Bank Owned Life Insurance (BOLI)

BOLI offers tax advantaged non interest income to help the Bank offset employee benefits expenses. The Company carried $52 million and $51 million of BOLI on its consolidated balance sheet at March 31, 2015 and December 31, 2014.

Deposits

Total Company deposits increased $322 million, or 16%, from December 31, 2014 to $2.4 billion at March 31, 2015. Total Company interest-bearing deposits increased $158 million, or 10%, while total Company non-interest bearing deposits increased $164 million, or 33%.

Approximately $113 million of the increase in non-interest bearing deposits was related to short-term float associated with client tax refund proceeds from the TRS division of RPG. Substantially all of this float is expected to exit the Bank by June 30, 2015. The remaining $51 million increase in non-interest bearing deposits reflects general increases among a multitude of clients.

Within the interest bearing category, demand and savings account balances increased $52 million while brokered deposits increased $80 million. The increase in demand and passbook savings included one client that accounted for $10 million, or 20%, of the increase. The increase in brokered deposits was primarily related to an internal Bank transfer by one client who moved funds from a Security Sold Under Agreement to Repurchase (SSUAR) into a reciprocal brokered money market deposit account. Under the terms of a reciprocal brokered money market account, Republic places large deposits from its clients into a network of banks and in return receives a like amount of funds from the network of banks, which Republic classifies on its balance sheet as a brokered money market deposit. While the funds from Republic s original client are not technically held by Republic, any withdrawal of funds by that client would result in a reduction of deposit balances to Republic due to the reciprocal nature of those funds in the network.

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Table 19 Deposit Composition as of March 31, 2015 and December 31, 2014

Ending deposit balances at March 31, 2015 and December 31, 2014 were as follows:

(in thousands)	March 31, 2015	December 31, 2014
Demand	$ 733,727	$ 691,787
Money market accounts	486,360	471,339
Brokered money market accounts	137,389	35,649
Savings	102,116	91,625
Individual retirement accounts*	35,884	28,771
Time deposits, $250,000 and over*	41,777	56,556
Other certificates of deposit*	122,481	104,010
Brokered certificates of deposit*(1)	54,317	75,876
Total interest-bearing deposits	1,714,051	1,555,613
Total non interest-bearing deposits	666,166	502,569
Total deposits	$ 2,380,217	$ 2,058,182

(*) Represents a time deposit.

(1) Includes brokered deposits less than, equal to and greater than $250,000.

Securities Sold Under Agreements to Repurchase (SSUARs) and Other Short-term Borrowings

SSUARs are collateralized by securities and are treated as financings; accordingly, the securities involved with the agreements are recorded as assets and are held by a safekeeping agent and the obligations to repurchase the securities are reflected as liabilities. All securities underlying the agreements are under the Bank s control.

SSUARs decreased approximately $38 million, or 11%, during the first quarter of 2015. The decrease was primarily related to an internal funds transfer by one client from an SSUAR to a brokered money market deposit account. *See further discussion of this internal transfer in the above section titled Deposits in this section of the filing.* The substantial majority of these accounts are indexed to immediately repricing indices such as the Fed Funds Target Rate.

Information regarding securities sold under agreements to repurchase follows:

Table 20 Securities Sold Under Agreements to Repurchase as of March 31, 2015 and December 31, 2014

(dollars in thousands)	March 31, 2015	December 31, 2014
Outstanding balance at end of period	$ 317,534	$ 356,108
Weighted average interest rate at end of period	0.02%	0.04%
Fair value of securities pledged	$ 389,421	$ 378,478

Table 21 Securities Sold Under Agreements to Repurchase for the Three Months Ended March 31, 2015 and 2014

(dollars in thousands)	Three Months Ended March 31, 2015	2014
Average outstanding balance during the period	$ 391,254	$ 223,079
Average interest rate during the period	0.04%	0.04%
Maximum outstanding at any month end during the period	$ 408,955	$ 222,174

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Other short-term borrowings included $15 million in federal funds purchased at March 31, 2015. These funds matured on April 1, 2015 and cost .075%. No such borrowings existed at December 31, 2014.

Federal Home Loan Bank Advances

FHLB advances decreased $111 million, or 16%, from December 31, 2014 to $597 million at March 31, 2015. The Bank held $57 million in overnight advances with a rate of 0.15% as of March 31, 2015, a $141 million decrease from the $198 million in overnight advances at a rate of 0.14% held at December 31, 2014. Additionally, the Bank obtained $30 million in new long-term fixed rate advances with a weighted average rate of 1.76% during the first quarter of 2015.

