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 September 30, 2013

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 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. 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 12 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 filer o 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 October 31, 2013, was 18,533,502 and 2,259,926 respectively.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	September 30, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 141,585	$ 137,691
Securities available for sale	481,624	438,246
Securities to be held to maturity (fair value of $52,408 in 2013 and $46,416 in 2012)	52,057	46,010
Mortgage loans held for sale	9,803	10,614
Loans	2,553,435	2,650,197
Allowance for loan losses	(23,492)	(23,729)
Loans, net	2,529,943	2,626,468
Federal Home Loan Bank stock, at cost	28,342	28,377
Premises and equipment, net	32,626	33,197
Goodwill	10,168	10,168
Other real estate owned	15,247	26,203
Other assets and accrued interest receivable	30,486	37,425
TOTAL ASSETS	$ 3,331,881	$ 3,394,399
LIABILITIES		
Deposits		
Non interest-bearing	$ 492,126	$ 479,046
Interest-bearing	1,527,659	1,503,882
Total deposits	2,019,785	1,982,928
Securities sold under agreements to repurchase and other short-term borrowings	106,373	250,884
Federal Home Loan Bank advances	587,020	542,600
Subordinated note	41,240	41,240
Other liabilities and accrued interest payable	31,953	40,045
Total liabilities	2,786,371	2,857,697
STOCKHOLDERS EQUITY		
Preferred stock, no par value		
Class A Common Stock and Class B Common Stock, no par value	4,893	4,932
Additional paid in capital	132,728	132,686
Retained earnings	404,060	393,472
Accumulated other comprehensive income	3,829	5,612
Total stockholders equity	545,510	536,702

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	3,331,881	$	3,394,399

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 September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
INTEREST INCOME:				
Loans, including fees	$ 31,619	$ 31,292	$ 95,268	$ 137,118
Taxable investment securities	1,984	2,483	6,000	8,654
Federal Home Loan Bank stock and other	406	353	1,261	1,757
Total interest income	34,009	34,128	102,529	147,529
INTEREST EXPENSE:				
Deposits	1,043	1,197	3,073	3,949
Securities sold under agreements to repurchase and other short-term borrowings	11	110	53	340
Federal Home Loan Bank advances	3,788	3,619	11,081	11,245
Subordinated note	628	630	1,886	1,891
Total interest expense	5,470	5,556	16,093	17,425
NET INTEREST INCOME	28,539	28,572	86,436	130,104
Provision for loan losses	2,200	2,083	2,480	13,719
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	26,339	26,489	83,956	116,385
NON-INTEREST INCOME:				
Service charges on deposit accounts	3,676	3,438	10,384	10,027
Net refund transfer fees	152	231	13,849	78,127
Mortgage banking income	1,026	2,274	6,480	5,591
Debit card interchange fee income	1,519	1,390	4,986	4,387
Bargain purchase gain - Tennessee Commerce Bank		(189)		27,614
Bargain purchase gain - First Commercial Bank		27,112	1,324	27,112
Gain on sale of securities available for sale				56
Other	1,166	589	3,824	2,826
Total non-interest income	7,539	34,845	40,847	155,740
NON-INTEREST EXPENSES:				
Salaries and employee benefits	12,226	14,921	43,426	46,205
Occupancy and equipment, net	5,462	5,718	16,354	16,936
Communication and transportation	990	1,045	3,011	4,667
Marketing and development	785	828	2,567	2,670
FDIC insurance expense	419	287	1,234	1,008
Bank franchise tax expense	707	729	3,279	3,363
Data processing	934	1,030	2,442	3,446
Debit card processing expense	655	648	2,216	1,909
Supplies	228	270	800	1,748

Other real estate owned expense		497		1,328		2,331		2,488
Charitable contributions		225		232		688		3,110
Legal expense		1,343		388		3,111		1,283
FHLB advance prepayment expense								2,436
Other		1,854		2,338		5,867		7,097
Total non-interest expenses		26,325		29,762		87,326		98,366
INCOME BEFORE INCOME TAX EXPENSE		7,553		31,572		37,477		173,759
INCOME TAX EXPENSE		2,950		10,904		13,399		61,041
NET INCOME	$	4,603	$	20,668	$	24,078	$	112,718
BASIC EARNINGS PER SHARE:								
Class A Common Stock	$	0.22	$	0.99	$	1.16	$	5.38
Class B Common Stock	$	0.21	$	0.97	$	1.12	$	5.34
DILUTED EARNINGS PER SHARE:								
Class A Common Stock	$	0.22	$	0.98	$	1.16	$	5.36
Class B Common Stock	$	0.21	$	0.97	$	1.11	$	5.32
DIVIDENDS DECLARED PER COMMON SHARE:								
Class A Common Stock	$	0.176	$	0.165	$	0.517	$	0.484
Class B Common Stock	$	0.160	$	0.150	$	0.470	$	0.440

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (*UNAUDITED)*

(*in thousands*)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Net income	$ 4,603	$ 20,668	$ 24,078	$ 112,718
OTHER COMPREHENSIVE INCOME				
Unrealized gain (loss) on securities available for sale	(198)	649	(3,163)	2,324
Change in unrealized loss on available for sale security for which a portion of an other-than-temporary impairment has been recognized in earnings	(4)	374	418	412
Reclassification adjustment for gains recognized in earnings				(56)
Net unrealized gains (losses)	(202)	1,023	(2,745)	2,680
Tax effect	71	(358)	962	(938)
Net of tax	(131)	665	(1,783)	1,742
COMPREHENSIVE INCOME	$ 4,472	$ 21,333	$ 22,295	$ 114,460

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY *(UNAUDITED)*

NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands, except per share data)	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, 2013	18,694	2,271	$ 4,932	$ 132,686	$ 393,472	$ 5,612	$ 536,702
Net income					24,078		24,078
Net change in accumulated other comprehensive income						(1,783)	(1,783)
Dividend declared Common Stock:							
Class A ($0.517 per share)					(9,459)		(9,459)
Class B ($0.470 per share)					(1,062)		(1,062)
Stock options exercised, net of shares redeemed	17		4	438	(147)		295
Repurchase of Class A Common Stock	(193)		(43)	(1,230)	(2,822)		(4,095)
Conversion of Class B Common Stock to Class A Common Stock	11	(11)					
Net change in notes receivable on Common Stock				281			281
Deferred director compensation expense - Company Stock	5			152			152
Stock based compensation expense - restricted stock				224			224
Stock based compensation expense - options				177			177
Balance, September 30, 2013	18,534	2,260	$ 4,893	$ 132,728	$ 404,060	$ 3,829	$ 545,510

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (*UNAUDITED*)

NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012 (*in thousands*)

	2013	2012
OPERATING ACTIVITIES:		
Net income	$ 24,078	$ 112,718
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	929	7,348
Provision for loan losses	2,480	13,719
Net gain on sale of mortgage loans held for sale	(6,340)	(6,541)
Origination of mortgage loans held for sale	(263,411)	(172,305)
Proceeds from sale of mortgage loans held for sale	270,562	179,853
Net realized impairment (recovery) of mortgage servicing rights	(345)	129
Net realized gain on sales, calls and impairment of securities		(56)
Net gain on sale of other real estate owned	(1,714)	(381)
Writedowns of other real estate owned	1,074	1,207
Deferred director compensation expense - Company Stock	152	140
Stock based compensation expense	401	655
Bargain purchase gains on acquisitions	(1,324)	(54,726)
Net change in other assets and liabilities:		
Accrued interest receivable	1,115	(409)
Accrued interest payable	32	(228)
Other assets	4,137	5,864
Other liabilities	(7,447)	16,347
Net cash provided by operating activities	24,379	103,334
INVESTING ACTIVITIES:		
Net cash received in FDIC-assisted transactions		921,161
Purchases of securities available for sale	(175,275)	(61,716)
Purchases of securities to be held to maturity	(15,000)	(23,115)
Proceeds from calls, maturities and paydowns of securities available for sale	129,041	193,403
Proceeds from calls, maturities and paydowns of securities to be held to maturity	8,900	3,354
Proceeds from sales of securities available for sale		38,724
Proceeds from sales of Federal Home Loan Bank stock	35	62
Proceeds from sales of other real estate owned	19,642	21,688
Net change in loans	92,881	(184,454)
Net purchases of premises and equipment	(3,275)	(2,499)
Net cash provided by investing activities	56,949	906,608
FINANCING ACTIVITIES:		
Net change in deposits	36,857	(822,074)
Net change in securities sold under agreements to repurchase and other short-term borrowings	(144,511)	(60,392)
Payments of Federal Home Loan Bank advances	(25,580)	(589,208)
Proceeds from Federal Home Loan Bank advances	70,000	205,000
Repurchase of Common Stock	(4,095)	(386)
Net proceeds from Common Stock options exercised	295	147
Cash dividends paid	(10,400)	(9,813)
Net cash used in financing activities	(77,434)	(1,276,726)
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,894	(266,784)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	137,691	362,971
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 141,585	$ 96,187

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Cash paid during the period for:				
Interest	$	16,061	$	17,653
Income taxes		26,674		68,603
SUPPLEMENTAL NONCASH DISCLOSURES				
Transfers from loans to real estate acquired in settlement of loans	$	8,690	$	16,018
Loans provided for sales of other real estate owned		644		591

See accompanying footnotes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2013 AND 2012 (UNAUDITED) AND DECEMBER 31, 2012

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) and Republic Bank (RB) (collectively referred together as the Bank). Republic Invest Co., a former subsidiary of RB&T, and its subsidiary, Republic Capital LLC, were dissolved in April 2013 in connection with the full repayment by RB&T of intragroup subordinated debentures issued by Republic Capital LLC in a 2004 intragroup trust preferred transaction. 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 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. generally accepted accounting principles (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 and nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. 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, 2012.

As of September 30, 2013, the Company was divided into three distinct business operating segments: Traditional Banking, Mortgage Banking and Republic Processing Group (RPG). During the second quarter of 2012, the Company realigned the previously reported Tax Refund Solutions (TRS) segment as a division of the RPG segment. Along with the TRS division, Republic Payment Solutions (RPS) and Republic Credit Solutions (RCS) also operate as divisions of the RPG segment.

<u>Traditional Banking and Mortgage Banking (collectively Core Banking</u>)

As of September 30, 2013, in addition to an Internet delivery channel, Republic had 45 full-service banking centers with locations as follows:

- Kentucky 34
- Metropolitan Louisville 20
- Central Kentucky 11
- Elizabethtown 1

- Frankfort 1
- Georgetown 1
- Lexington 5
- Owensboro 2
- Shelbyville 1
- Northern Kentucky 3
- Covington 1
- Florence 1
- Independence 1
- Southern Indiana 3
- Floyds Knobs 1
- Jeffersonville 1
- New Albany 1
- Metropolitan Tampa, Florida 4
- Metropolitan Cincinnati, Ohio 1
- Metropolitan Nashville, Tennessee 2
- Metropolitan Minneapolis, Minnesota 1

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In October 2013, Republic gave the required 90-day regulatory notice of its intentions to close its sole banking center in Palm Harbor, Florida. This location is expected to close in January 2014 with the lease for the premises expiring in February 2014.

In October 2013, Republic gave the required 90-day regulatory notice of its intentions to close its sole banking center in Minneapolis, Minnesota, which it acquired in connection with the First Commercial Bank (FCB) acquisition in September 2012. The Bank is currently under a lease for this location which is set to expire in April 2015. The Bank intends to repurpose the location as a support office until the expiration of its lease or until such time that it is able to negotiate with the landlord a buy-out of its future lease obligations. The banking center is expected to stop transacting business at the Minnesota location with deposit customers in January 2014.

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 real estate, commercial and consumer loans. 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. The Bank also provides short-term, revolving credit facilities to mortgage bankers across the nation through warehouse lines of credit. These credit facilities are secured by single family, first lien residential real estate loans.

Other sources of Core Banking income include service charges on deposit accounts, debit card interchange fee income, title insurance commissions, fees charged to customers for trust services 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, debit card interchange expenses, marketing and development expenses, FDIC insurance 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.

Republic Processing Group

Nationally, through RB&T, RPG facilitates the receipt and payment of federal and state tax refunds under the TRS division, primarily through refund transfers (RT s). RTs are products whereby a tax refund is issued to the taxpayer after RB&T has received the refund from the federal or state government. There is no credit risk or borrowing costs 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 customer s anticipated tax refund, which represented the sole source of repayment. The fees earned on RALs for the applicable reporting period in 2012 were reported as interest income under the line item Loans, including fees.

Through RB, the RPS division is an issuing bank offering general purpose reloadable prepaid debit cards through third party program managers. Through RB&T, the RCS division is piloting short-term consumer credit products.

Reclassifications and recasts Certain amounts presented in prior periods have been reclassified to conform to the current period presentation. These reclassifications had no impact on previously reported prior periods net income. Additionally, as discussed in Footnote 2 *2012 FDIC-Assisted Acquisitions of Failed Banks,* during the first quarter of 2013 the Bank posted adjustments to the First Commercial Bank (FCB) acquired assets in the determination of acquisition day (day-one) fair values, which resulted in a $1.3 million increase to the bargain purchase gain presented.

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2. 2012 FDIC-ASSISTED ACQUISITIONS OF FAILED BANKS

OVERVIEW

During 2012, the Bank acquired two failed institutions in FDIC-assisted transactions. The Bank did not raise capital to complete either of these acquisitions.

The Bank determined that the acquisitions of these failed banks constituted business acquisitions as defined by Accounting Standards Codification (ASC) Topic 805, *Business Combinations*. Accordingly, the assets acquired and liabilities assumed have been presented at their estimated fair values, as required. Fair values were determined over a measurement period based on the requirements of ASC Topic 820, *Fair Value Measurements and Disclosures*. The measurement period for day-one fair values begins on the acquisition date and ends the earlier of: (a) the day management believes it has all the information necessary to determine day-one fair values; or (b) one year following the acquisition date. In many cases, the determination of these day-one fair values requires management to make material estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature and subject to recast adjustments, which are retrospective adjustments to reflect new information existing at the acquisition date affecting day-one fair values. More specifically, recast adjustments for loans and other real estate owned were made as market value data, such as appraisals, were received by the Bank. Increases or decreases to day-one fair values have been reflected with a corresponding increase or decrease to bargain purchase gain.

Tennessee Commerce Bank (TCB)

On January 27, 2012, the Bank acquired specific assets and assumed substantially all of the deposits and specific other liabilities of TCB, headquartered in Franklin, Tennessee from the FDIC, as receiver for TCB, pursuant to the terms of a Purchase and Assumption Agreement (P&A) Whole Bank; All Deposits entered into among RB&T, the FDIC as receiver of TCB and the FDIC. On January 30, 2012, TCB s sole location re-opened as a division of RB&T.

The Bank acquired approximately $221 million in notional assets from the FDIC as receiver for TCB. In addition, the Bank recorded a receivable from the FDIC for approximately $785 million, which represented the net difference between the assets acquired and the liabilities assumed, adjusted for the discount the Bank received for the acquisition. The FDIC paid approximately $771 million of this receivable on January 30, 2012 with the remaining $14 million paid on February 15, 2012.

During the first quarter of 2012, the Bank recorded an initial bargain purchase gain of $27.9 million as a result of the TCB acquisition. The bargain purchase gain was realized because the overall price paid by the Bank was substantially less than the fair value of the TCB assets acquired and liabilities assumed in the acquisition. In the second and third quarters of 2012, the Bank posted adjustments to the acquired assets for its FDIC-assisted acquisition in the determination of day-one fair values and recorded a net decrease to the bargain purchase gain of $285,000, as additional information relative to the day-one fair values became available.

Information obtained subsequent to January 27, 2012 and through September 30, 2012 was considered in forming TCB estimates of cash flows and collateral values as of the January 27, 2012 acquisition date, i.e., TCB s day-one fair values. Day-one fair values for TCB were considered final as of September 30, 2012, which was the date the Bank believed it had received all the information necessary to determine TCB s day-one fair values.

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A summary of the assets acquired and liabilities assumed in the TCB acquisition follows:

Tennessee Commerce Bank

	January 27, 2012			
	As Previously Reported		As Recasted	
(in thousands)	Contractual Amount	Fair Value Adjustments	2012 Recast Adjustments	Fair Value
Assets acquired:				
Cash and cash equivalents	$ 61,943	$ (89)	$ (2)	$ 61,852
Securities available for sale	42,646			42,646
Loans to be repurchased by the FDIC, net of discount	19,800	(2,797)		17,003
Loans	79,112	(22,666)	830	57,276
Federal Home Loan Bank stock, at cost	2,491			2,491
Other real estate owned	14,189	(3,359)	(1,113)	9,717
Core deposit intangible		64		64
Discount	(56,970)	56,970		
FDIC settlement receivable	784,545			784,545
Other assets and accrued interest receivable	945	(60)		885
Total assets acquired	$ 948,701	$ 28,063	$ (285)	$ 976,479
Liabilities assumed:				
Deposits:				
Non interest-bearing	$ 19,754	$	$	$ 19,754
Interest-bearing	927,641	54		927,695
Total deposits	947,395	54		947,449
Accrued income taxes payable		9,988	(100)	9,888
Other liabilities and accrued interest payable	1,306	110		1,416
Total liabilities assumed	$ 948,701	$ 10,152	$ (100)	$ 958,753
Equity:				
Bargain purchase gain, net of taxes		17,911	(185)	17,726
Total liabilities assumed and equity	$ 948,701	$ 28,063	$ (285)	$ 976,479