The Company s usage of FHLB advances declined during the quarter due to excess short-term cash the Company had available from its TRS business segment. Management anticipates its usage of FHLB advances to increase during the next quarter as this short term cash exits the Company.

Overall use of these advances during a given year is dependent upon many factors including asset growth, deposit growth, current earnings, and expectations of future interest rates, among others. If a meaningful amount of the Bank s 2015 loan originations have repricing terms longer than five years, management will likely elect to borrow additional funds to mitigate its risk of future increases in market interest rates. Whether the Bank ultimately does so, and how much in advances it extends out, will be dependent upon circumstances at that time. If the Bank does obtain longer-term FHLB advances for interest rate risk mitigation, it will have a negative impact on then current earnings. The amount of the negative impact will be dependent upon the dollar amount, coupon and final maturity of the advances obtained.

Interest Rate Swaps

The Bank entered into two interest rate swap agreements during 2013 as part of its interest rate risk management strategy. The Bank designated the swaps as cash flow hedges intended to reduce the variability in cash flows attributable to either FHLB advances tied to the three-month the London Interbank Offered Rate (LIBOR) or the overall changes in cash flows on certain money market deposit accounts tied to one-month LIBOR. The counterparty for both swaps met the Bank s credit standards and the Bank believes that the credit risk inherent in the swap contracts is not significant.

Table 22 Interest Rate Swaps as of March 31, 2015 and December 31, 2014

Information regarding the Bank s interest rate swaps follows:

(in thousands)	March 31, 2015	December 31, 2014

Notional amount (receive rate tied to 3-month LIBOR)	$	10,000	$	10,000
Notional amount (receive rate tied to 1-month LIBOR)		10,000		10,000
Total notional amount	$	20,000	$	20,000
Weighted average pay rate		2.25%		2.25%
Weighted average receive rate		0.22%		0.21%
Weighted average remaining maturity in years		6		6
Unrealized loss	$	(783)	$	(488)
Fair value of security pledged as collateral	$	1,015	$	734

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Liquidity

The Bank had a loan to deposit ratio (excluding brokered deposits) of 144% at March 31, 2015 and 156% at December 31, 2014. At March 31, 2015 and December 31, 2014, the Bank had cash and cash equivalents on-hand of $135 million and $72 million. In addition, the Bank had available collateral to borrow an additional $555 million and $452 million from the FHLB at March 31, 2015 and December 31, 2014. In addition to its borrowing line with the FHLB, the Bank also had unsecured lines of credit totaling $166 million through various other financial institutions as of March, 31 2015 and December 31, 2014. The total outstanding borrowings on such unsecured lines were $15 million and $0 at March 31, 2015 and December 31, 2014.

The Bank maintains sufficient liquidity to fund routine loan demand and routine deposit withdrawal activity. Liquidity is managed by maintaining sufficient liquid assets in the form of investment securities. Funding and cash flows can also be realized by the sale of securities available for sale, principal paydowns on loans and MBSs and proceeds realized from loans held for sale. The Bank s liquidity is impacted by its ability to sell certain investment securities, which is limited due to the level of investment securities that are needed to secure public deposits, securities sold under agreements to repurchase, FHLB borrowings, and for other purposes, as required by law. At March 31, 2015 and December 31, 2014, these pledged investment securities had a fair value of $414 million and $410 million. Republic s banking centers and its website, www.republicbank.com, provide access to retail deposit markets. These retail deposit products, if offered at attractive rates, have historically been a source of additional funding when needed. If the Bank were to lose a significant funding source, such as a few major depositors, or if any of its lines of credit were canceled, or if the Bank cannot obtain brokered deposits, the Bank would be forced to offer market leading deposit interest rates to meet its funding and liquidity needs.

At March 31, 2015, the Bank had approximately $436 million in deposits from 78 large non-sweep deposit relationships where the individual relationship individually exceeded $2 million. The 20 largest non-sweep deposit relationships represented approximately $261 million of the total balance at March 31, 2015. These accounts do not require collateral; therefore, cash from these accounts can generally be utilized to fund the loan portfolio. If any of these balances are moved from the Bank, the Bank would likely utilize overnight borrowing lines in the short-term to replace the balances. On a longer-term basis, the Bank would likely utilize brokered deposits to replace withdrawn balances. Based on past experience utilizing brokered deposits, the Bank believes it can quickly obtain brokered deposits if needed. The overall cost of gathering brokered deposits, however, could be substantially higher than the Traditional Bank deposits they replace, potentially decreasing the Bank s earnings.

Capital

Total stockholders equity increased from $559 million at December 31, 2014 to $569 million at March 31, 2015. The increase in stockholders equity was primarily attributable to net income earned during 2015 reduced by cash dividends declared.

See Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds for additional detail regarding stock repurchases and stock buyback programs.

New Capital Rules Effective January 1, 2015 the Company and the Bank became subject to the new capital regulations in accordance with Basel III. The new regulations established higher minimum risk-based capital ratio requirements, a new common equity Tier 1 risk-based capital

ratio and a new capital conservation buffer. The new regulations also include revisions to the definition of capital and changes in the risk-weighting of certain assets. For prompt corrective action, the new regulations establish definitions of well capitalized as a 6.5% Common Equity Tier 1 Risk Based Capital ratio, an 8.0% Tier 1 Risk Based Capital ratio, a 10.0% Total Risk Based Capital ratio and a 5.0% Tier 1 Leverage ratio. Additionally, a 2.5% capital conservation buffer will be effective under Basel III when effective and fully implemented in 2018.

Common Stock The Class A Common Shares are entitled to cash dividends equal to 110% of the cash dividend paid per share on Class B Common Stock. Class A Common Shares have one vote per share and Class B Common shares have ten votes per share. Class B Common Shares may be converted, at the option of the holder, to Class A Common shares on a share for share basis. The Class A Common Shares are not convertible into any other class of Republic s capital stock.

Dividend Restrictions The Parent Company s principal source of funds for dividend payments are dividends received from RB&T. Banking regulations limit the amount of dividends that may be paid to the Parent Company by the Bank without prior approval of the respective states banking regulators. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year s net profits, combined with the retained net profits of the preceding two years. At March 31, 2015, RB&T could, without prior approval, declare dividends of approximately $34 million.

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Regulatory Capital Requirements The Parent Company and the Bank are subject to various regulatory capital requirements administered by banking regulators. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on Republic s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Parent Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company s assets, liabilities and certain off balance sheet items, as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Banking regulators have categorized the Bank as well-capitalized. To be categorized as well-capitalized, the Bank must maintain minimum Total Risk Based, Common Equity Tier I Risk Based, Tier I Risk Based and Tier I Leverage Capital ratios. Regulatory agencies measure capital adequacy within a framework that makes capital requirements, in part, dependent on the individual risk profiles of financial institutions. Republic continues to exceed the regulatory requirements for Total Risk Based Capital, Common Equity Tier I Risk Based, Tier I Risk Based Capital and Tier I Leverage Capital. Republic and the Bank intend to maintain a capital position that meets or exceeds the well-capitalized requirements as defined by the FRB and the FDIC, in addition to the Capital Conservation Buffer. Republic s average stockholders equity to average assets ratio was 14.39% at March 31, 2015 compared to 15.66% at December 31, 2014. Formal measurements of the capital ratios for Republic and the Bank are performed by the Company at each quarter end.

In 2005, Republic Bancorp Capital Trust (RBCT), an unconsolidated trust subsidiary of Republic Bancorp, Inc., was formed and issued $40 million in Trust Preferred Securities (TPS). The TPS pay a fixed interest rate for ten years and adjust with LIBOR + 1.42% thereafter. The TPS mature on December 31, 2035 and are redeemable at the Company s option on a quarterly basis beginning on October 1, 2015.

The subordinated debentures are treated as Tier I Capital for regulatory purposes. The sole asset of RBCT represents the proceeds of the offering loaned to Republic Bancorp, Inc. in exchange for subordinated debentures which have terms that are similar to the TPS. The subordinated debentures and the related interest expense, which are payable quarterly at the annual rate of 6.015%, are included in the consolidated financial statements. The proceeds obtained from the TPS offering have been utilized to fund loan growth (in prior years), support an existing stock repurchase program and for other general business purposes such as the acquisition of GulfStream Community Bank in 2006.

At this time, management believes the Company will either redeem the TPS in October 2015 or enter into an interest rate swap in order to extend the fixed rate term of the borrowing for a likely period of three to five years. The ultimate strategy the Company deploys will be dependent upon the then current interest rate environment, the Company s overall availability of cash, and the Company s long term growth projections at that time.