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A summary of the net assets acquired from the FDIC and the estimated fair value adjustments as of the TCB acquisition date follows:

Tennessee Commerce Bank

	January 27, 2012			
(in thousands)	**As Previously Reported**	**Second Quarter 2012 Recast Adjustments**	**Third Quarter 2012 Recast Adjustments**	**As Recasted**
Assets acquired, at contractual amount	$ 221,126	$	$	$ 221,126
Liabilities assumed, at contractual amount	(948,701)			(948,701)
Net liabilities assumed per the P&A Agreement	(727,575)			(727,575)
Contractual discount	(56,970)			(56,970)
Net receivable from the FDIC	$ (784,545)	$	$	$ (784,545)
Fair value adjustments:				
Loans	$ (22,666)	$ 919	$ (89)	$ (21,836)
Discount for loans to be repurchased by the FDIC	(2,797)			(2,797)
Other real estate owned	(3,359)	(1,000)	(113)	(4,472)
Core deposit intangible	64			64
Deposits	(54)			(54)
Other assets and accrued interest receivable	(60)			(60)
All other	(199)	(15)	13	(201)
Total fair value adjustments	(29,071)	(96)	(189)	(29,356)
Discount	56,970			56,970
Bargain purchase gain, pre-tax	$ 27,899	$ (96)	$ (189)	$ 27,614

On January 27, 2012, the Bank did not immediately acquire the TCB banking facility, including outstanding lease agreements and furniture, fixtures and equipment. During the third quarter of 2012, the Bank renegotiated a new lease with the landlord related to the sole banking facility and acquired all related data processing equipment and fixed assets totaling approximately $573,000.

First Commercial Bank

On September 7, 2012, the Bank acquired specific assets and assumed substantially all of the liabilities of FCB, headquartered in Bloomington, Minnesota from the FDIC, as receiver for FCB, pursuant to the terms of a P&A Agreement Whole Bank; All Deposits, entered into among RB&T, the FDIC as receiver of FCB and the FDIC. On September 10, 2012, FCB s sole location re-opened as a division of RB&T.

The Bank acquired approximately $215 million in notional assets from the FDIC as receiver for FCB. In addition, the Bank also recorded a receivable from the FDIC for approximately $64 million, which represented the net difference between the assets acquired and the liabilities assumed adjusted for the discount the Bank received for the acquisition. The FDIC paid substantially all of this receivable to the Bank on September 10, 2012.

During the third quarter of 2012, the Bank recorded an initial bargain purchase gain of $27.1 million as a result of the FCB acquisition. The bargain purchase gain was realized because the overall price paid by the Bank was substantially less than the fair value of the FCB assets acquired and liabilities assumed in the acquisition. During the fourth quarter of 2012, the Bank posted adjustments to the acquired assets for its FDIC-assisted acquisition in the determination of day-one fair values and recorded a net increase to the bargain purchase gain of $712,000, as additional information relative to the day-one fair values became available. During the first quarter of 2013, the Bank posted its final recast adjustment which resulted in an increase of $1.3 million to the bargain purchase gain.

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Information obtained subsequent to September 7, 2012 and through March 31, 2013 was considered in forming FCB estimates of cash flows and collateral values as of the September 7, 2012 acquisition date, i.e., FCB s day-one fair values. Day-one fair values for FCB were considered final as of March 31, 2013, which was the date the Bank believed it had received all the information necessary to determine FCB s day-one fair values.

A summary of the assets acquired and liabilities assumed in the FCB acquisition, including recast adjustments, follows:

First Commercial Bank

	September 7, 2012			
	As Previously Reported		As Recasted	
(in thousands)	Contractual Amount	Fair Value Adjustments	2012 & 2013 Recast Adjustments	Fair Value
Assets acquired :				
Cash and cash equivalents	$ 10,524	$	$	$ 10,524
Securities available for sale	12,002			12,002
Loans	171,744	(44,214)	2,821	130,351
Federal Home Loan Bank stock, at cost	407			407
Other real estate owned	19,360	(8,389)	(785)	10,186
Core deposit intangible		559		559
Discount	(79,412)	79,412		
FDIC settlement receivable	64,326			64,326
Other assets and accrued interest receivable	829	(95)		734
Total assets acquired	$ 199,780	$ 27,273	$ 2,036	$ 229,089
Liabilities assumed:				
Deposits:				
Non interest-bearing	$ 7,197	$	$	$ 7,197
Interest-bearing	189,057	(3)		189,054
Total deposits	196,254	(3)		196,251
Federal Home Loan Bank advances	3,002	63		3,065
Accrued income taxes payable		9,706	712	10,418
Other liabilities and accrued interest payable	524	101		625
Total liabilities assumed	$ 199,780	$ 9,867	$ 712	$ 210,359
Equity:				
Bargain purchase gain, net of taxes		17,406	1,324	18,730
Total liabilities assumed and equity	$ 199,780	$ 27,273	$ 2,036	$ 229,089

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A summary of the net assets acquired from the FDIC and the estimated fair value adjustments as of the FCB acquisition date follows:

First Commercial Bank

	September 7, 2012			
(in thousands)	As Previously Reported	Fourth Quarter 2012 Recast Adjustments	First Quarter 2013 Recast Adjustments	As Recasted
Assets acquired, at contractual amount	$ 214,866	$	$	$ 214,866
Liabilities assumed, at contractual amount	(199,780)			(199,780)
Net liabilities assumed per the P&A Agreement	15,086			15,086
Contractual discount	(79,412)			(79,412)
Net receivable from the FDIC	$ (64,326)	$	$	$ (64,326)
Fair value adjustments:				
Loans	$ (44,214)	$ 423	$ 2,398	$ (41,393)
Other real estate owned	(8,389)	289	(1,074)	(9,174)
Core deposit intangible	559			559
Deposits	3			3
Federal Home Loan Bank advances	(63)			(63)
Other assets and accrued interest receivable	(95)			(95)
All other	(101)			(101)
Total fair value adjustments	(52,300)	712	1,324	(50,264)
Discount	79,412			79,412
Bargain purchase gain, pre-tax	$ 27,112	$ 712	$ 1,324	$ 29,148

On September 7, 2012, the Bank did not immediately acquire the FCB banking facility, including outstanding lease agreements and furniture, fixtures and equipment. The Bank acquired all data processing equipment and fixed assets totaling approximately $328,000 during the fourth quarter of 2012. During the first quarter of 2013, the Bank renegotiated a new lease with the landlord related to the sole banking facility and acquired all related data processing equipment and fixed assets totaling approximately $233,000.

In October 2013, Republic gave the required 90-day regulatory notice of its intentions to close its sole banking center location in Minneapolis, Minnesota, which it acquired in connection with the FCB acquisition in September 2012. The Bank is currently under a lease for this location which is set to expire in April 2015. The Bank intends to repurpose the location as a support office until the expiration of its lease or until such time that it is able to negotiate with the landlord a buy-out of its future lease obligations. The banking center is expected to stop transacting business at the Minnesota location with deposit customers in January 2014. The core deposit intangible asset associated with the FCB acquisition totaled $289,000 at September 30, 2013. The Bank intends to accelerate the amortization of this asset in connection with its notice to repurpose the former FCB banking center.

FAIR VALUE METHODS ASSOCIATED WITH THE 2012 FDIC-ASSISTED ACQUISITIONS OF FAILED BANKS

The following is a description of the methods used to determine the fair values of significant assets and liabilities at the respective acquisition dates as presented throughout:

Cash and Due from Banks and Interest-bearing Deposits in Banks The carrying amount of these assets, adjusted for any cash items deemed uncollectible by management, was determined to be a reasonable estimate of fair value based on their short-term nature.

Investment Securities Investment securities were acquired at fair value from the FDIC. The fair values provided by the FDIC were reviewed and considered reasonable based on management s understanding of the marketplace. Federal Home

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Loan Bank (FHLB) stock was acquired at cost, as it is not practicable to determine its fair value given restrictions on its marketability.

With the TCB acquisition, the Bank acquired $43 million in securities at fair value. The majority of the securities acquired were subsequently sold or called during the first quarter of 2012, with the Bank realizing a net gain on the corresponding transactions of approximately $56,000. The Bank sold these securities because management determined that the acquired securities did not fit within the Bank s traditional investment strategies.

With the FCB acquisition, the Bank acquired $12 million in securities at fair value. The nature of these securities acquired was consistent with the Bank s existing investment portfolio and the Bank elected to retain these securities.

Loans Fair values for loans were based on a discounted cash flow methodology that considered factors including the type of loan and related collateral, classification status, interest rate, term of loan and whether or not the loan was amortizing, and a discount rate reflecting current market rates for new originations of comparable loans adjusted for the risk inherent in the cash flow estimates.

Certain loans that were deemed to be collateral dependent were valued based on the fair value of the underlying collateral. These estimates were 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 related factors to estimate the current value of the collateral.

With the TCB acquisition, the Bank purchased approximately $99 million in loans with a recasted fair value of approximately $74 million. During 2012, the FDIC repurchased approximately $20 million of TCB loans at a price of par less the original discount of $3 million that the Bank received when it purchased the loans. Loans repurchased by the FDIC were valued at the contractual amount reduced by the applicable discount.

With the FCB acquisition, the Bank purchased approximately $172 million in loans with a recasted fair value of approximately $130 million.

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The composition of acquired loans as of the respective acquisition dates follows:

Tennessee Commerce Bank

	January 27, 2012			
	As Previously Reported		As Recasted	
(in thousands)	Contractual Amount	Fair Value Adjustments	2012 Recast Adjustments	Fair Value
Residential real estate	$ 22,693	$ (4,076)	$ 243	$ 18,860
Commercial real estate	18,646	(6,971)	1,988	13,663
Construction & Land Development	14,877	(2,681)	(1,972)	10,224
Commercial	13,224	(6,939)	496	6,781
Home equity	6,220	(606)	24	5,638
Consumer:				
Credit cards	608	(22)		586
Overdrafts	672	(621)		51
Other consumer	2,172	(750)	51	1,473
Total loans	$ 79,112	$ (22,666)	$ 830	$ 57,276

First Commercial Bank

	September 7, 2012			
	As Previously Reported		As Recasted	
(in thousands)	Contractual Amount	Fair Value Adjustments	2012 & 2013 Recast Adjustments	Fair Value
Residential real estate	$ 48,409	$ (9,634)	$ 180	$ 38,955
Commercial real estate	82,161	(12,330)	(1,746)	68,085
Construction & Land Development	14,918	(6,182)	316	9,052
Commercial	25,475	(16,060)	4,120	13,535
Home equity	404	(3)		401
Consumer:				
Credit cards				
Overdrafts	6			6
Other consumer	371	(5)	(49)	317
Total loans	$ 171,744	$ (44,214)	$ 2,821	$ 130,351

The following tables present the purchased loans that are included within the scope of ASC Topic 310-30, *Accounting for Purchased Loans with Deteriorated Credit Quality,* at the respective acquisition dates:

Tennessee Commerce Bank

(in thousands)	As Previously Reported	January 27, 2012 2012 Recast Adjustments	As Recasted
Contractually-required principal and interest payments	$ 52,278	$	$ 52,278
Non-accretable difference	(21,308)	903	(20,405)
Cash flows expected to be collected	30,970	903	31,873
Accretable difference	(425)	(73)	(498)
Fair value of loans	$ 30,545	$ 830	$ 31,375

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First Commercial Bank

(in thousands)		As Previously Reported		September 7, 2012 2012 & 2013 Recast Adjustments		As Recasted
Contractually-required principal and interest payments	$	116,940	$	4,213	$	121,153
Non-accretable difference		(33,523)		4,640		(28,883)
Cash flows expected to be collected		83,417		8,853		92,270
Accretable difference		(2,827)		(1,819)		(4,646)
Fair value of loans	$	80,590	$	7,034	$	87,624

Core Deposit Intangible In its assumption of the deposit liabilities for the 2012 FDIC-assisted acquisitions, the Bank believed that the customer relationships associated with these deposits had intangible value, although this value was anticipated to be modest given the nature of the deposit accounts and the anticipated rapid account run-off since acquired. The Bank recorded core deposit intangible assets of $64,000 and $559,000 related to the TCB and FCB acquisitions. The fair value of these intangible assets were estimated based on a discounted cash flow methodology that gave appropriate consideration to type of deposit, deposit retention, cost of the deposit base and net maintenance cost attributable to customer deposits.

Other Real Estate Owned (OREO) OREO is presented at fair value, which is the estimated value that management expects to receive when the property is sold, net of related costs to sell. These estimates were 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 related factors to estimate the current value of the property.

The Bank acquired $14 million in OREO related to the TCB acquisition, which was initially reduced by a $3 million fair value adjustment as of January 27, 2012. Subsequent to the first quarter, the Bank posted a net negative recast adjustment of $1 million to OREO to mark several properties to market based on appraisals received.

The Bank acquired $19 million in OREO related to the FCB acquisition, which was initially reduced by an $8 million fair value adjustment as of September 7, 2012. During the fourth quarter of 2012 and the first quarter of 2013, the Bank posted a net negative recast adjustment of $785,000 to OREO to mark several properties to market based on appraisals received.

FHLB Advances The Bank acquired $3 million in FHLB advances related to the FCB acquisition. The advances were marked to market as of the acquisition date based on early prepayment payoffs (including penalties) received from the FHLB.
The Bank paid off the advances during the third quarter of 2012 at no additional loss beyond the fair value adjustment as of their date of acquisition.

Deposits The fair values used for the demand and savings deposits that comprise the acquisition accounts acquired, by definition, equal the amount payable on demand at the acquisition date. The fair values for time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered to the interest rates embedded on such time deposits.

The Bank assumed $947 million in deposits at estimated fair value in connection with the TCB acquisition. As permitted by the FDIC, within seven days of the acquisition date, RB&T had the option to disclose to TCB s deposit customers that it was repricing the acquired deposit portfolios. In addition, depositors had the option to withdraw funds without penalty. The Bank chose to reprice all of the acquired TCB interest-bearing deposits, including transaction, time and brokered deposits with an effective date of January 28, 2012. This re-pricing triggered significant time and brokered deposit run-off consistent with management s expectations.

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The Bank assumed $196 million in deposits at estimated fair value in connection with the FCB acquisition. The Bank chose to re-price all of the acquired FCB time deposits with an effective date of October 1, 2012. This re-pricing triggered certificate of deposit run-off consistent with management s expectations.

The composition of deposits assumed at fair value as of the respective acquisition dates follows:

Tennessee Commerce Bank

	January 27, 2012			
(in thousands)	**Contractual Amount**	**Fair Value Adjustments**	**Recast Adjustments**	**Fair Value**
Demand	$ 3,190	$	$	$ 3,190
Money market accounts	11,338			11,338
Savings	91,859			91,859
Individual retirement accounts*	15,486			15,486
Time deposits, $100,000 and over*	278,825			278,825
Other certificates of deposit*	108,003	14		108,017
Brokered certificates of deposit*	418,940	40		418,980
Total interest-bearing deposits	927,641	54		927,695
Total non interest-bearing deposits	19,754			19,754
Total deposits	$ 947,395	$ 54	$	$ 947,449

First Commercial Bank

	September 7, 2012			
(in thousands)	**Contractual Amount**	**Fair Value Adjustments**	**Recast Adjustments**	**Fair Value**
Demand	$ 4,003	$	$	$ 4,003
Money market accounts	38,187			38,187
Savings				
Individual retirement accounts*	16,780			16,780
Time deposits, $100,000 and over*	14,740			14,740
Other certificates of deposit*	62,033			62,033
Brokered certificates of deposit*	53,314	(3)		53,311
Total interest-bearing deposits	189,057	(3)		189,054
Total non interest-bearing deposits	7,197			7,197
Total deposits	$ 196,254	$ (3)	$	$ 196,251

** - denotes a time deposit*

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3. 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 were as follows:

September 30, 2013 (in thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$ 122,401	$ 615	$ (83)	$ 122,933
Private label mortgage backed security	5,036	421		5,457
Mortgage backed securities - residential	156,656	4,744	(288)	161,112
Collateralized mortgage obligations	176,625	1,629	(1,036)	177,218
Corporate bonds	15,016	2	(114)	14,904
Total securities available for sale	$ 475,734	$ 7,411	$ (1,521)	$ 481,624

December 31, 2012 (in thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$ 38,931	$ 547	$ (6)	$ 39,472
Private label mortgage backed security	5,684	3		5,687
Mortgage backed securities - residential	190,569	6,641		197,210
Collateralized mortgage obligations	194,427	1,580	(130)	195,877
Total securities available for sale	$ 429,611	$ 8,771	$ (136)	$ 438,246

Securities to be held to maturity:

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

September 30, 2013 (in thousands)	Carrying Value	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$ 2,329	$ 9	$ (12)	$ 2,326
Mortgage backed securities - residential	423	42		465
Collateralized mortgage obligations	44,305	487	(14)	44,778

Corporate bonds		5,000				(161)		4,839
Total securities to be held to maturity	$	52,057	$	538	$	(187)	$	52,408

December 31, 2012 (in thousands)		**Carrying Value**		**Gross Unrecognized Gains**		**Gross Unrecognized Losses**		**Fair Value**
U.S. Treasury securities and U.S. Government agencies	$	4,388	$	27	$		$	4,415
Mortgage backed securities - residential		827		63				890
Collateralized mortgage obligations		40,795		316				41,111
Total securities to be held to maturity	$	46,010	$	406	$		$	46,416

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During the three and nine months ended September 30, 2013, there were no sales or calls of securities available for sale. During the nine months ended September 30, 2012, the Bank recognized net securities gains in earnings for securities available for sale as follows:

- The Bank sold six available for sale securities acquired in the TCB acquisition with an amortized cost of $35 million, resulting in a pre-tax gain of $53,000 during the first quarter of 2012.