The following table sets forth the Company s risk based capital amounts and ratios as of March 31, 2015 and December 31, 2014:

Table 23 Capital Ratios as of March 31, 2015 and December 31, 2014

	As of March 31, 2015		As of December 31, 2014	
	Actual		Actual	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**

Total capital to risk weighted assets					
Republic Bancorp, Inc.	$	618,957	21.62%	$ 608,658	22.17%
Republic Bank & Trust Co.		482,454	16.87	472,357	17.21
Common equity tier 1 capital to risk weighted assets					
Republic Bancorp, Inc.	$	554,326	19.37%	NA	NA
Republic Bank & Trust Co.		457,823	16.01	NA	NA
Tier 1 (core) capital to risk weighted assets					
Republic Bancorp, Inc.	$	594,326	20.76%	$ 584,248	21.28%
Republic Bank & Trust Co.		457,823	16.01	447,947	16.32
Tier 1 leverage capital to average assets					
Republic Bancorp, Inc.	$	594,326	15.11%	$ 584,248	15.92%
Republic Bank & Trust Co.		457,823	11.64	447,947	12.21

NA - Not applicable.

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Asset/Liability Management and Market Risk

Asset/liability management is designed to ensure safety and soundness, maintain liquidity, meet regulatory capital standards and achieve acceptable net interest income based on the Bank s risk tolerance. Interest rate risk is the exposure to adverse changes in net interest income as a result of market fluctuations in interest rates. The Bank, on an ongoing basis, monitors interest rate and liquidity risk in order to implement appropriate funding and balance sheet strategies. Management considers interest rate risk to be a significant risk to the Bank s overall earnings and balance sheet.

The interest sensitivity profile of the Bank at any point in time will be impacted by a number of factors. These factors include the mix of interest sensitive assets and liabilities, as well as their relative pricing schedules. It is also influenced by changes in market interest rates, deposit and loan balances and other factors.

The Bank utilizes earnings simulation models as tools to measure interest rate sensitivity, including both a static and dynamic earnings simulation model. A static simulation model is based on current exposures and assumes a constant balance sheet. In contrast, a dynamic simulation model relies on detailed assumptions regarding changes in existing business lines, new business, and changes in management and customer behavior. While the Bank runs the static simulation model as one measure of interest rate risk, historically, the Bank has utilized a dynamic earnings simulation model as its primary interest rate risk tool to measure the potential changes in market interest rates and their subsequent effects on net interest income for a one year time period. This dynamic model projects a Base case net interest income over the next twelve months and the effect to net interest income of instantaneous movements in interest rates between various basis point increments equally across all points on the yield curve. Many assumptions based on growth expectations and on the historical behavior of the Bank s deposit and loan rates and their related balances in relation to changes in interest rates are incorporated into this dynamic model. These assumptions are inherently uncertain and, as a result, the dynamic model cannot precisely measure future net interest income or precisely predict the impact of fluctuations in market interest rates on net interest income. Actual results will differ from the model s simulated results due to the actual timing, magnitude and frequency of interest rate changes, as well as the actual changes in market conditions and the application and timing of various management strategies as compared to those projected in the various simulated models. Additionally, actual results could differ materially from the model if interest rates do not move equally across all points on the yield curve.

As of March 31, 2015, a dynamic simulation model was run for increases in interest rates from Up 100 basis points to Up 400 basis points. A simulation for declining interest rates as of March 31, 2015 was not considered meaningful and is not presented by the Bank because the Federal Open Market Committee effectively lowered the Fed Funds Target Rate between 0.00% to 0.25% in December 2008; therefore, no further short-term rate reductions can occur.

The following table illustrates the Bank s projected percent change from its Base net interest income over the period beginning April 1, 2015 and ending March 31, 2016 based on instantaneous movements in interest rates from Up 100 to Up 400 basis points equally across all points on the yield curve. The Bank s dynamic earnings simulation model excludes all loan fees and the impact of the RPG business segment.

Table 24 Bank Interest Rate Sensitivity as of March 31, 2015

	Increase in Rates

	100 Basis Points	200 Basis Points	300 Basis Points	400 Basis Points
% Change from base net interest income	2.87%	1.72%	0.12%	-3.67%
Board policy limit on % change from base	-5.00%	-10.00%	-15.00%	-20.00%

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The Board of Directors of the Bank has established separate and distinct policy limits for acceptable percent changes in the Bank s net interest income based on modeled changes in market interest rates. Historically, if model projections of the percent change in net interest income fall outside Board approved limits at a given point in time or are projected to fall outside such limits based on certain trends, the Bank has taken certain actions intended either to bring model projections back within Board approved limits or explain how future anticipated events will correct the current situation. These actions have included, but are not limited to, restructuring of interest earning assets and interest bearing liabilities, seeking additional fixed rate term FHLB advances, executing interest rate swaps and modifying the pricing or terms of loans, leases and deposits. These actions have historically had a negative impact on current earnings.