- The Bank realized $3,000 in pre-tax gains related to unamortized discount accretion on $10 million of callable U.S. Government agencies that were called before their maturity during the first quarter of 2012.

The tax provision related to the Bank s realized gains totaled $0 and $20,000 for the three and nine months ended September 30, 2012, respectively.

The amortized cost and fair value of the investment securities portfolio by contractual maturity at September 30, 2013 follows. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations whether or not there are associated call or prepayment penalties. Securities not due at a single maturity date are detailed separately.

	Securities available for sale		Securities held to maturity	
September 30, 2013 (in thousands)	**Amortized Cost**	**Fair Value**	**Carrying Value**	**Fair Value**
Due in one year or less	$ 11,185	$ 11,315	$	$
Due from one year to five years	113,719	114,146	2,329	2,326
Due from five years to ten years	12,513	12,376	5,000	4,839
Due beyond ten years				
Private label mortgage backed security	5,036	5,457		
Mortgage backed securities - residential	156,656	161,112	423	465
Collateralized mortgage obligations	176,625	177,218	44,305	44,778
Total securities	$ 475,734	$ 481,624	$ 52,057	$ 52,408

Corporate Bonds

During the nine months ended September 30, 2013, the Bank purchased $20 million in floating rate corporate bonds with an initial weighted average yield of 1.36%. The bonds, which have a weighted average life of seven years, were rated investment grade by accredited rating agencies as of their respective purchase dates. The total fair value of the Bank s corporate bonds represented 4% of the Bank s investment portfolio as of September 30, 2013.

Mortgage backed Securities

At September 30, 2013, with the exception of the $6 million private label mortgage backed security, all other mortgage backed securities held by the Bank were issued by U.S. government-sponsored entities and agencies, primarily Freddie Mac (FHLMC) and Fannie Mae (FNMA), institutions that the government has affirmed its commitment to support. At September 30, 2013 and December 31, 2012, there were gross unrealized/unrecognized losses of $1.3 million and $130,000 related to available for sale mortgage backed securities. Because the decline in fair value of these mortgage backed 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 other-than-temporarily impaired.

At September 30, 2013 and December 31, 2012, 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.

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Market Loss Analysis

Securities with unrealized losses at September 30, 2013 and December 31, 2012, 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	
September 30, 2013 (in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Available for sale						
U.S. Treasury securities and U.S. Government agencies	$ 11,321	$ (83)	$	$	$ 11,321	$ (83)
Mortgage backed securities - residential	19,153	(288)			19,153	(288)
Collateralized mortgage obligations	40,356	(1,036)			40,356	(1,036)
Corporate bonds	9,886	(114)			9,886	(114)
Total available for sale	$ 80,716	$ (1,521)	$	$	$ 80,716	$ (1,521)

	Less than 12 months		12 months or more		Total	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Held to maturity						
U.S. Treasury securities and U.S. Government agencies	$ 524	$ (12)	$	$	$ 524	$ (12)
Collateralized mortgage obligations	9,741	(14)			9,741	(14)
Corporate bonds	4,839	(161)			4,839	(161)
Total held to maturity	$ 15,104	$ (187)	$	$	$ 15,104	$ (187)

	Less than 12 months		12 months or more		Total	
December 31, 2012 (in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Available for sale						
U.S. Treasury securities and U.S. Government agencies	$ 3,588	$ (6)	$	$	$ 3,588	$ (6)
Collateralized mortgage obligations	20,508	(130)			20,508	(130)
Total available for sale	$ 24,096	$ (136)	$	$	$ 24,096	$ (136)

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At September 30, 2013, the Bank s security portfolio consisted of 165 securities, 19 of which were in an unrealized loss position. At December 31, 2012, the Bank s security portfolio consisted of 153 securities, seven 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 their 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 in fair value 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 $6 million at September 30, 2013. This security, with an average remaining life currently estimated at four 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 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 7 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)	**September 30, 2013**	**December 31, 2012**
Carrying amount	$ 177,286	$ 334,560
Fair value	177,761	334,843

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4. LOANS AND ALLOWANCE FOR LOAN AND LOSSES

The composition of the loan portfolio follows:

(in thousands)	September 30, 2013	December 31, 2012
Residential real estate:		
Owner occupied	$ 1,100,633	$ 1,145,495
Non owner occupied	109,641	74,539
Commercial real estate	766,813	714,642
Commercial real estate - purchased whole loans	34,017	33,531
Construction & land development	53,618	68,214
Commercial	114,416	130,681
Warehouse lines of credit	122,810	216,576
Home equity	225,556	241,607
Consumer:		
Credit cards	8,948	8,716
Overdrafts	851	955
Other consumer	16,132	15,241
Total loans	2,553,435	2,650,197
Less: Allowance for loan losses	23,492	23,729
Total loans, net	$ 2,529,943	$ 2,626,468

2012 FDIC- Assisted Acquisitions of Failed Banks

The contractual amount of the loans associated with the TCB transaction decreased from $79 million as of the acquisition date to $35 million as of September 30, 2013. The carrying value of these loans was $57 million as of the acquisition date compared to $29 million as of September 30, 2013.

The contractual amount of the loans associated with the FCB transaction decreased from $172 million as of the acquisition date to $99 million as of September 30, 2013. The carrying value of these loans was $130 million as of the acquisition date compared to $77 million as of September 30, 2013.

The composition of TCB and FCB loans outstanding at September 30, 2013 and December 31, 2012 follows:

September 30, 2013 (in thousands)	Tennessee Commerce Bank	First Commercial Bank	Total Acquired Banks

Residential real estate	$ 9,502	$ 21,110	$ 30,612
Commercial real estate	13,484	50,257	63,741
Construction & land development	901	1,886	2,787
Commercial	251	3,678	3,929
Home equity	4,292	400	4,692
Consumer:			
Credit cards	213		213
Overdrafts	3	3	6
Other consumer	81	159	240
Total loans	$ 28,727	$ 77,493	$ 106,220

The above table is inclusive of loans originated subsequent to the respective acquisition dates.

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December 31, 2012 (in thousands)	**Tennessee Commerce Bank**	**First Commercial Bank**	**Total Acquired Banks**
Residential real estate	$ 12,270	$ 32,459	$ 44,729
Commercial real estate	8,015	61,758	69,773
Construction & land development	4,235	3,301	7,536
Commercial	1,284	9,405	10,689
Home equity	4,183	385	4,568
Consumer:			
Credit cards	321		321
Overdrafts	1	11	12
Other consumer	655	333	988
Total loans	$ 30,964	$ 107,652	$ 138,616

The tables below reconcile the contractually-required and carrying amounts of acquired TCB and FCB loans at September 30, 2013 and December 31, 2012:

September 30, 2013 (in thousands)	**Tennessee Commerce Bank**	**First Commercial Bank**	**Total Acquired Banks**
Contractually-required principal	$ 34,890	$ 98,648	$ 133,538
Non-accretable difference	(5,089)	(18,433)	(23,522)
Accretable difference	(1,074)	(2,722)	(3,796)
Total carrying value of loans	$ 28,727	$ 77,493	$ 106,220

December 31, 2012 (in thousands)	**Tennessee Commerce Bank**	**First Commercial Bank**	**Total Acquired Banks**
Contractually-required principal	$ 42,188	$ 139,156	$ 181,344
Non-accretable difference	(10,393)	(28,870)	(39,263)
Accretable difference	(831)	(2,634)	(3,465)
Total carrying value of loans	$ 30,964	$ 107,652	$ 138,616

See additional discussion regarding the TCB and FCB acquisitions under Footnote 2   2012 FDIC-Assisted Acquisitions of Failed Banks   in this section of the filing.

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Credit Quality Indicators

Based on the Bank s internal analysis performed, the risk category of loans by class follows:

September 30, 2013 (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	$		$	28,758	$	9,348	$		$	3,138	$		$	41,244
Non owner occupied				1,487		1,601				8,658				11,746
Commercial real estate		697,013		13,130		21,648				35,022				766,813
Commercial real estate - Purchased whole loans		34,017												34,017
Construction & land development		48,688		1,712		1,822				1,396				53,618
Commercial		109,880		2,262		95				1,956		223		114,416
Warehouse lines of credit		122,810												122,810
Home equity				332		1,593								1,925
Consumer:														
Credit cards														
Overdrafts														
Other consumer				51		70				34				155
Total rated loans	$	1,012,408	$	47,732	$	36,177	$		$	50,204	$	223	$	1,146,744

[redacted]						
Residential real estate:						
[redacted]						
Non owner occupied		2,616	3,350		20,190	26,156
[redacted]						
Commercial real estate -						
[redacted]						
Construction & land development	61,555	1,088	3,878		1,692	68,213
[redacted]						
Warehouse lines of credit	216,576					216,576
[redacted]						
Consumer:						
[redacted]						
Overdrafts						
[redacted]						
[redacted]						

** - Special Mention and Substandard loans include $2 million and $6 million at September 30, 2013 and $4 million and $11 million at December 31, 2012, respectively, which were removed from the Purchased Credit Impaired population due to a post-acquisition troubled debt restructuring of the loan.*

*** - Purchased Credit Impaired loans   Group 1 (PCI-1) represent loans whose cash flow expectations reflect no projected additional loss to contractual principal beyond the amount of the loan s non-accretable yield that was established as part of its initial acquisition value. PCI-1 loans are considered impaired if the timing of the loan s projected cash flows deteriorate from management s initial projections.*

**** - Purchased Credit Impaired loans - Substandard (PCI-Sub) represent former PCI-1 loans downgraded subsequent to day-one due to projected further impairment to contractual principal beyond the loan s initial non-accretable yield that was established as part of its initial acquisition value. PCI-Sub loans are considered impaired and have required additional loan loss provisions.*

***** - The above tables exclude all non-classified residential real estate and consumer loans at the respective period ends. The tables also exclude most non classified small commercial and commercial real estate relationships totaling $100,000 or less. These loans are not rated since they are accruing interest and not past due 80 days or more.*

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Allowance for Loan Losses (Allowance)

Activity in the Allowance follows:

[redacted]				
Allowance for loan losses at beginning of period	$ 22,491	$ 22,510	$ 23,729	$ 24,063
[redacted]				
Charge offs - Traditional Banking	(1,627)	(1,220)	(4,744)	(7,444)
[redacted]				
Total charge offs	(1,627)	(1,220)	(4,744)	(18,541)
[redacted]				
Recoveries - Traditional Banking	371	267	1,231	976
[redacted]				
Total recoveries	428	727	2,027	4,859
[redacted]				
Net loan (charge offs) recoveries - Traditional Banking	(1,256)	(953)	(3,513)	(6,468)
[redacted]				
Net loan (charge offs) recoveries	(1,199)	(493)	(2,717)	(13,682)
[redacted]				
Provision for loan losses - Traditional Banking	2,257	2,543	3,276	6,505
[redacted]				
Total provision for loan losses	2,200	2,083	2,480	13,719
[redacted]				
Allowance for loan losses at end of period	$ 23,492	$ 24,100	$ 23,492	$ 24,100

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 loan portfolio;
- Changes in experience, ability and depth of lending management and other relevant staff;
- Changes in the quality of the Bank s loan 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-accrual and classified loans;
- Changes in the value of underlying collateral for collateral-dependent loans;

- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectibility of the loan portfolio, 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 September 30, 2013 and 2012:

Three Months Ended September 30, 2013 (in thousands)	Residential Real Estate Owner Occupied	Residential Real Estate Non Owner Occupied	Commercial Real Estate	Commercial Real Estate - Purchased Whole Loans	Construction & Land Development	Commercial	Warehouse Lines of Credit
Beginning balance	$ 7,563	$ 642	$ 8,763	$ 34	$ 1,587	$ 710	$ 462
Provision for loan losses	1,198	157	686		16	232	(143)
Loans charged off	(578)	(67)	(307)		(16)	(102)	
Recoveries	20	59	38		7	19	
Ending balance	$ 8,203	$ 791	$ 9,180	$ 34	$ 1,594	$ 859	$ 319

(continued)

[redacted]						
Beginning balance	$ 1,932	$	$ 344	$ 249	$ 205	**$ 22,491**
[redacted]						
Loans charged off	(218)		(60)	(169)	(110)	**(1,627)**
[redacted]						
[redacted]						

[redacted]							
Beginning balance	$ 6,190	$ 897	$ 8,271	$ 40	$ 3,097	$ 603	$ 223
[redacted]							
Loans charged off	(348)	(20)	(37)			(11)	
[redacted]							
[redacted]							

(continued)

[redacted]						
Beginning balance	$ 2,691	$	$ 192	$ 125	$ 181	**$ 22,510**
[redacted]						

Loans charged off	(633)	(9)	(100)	(62)	**(1,220)**

[redacted]

[redacted]

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The following tables present the activity in the Allowance by portfolio class for the nine months ended September 30, 2013 and 2012:

[redacted]							
Beginning balance	$ 7,006	$ 1,049	$ 8,843	$ 34	$ 2,769	$ 580	$ 541
[redacted]							
Loans charged off	(1,291)	(225)	(972)		(616)	(412)	
[redacted]							
[redacted]							

(continued)

[redacted]						
Beginning balance	$ 2,348	$	$ 210	$ 198	$ 151	**$ 23,729**
[redacted]						
Loans charged off	(354)		(120)	(474)	(280)	**(4,744)**
[redacted]						
[redacted]						

[redacted]							
Beginning balance	$ 5,212	$ 1,142	$ 7,724	$	$ 3,042	$ 1,025	$ 104
[redacted]							
Provision for loan losses	2,617	255	1,513	40	1,604	(293)	313
[redacted]							
Recoveries	183	14	70		83	21	
[redacted]							
Ending balance	$ 6,707	$ 1,239	$ 9,001	$ 40	$ 2,933	$ 735	$ 417

(continued)

[redacted]

Beginning balance	$ 2,984	$	$ 503	$ 135	$ 227	$ 1,965	**$ 24,063**
[redacted]							
Provision for loan losses	765	7,214	(293)	(14)	(2)		**13,719**
[redacted]							
Recoveries	73	3,883	33	332	167		**4,859**
[redacted]							
Ending balance	$ 2,411	$	$ 203	$ 152	$ 262	$	**$ 24,100**

** Allocation was made January 1, 2012 based on a methodology change to the Company s Allowance .*

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Non-performing Loans and Non-performing Assets

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

(dollars in thousands)	September 30, 2013	December 31, 2012
Loans on non-accrual status(1)	$ 18,407	$ 18,506
Loans past due 90 days-or-more and still on accrual(2)	1,839	3,173
Total non-performing loans	20,246	21,679
Other real estate owned	15,247	26,203
Total non-performing assets	$ 35,493	$ 47,882

Credit Quality Ratios:

Non-performing loans to total loans	0.79%	0.82%
Non-performing assets to total loans (including OREO)	1.38%	1.79%
Non-performing assets to total assets	1.07%	1.41%

---

(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.

Non-performing loans and non-performing asset balances related to the 2012 FDIC-assisted acquisitions, and included in the tables above at September 30, 2013 and December 31, 2012, are presented in the tables below:

September 30, 2013 (dollars in thousands)	Tennessee Commerce Bank	First Commercial Bank	Total Acquired Banks
Loans on non-accrual status(1)	$ 21	$ 18	$ 39
Loans past due 90 days-or-more and still on accrual(2)	414	1,425	1,839
Total non-performing loans	435	1,443	1,878
Other real estate owned	705	4,798	5,503
Total non-performing assets	$ 1,140	$ 6,241	$ 7,381

Credit Quality Ratios - Acquired Banks:	
Non-performing loans to total loans	1.77%
Non-performing assets to total loans (including OREO)	6.61%
Non-performing assets to total assets	6.57%

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

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

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December 31, 2012 (dollars in thousands)	Tennessee Commerce Bank	First Commercial Bank	Total Acquired Banks
Loans on non-accrual status (1)	$	$	$
Loans past due 90-days-or-more and still on accrual (2)	801	2,372	3,173
Total non-performing loans	801	2,372	3,173
Other real estate owned	2,100	12,398	14,498
Total non-performing assets	$ 2,901	$ 14,770	$ 17,671

Credit Quality Ratios - Acquired Banks:	
Non-performing loans to total loans	2.29%
Non-performing assets to total loans (including OREO)	11.54%
Non-performing assets to total assets	8.73%

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

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

See additional discussion regarding the TCB and FCB acquisitions under Footnote 2 2012 FDIC-Assisted Acquisitions of Failed Banks in this section of the filing.