Along with the Bank s dynamic earnings simulation model, the Board of Directors of the Bank has established separate and distinct policy limits for acceptable changes in the Bank s Economic Value of Equity (EVE) based on certain projected changes in market interest rates. EVE represents the difference between the net present value of the Bank s interest-earning assets and interest-bearing liabilities at a point in time.

The following table illustrates the Bank s EVE sensitivity as of March 31, 2015:

Table 25 Bank Economic Value of Equity (EVE) Sensitivity as of March 31, 2015

	Increase in Rates			
	100 Basis Points	**200 Basis Points**	**300 Basis Points**	**400 Basis Points**
% Change from base EVE	-2.07%	-8.91%	-15.93%	-24.35%
Board policy limit on % change from base	-10.00%	-20.00%	-35.00%	-45.00%

Similar to the dynamic earnings simulation model, if model projections of the percent change in EVE fall outside Board approved limits at a given point in time or are projected to fall outside such limits based on certain trends, the Bank will take actions intended to bring the model projections back within Board approved limits. These actions have included in the past, but are not limited to, restructuring of interest earning assets and interest bearing liabilities, seeking additional fixed rate term FHLB advances, executing interest rate swaps and modifying the pricing or terms of loans, leases and deposits. Actions the Bank may take to bring its EVE within interest rate risk tolerances will generally have a negative impact on its then-current earnings when the action is taken.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Information required by this item is included under *Part I, Item 2., Management s Discussion and Analysis of Financial Condition and Results of Operation.*

Item 4. Controls and Procedures.

As of the end of the period covered by this report, an evaluation was carried out by Republic Bancorp, Inc. s management, with the participation of its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in the Company s internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the fiscal quarter covered by this report 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.

In the ordinary course of operations, Republic and the Bank are defendants in various legal proceedings. There is no proceeding pending or threatened litigation, to the knowledge of management, in which an adverse decision could result in a material adverse change in the business or consolidated financial position of Republic or the Bank.

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

Details of Republic s Class A Common Stock purchases during the first quarter of 2015 are included in the following table:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plan or Programs
January 1 - January 31		$		
February 1 - February 28				
March 1 - March 31				
Total		$		315,640

The Company did not repurchase any shares during the first quarter of 2015, although, there were 3,724 shares exchanged for stock option exercises during this period. During November of 2011, the Company s Board of Directors amended its existing share repurchase program by approving the repurchase of 300,000 additional shares from time to time, as market conditions are deemed attractive to the Company. The repurchase program will remain effective until the total number of shares authorized is repurchased or until Republic s Board of Directors terminates the program. As of March 31, 2015, the Company had 315,640 shares which could be repurchased under its current share repurchase programs.

During 2015, there were no shares of Class A Common Stock issued upon conversion of shares of Class B Common Stock by stockholders of Republic in accordance with the share-for-share conversion provision option of the Class B Common Stock. The exemption from registration of newly issued Class A Common Stock relies upon Section (3)(a)(9) of the Securities Act of 1933.

There were no equity securities of the registrant sold without registration during the quarter covered by this report.

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Item 6. Exhibits.

(a) Exhibits

The following exhibits are filed or furnished as a part of this report:

Exhibit Number	Description of Exhibit
10.1	First Amendment to Office Lease dated and effective as of March 18, 2015, made to the Republic Plaza Office Lease dated June 27, 2008, between Republic Bank & Trust Company and Jaytee Properties II SPE, LLC
31.1	Certification of Principal Executive Officer pursuant to the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to the Sarbanes-Oxley Act of 2002
32*	Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive data files: (i) Consolidated Balance Sheets at March 31, 2015 and December 31, 2014, (ii) Consolidated Statements of Income and Comprehensive Income for the three months ended March 31, 2015 and 2014, (iii) Consolidated Statement of Stockholders Equity for the three months ended March 31, 2015, (iv) Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014 and (v) Notes to Consolidated Financial Statements

** - This certification shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.*

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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.

REPUBLIC BANCORP, INC.
(Registrant)

Principal Executive Officer:

/s/ Steven E. Trager

May 8, 2015 By: Steven E. Trager
Chairman and Chief Executive Officer

Principal Financial Officer:

/s/ Kevin Sipes

May 8, 2015 By: Kevin Sipes
Executive Vice President, Chief Financial Officer and Chief Accounting Officer