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 Loans		Loans Past Due 90-Days-or-More and Still Accruing Interest	
(in thousands)	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Residential real estate:				
Owner occupied	$ 8,708	$ 9,298	$ 396	$ 730
Non owner occupied	1,482	1,376		
Commercial real estate	6,243	3,756	139	712
Commercial real estate - purchased whole loans				
Construction & land development	803	1,777	96	531
Commercial	329	334	1,208	1,200
Warehouse lines of credit				
Home equity	722	1,868		
Consumer:				
Credit cards				
Overdrafts				
Other consumer	120	97		

Total	$	18,407	$	18,506	$	1,839	$	3,173

Non-accrual loans and loans past due 90-days-or-more and still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Non-accrual loans are 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 payments are reasonably assured. Troubled debt restructurings (TDR s) 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. Loans past due 90-days-or-more and still on accrual currently only represent PCI loans accounted for under ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality.*

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Delinquent Loans

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

September 30, 2013 (dollars in thousands)	**30 - 59 Days Delinquent**	**60 - 89 Days Delinquent**	**Greater than 90 Days Delinquent***	**Total Loans Delinquent**	**Total Loans Not Delinquent**	**Total Loans**
Residential real estate:						
Owner occupied	$ 2,176	$ 1,572	$ 3,653	$ 7,401	$ 1,093,232	$ 1,100,633
Non owner occupied	342	983	131	1,456	108,185	109,641
Commercial real estate	703		2,417	3,120	763,693	766,813
Commercial real estate - purchased whole loans					34,017	34,017
Construction & land development		97	96	193	53,425	53,618
Commercial	4	129	1,392	1,525	112,891	114,416
Warehouse lines of credit					122,810	122,810
Home equity	720	8	355	1,083	224,473	225,556
Consumer:						
Credit cards	31	24		55	8,893	8,948
Overdrafts	141	2		143	708	851
Other consumer	73	17	21	111	16,021	16,132
Total	$ 4,190	$ 2,832	$ 8,065	$ 15,087	$ 2,538,348	$ 2,553,435
Delinquent loans to total loans	0.16%	0.11%	0.32%	0.59%		

December 31, 2012 (dollars in thousands)	**30 - 59 Days Delinquent**	**60 - 89 Days Delinquent**	**Greater than 90 Days Delinquent ***	**Total Loans Delinquent**	**Total Loans Not Delinquent**	**Total Loans**
Residential real estate:						
Owner occupied	$ 2,210	$ 1,978	$ 4,712	$ 8,900	$ 1,136,595	$ 1,145,495
Non owner occupied	907	1,128	864	2,899	71,640	74,539
Commercial real estate	103	486	2,051	2,640	712,002	714,642
Commercial real estate - purchased whole loans					33,531	33,531
Construction & land development		194	1,930	2,124	66,090	68,214
Commercial	222	733	1,307	2,262	128,419	130,681
Warehouse lines of credit					216,576	216,576
Home equity	521	251	882	1,654	239,953	241,607
Consumer:						
Credit cards	60	5		65	8,651	8,716
Overdrafts	167	1		168	787	955
Other consumer	102	28	2	132	15,109	15,241
Total	$ 4,292	$ 4,804	$ 11,748	$ 20,844	$ 2,629,353	$ 2,650,197
Delinquent loans to total loans	0.16%	0.18%	0.44%	0.79%		

** - All loans past due 90 days-or-more, excluding PCI loans, as of September 30, 2013 and December 31, 2012 were on non-accrual status.*

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An aging of the recorded investment in past due loans related to the 2012 FDIC-assisted acquisitions and included in the preceding tables at September 30, 2013 and December 31, 2012, are presented below:

September 30, 2013 (dollars in thousands)	**30 - 59 Days Delinquent**	**60 - 89 Days Delinquent**	**Greater than 90 Days Delinquent ***	**Total Loans Delinquent**	**Total Loans Not Delinquent**	**Total Acquired Bank Loans**
Residential real estate	$ 344	$ 585	$ 397	$ 1,326	$ 29,286	$ 30,612
Commercial real estate			139	139	63,602	63,741
Construction & land development			96	96	2,691	2,787
Commercial		129	1,207	1,336	2,593	3,929
Home equity					4,692	4,692
Consumer:						
Credit cards					213	213
Overdrafts					6	6
Other consumer	3		21	24	216	240
Total	$ 347	$ 714	$ 1,860	$ 2,921	$ 103,299	$ 106,220
Delinquent acquired bank loans to total acquired bank loans	0.33%	0.67%	1.75%	2.75%		

December 31, 2012 (dollars in thousands)	**30 - 59 Days Delinquent**	**60 - 89 Days Delinquent**	**Greater than 90 Days Delinquent ***	**Total Loans Delinquent**	**Total Loans Not Delinquent**	**Total Acquired Bank Loans**
Residential real estate	$ 159	$ 1,430	$ 729	$ 2,318	$ 42,411	$ 44,729
Commercial real estate		165	698	863	68,910	69,773
Construction & land development		194	531	725	6,811	7,536
Commercial		732	1,215	1,947	8,742	10,689
Home equity	83			83	4,485	4,568
Consumer:						
Credit cards					321	321
Overdrafts					12	12
Other consumer	4	27		31	957	988
Total	$ 246	$ 2,548	$ 3,173	$ 5,967	$ 132,649	$ 138,616
Delinquent acquired bank loans to total acquried bank loans	0.18%	1.84%	2.29%	4.30%		

** - All loans past due 90 days-or-more, excluding PCI loans, as of September 30, 2013 and December 31, 2012 were on non-accrual status.*

See additional discussion regarding the TCB and FCB acquisitions under Footnote 2 2012 FDIC-Assisted Acquisitions of Failed Banks in this section of the filing.

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Impaired Loans

The Bank defines impaired loans as follows:

- All loans internally rated as Substandard, PCI-Sub, Doubtful or Loss;
- 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 collection of total amount due for a loan is improbable or otherwise meets the definition of impaired.

Information regarding the Bank s impaired loans follows:

(in thousands)		September 30, 2013		December 31, 2012
Loans with no allocated allowance for loan losses	$	25,835	$	36,325
Loans with allocated allowance for loan losses		78,298		69,382
Total impaired loans	$	104,133	$	105,707
Amount of the allowance for loan losses allocated	$	7,304	$	8,531

Approximately $29 million and $18 million of impaired loans at September 30, 2013 and December 31, 2012 were loans acquired in the Bank s 2012 FDIC-assisted acquisitions. Approximately $9 million of the loans acquired during 2012 became classified during 2013 as impaired through a troubled debt restructuring. *See additional discussion regarding the TCB and FCB acquisitions under Footnote 2 2012 FDIC-Assisted Acquisitions of Failed Banks in this section of the filing.*

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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 September 30, 2013 and December 31, 2012:

September 30, 2013 (in thousands)	Residential Real Estate Owner Occupied	Residential Real Estate Non Owner Occupied	Commercial Real Estate	Commercial Real Estate - Purchased Whole Loans	Construction & Land Development	Commercial	Warehouse Lines of Credit
Allowance for loan losses:							
Ending allowance balance attributable to loans:							
Individually evaluated for impairment, excluding PCI loans	$ 3,788	$ 86	$ 1,762	$	$ 268	$ 14	$
Collectively evaluated for impairment	4,376	489	6,878	34	1,319	501	319
PCI loans with post acquisition impairment	39	216	540		7	344	
PCI loans without post acquisition impairment							
Total ending allowance for loan losses	$ 8,203	$ 791	$ 9,180	$ 34	$ 1,594	$ 859	$ 319
Loans:							
Impaired loans individually evaluated, excluding PCI loans	$ 39,312	$ 2,500	$ 31,805	$	$ 3,514	$ 4,576	$
Loans collectively evaluated for impairment	1,058,185	98,482	699,986	34,017	48,708	107,660	122,810
PCI loans with post acquisition impairment	1,231	5,875	10,687		317	1,890	
PCI loans without post acquisition impairment	1,905	2,784	24,335		1,079	290	
Total ending loan balance	$ 1,100,633	$ 109,641	$ 766,813	$ 34,017	$ 53,618	$ 114,416	$ 122,810

(continued)

	Home Equity	Consumer Credit Cards	Consumer Overdrafts	Consumer Other Consumer	Total
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment, excluding PCI loans	$ 185	$	$	$ 54	$ 6,157
Collectively evaluated for impairment	1,688	270	201	113	16,188
PCI loans with post acquisition impairment				1	1,147

PCI loans without post acquisition impairment										
Total ending allowance for loan losses	$	1,873	$	270	$	201	$	168	$	23,492
Loans:										
Impaired loans individually evaluated, excluding PCI loans	$	2,297	$		$		$	121	$	84,125
Loans collectively evaluated for impairment		223,259		8,948		851		15,977		2,418,883
PCI loans with post acquisition impairment								8		20,008
PCI loans without post acquisition impairment								26		30,419
Total ending loan balance	$	225,556	$	8,948	$	851	$	16,132	$	2,553,435

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December 31, 2012 (in thousands)	Residential Real Estate Owner Occupied	Residential Real Estate Non Owner Occupied	Commercial Real Estate	Commercial Real Estate - Purchased Whole Loans	Construction & Land Development	Commercial	Warehouse Lines of Credit
Allowance for loan losses:							
Ending allowance balance attributable to loans:							
Individually evaluated for impairment, excluding PCI loans	$ 3,032	$ 521	$ 2,919	$	$ 1,157	$ 348	$
Collectively evaluated for impairment	3,972	527	5,924	34	1,612	232	541
PCI loans with post acquisition impairment	2	1					
PCI loans without post acquisition impairment							
Total ending allowance for loan losses	$ 7,006	$ 1,049	$ 8,843	$ 34	$ 2,769	$ 580	$ 541
Loans:							
Impaired loans individually evaluated, excluding PCI loans	$ 44,429	$ 4,235	$ 40,593	$	$ 5,268	$ 6,972	$
Loans collectively evaluated for impairment	1,080,792	67,974	629,687	33,531	61,254	119,429	216,576
PCI loans with post acquisition impairment	136	184					
PCI loans without post acquisition impairment	20,138	2,146	44,362		1,692	4,280	
Total ending loan balance	$ 1,145,495	$ 74,539	$ 714,642	$ 33,531	$ 68,214	$ 130,681	$ 216,576

(continued)

	Home Equity	Consumer Credit Cards	Consumer Overdrafts	Consumer Other Consumer	Total
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment, excluding PCI loans	$ 496	$	$	$ 55	$ 8,528
Collectively evaluated for impairment	1,852	210	198	96	15,198
PCI loans with post acquisition impairment					3
PCI loans without post acquisition impairment					
Total ending allowance for loan losses	$ 2,348	$ 210	$ 198	$ 151	$ 23,729

Loans:										
Impaired loans individually evaluated, excluding PCI loans	$	3,420	$		$		$	470	$	105,387
Loans collectively evaluated for impairment		238,187		8,716		955		14,731		2,471,832
PCI loans with post acquisition impairment										320
PCI loans without post acquisition impairment								40		72,658
Total ending loan balance	$	241,607	$	8,716	$	955	$	15,241	$	2,650,197

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The following tables present loans individually evaluated for impairment by class of loans as of September 30, 2013 and December 31, 2012 and for the three and nine months ended September 30, 2013 and 2012. 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.

	Ending Balance As of September 30, 2013			Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
(in thousands)	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance recorded:							
Residential real estate:							
Owner occupied	$ 3,152	$ 3,147	$	$ 6,088	$ 35	$ 9,876	$ 89
Non owner occupied	1,508	1,293		1,269		1,411	18
Commercial real estate	13,953	13,884		18,566	451	18,382	809
Commercial real estate - purchased whole loans							
Construction & land development	1,837	1,837		1,930	73	2,126	127
Commercial	4,426	4,378		3,460	204	3,770	413
Warehouse lines of credit							
Home equity	1,342	1,296		1,724	34	1,867	64
Consumer:							
Credit cards							
Overdrafts							
Other consumer				37		221	
Impaired loans with an allowance recorded:							
Residential real estate:							
Owner occupied	38,261	37,396	3,827	36,008	315	33,841	876
Non owner occupied	7,082	7,082	302	5,688	166	4,661	208
Commercial real estate	29,622	28,608	2,302	26,508	549	26,055	998
Commercial real estate - purchased whole loans							
Construction & land development	2,090	1,994	275	2,000	30	2,674	75
Commercial	2,088	2,088	358	2,641	21	2,702	27
Warehouse lines of credit							
Home equity	1,027	1,001	185	1,026	21	1,289	41
Consumer:							
Credit cards							
Overdrafts							
Other consumer	129	129	55	116	1	92	3
Total impaired loans	$ 106,517	$ 104,133	$ 7,304	$ 107,061	$ 1,900	$ 108,967	$ 3,748

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(in thousands)	Ending Balance As of December 31, 2012			Three Months Ended September 30, 2012		Nine Months Ended September 30, 2012	
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance recorded:							
Residential real estate:							
Owner occupied	$ 13,299	$ 13,107	$	$ 28,249	$ 177	$ 25,378	$ 397
Non owner occupied	955	794		2,097	138	1,539	138
Commercial real estate	14,293	14,293		10,416	404	8,924	456
Commercial real estate - purchased whole loans							
Construction & land development	3,090	2,085		2,637	35	3,018	54
Commercial	4,206	4,114		2,096	28	2,127	68
Warehouse lines of credit							
Home equity	1,753	1,546		782		648	
Consumer:							
Credit cards							
Overdrafts							
Other consumer	386	386		214	13	123	13
Impaired loans with an allowance recorded:							
Residential real estate:							
Owner occupied	31,709	31,458	3,034	6,927	6	5,886	33
Non owner occupied	3,695	3,625	522	2,270	6	2,249	33
Commercial real estate	26,710	26,300	2,919	27,233	236	26,164	738
Commercial real estate - purchased whole loans							108
Construction & land development	3,416	3,183	1,157	5,165	36	6,108	116
Commercial	2,858	2,858	348	2,583	47	2,520	
Warehouse lines of credit							
Home equity	1,874	1,874	496	1,297	6	1,675	14
Consumer:							
Credit cards							
Overdrafts							
Other consumer	84	84	55				
Total impaired loans	$ 108,328	$ 105,707	$ 8,531	$ 91,966	$ 1,132	$ 86,359	$ 2,168

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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 their debt in the foreseeable future without the modification. This evaluation is performed under the Bank s internal underwriting policy.

All TDRs are considered Impaired loans, including loans acquired in acquisitions of failed banks and subsequently restructured. The majority of the Bank s commercial related and construction TDRs involve a restructuring of loan 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 loan. The substantial majority of the Bank s residential real estate TDRs 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.

Management determines whether to classify a TDR as non-performing based on its accrual status prior to modification. Non-accrual loans modified as TDRs 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 September 30, 2013 and December 31, 2012, $12 million and $14 million of TDRs were also non-accrual loans.

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

September 30, 2013 (in thousands)	Troubled Debt Restructurings on Non-Accrual Status	Troubled Debt Restructurings on Accrual Status	Total Troubled Debt Restructurings
Residential real estate	$ 5,487	$ 32,248	$ 37,735
Commercial real estate	5,869	23,095	28,964
Construction & land development	803	2,707	3,510
Commercial	145	4,431	4,576
Total troubled debt restructurings	$ 12,304	$ 62,481	$ 74,785

December 31, 2012 (in thousands)	Troubled Debt Restructurings on Non-Accrual Status	Troubled Debt Restructurings on Accrual Status	Total Troubled Debt Restructurings
Residential real estate	$ 6,951	$ 36,758	$ 43,709
Commercial real estate	5,149	26,174	31,323
Construction & land development	1,595	2,167	3,762
Commercial	269	4,244	4,513
Total troubled debt restructurings	$ 13,964	$ 69,343	$ 83,307

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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 September 30, 2013 and December 31, 2012 follows:

September 30, 2013 (in thousands)	Troubled Debt Restructurings Performing to Modified Terms	Troubled Debt Restructurings Not Performing to Modified Terms	Total Troubled Debt Restructurings
Residential real estate loans (including home equity loans):			
Interest only payments	$ 598	$ 874	$ 1,472
Rate reduction	25,157	3,134	28,291
Principal deferral	2,310	1,782	4,092
Bankruptcies	2,833	1,047	3,880
Total residential TDRs	30,898	6,837	37,735
Commercial related and construction/land development loans:			
Interest only payments	4,225	854	5,079
Rate reduction	17,090	1,374	18,464
Principal deferral	8,440	4,675	13,115
Bankruptcies		392	392
Total commercial TDRs	29,755	7,295	37,050
Total troubled debt restructurings	$ 60,653	$ 14,132	$ 74,785

December 31, 2012 (in thousands)	Troubled Debt Restructurings Performing to Modified Terms	Troubled Debt Restructurings Not Performing to Modified Terms	Total Troubled Debt Restructurings
Residential real estate loans (including home equity loans):			
Interest only payments	$ 957	$ 624	$ 1,581
Rate reduction	23,250	4,427	27,677
Principal deferral	9,041	2,092	11,133
Bankruptcies	2,225	1,093	3,318
Total residential TDRs	35,473	8,236	43,709
Commercial related and construction/land development loans:			
Interest only payments	7,002	342	7,344
Rate reduction	8,573	5,142	13,715
Principal deferral	15,494	3,045	18,539
Total commercial TDRs	31,069	8,529	39,598
Total troubled debt restructurings	$ 66,542	$ 16,765	$ 83,307

As of September 30, 2013 and December 31, 2012, 81% and 80% of the Bank s TDRs were performing according to their modified terms. The Bank had provided $6 million and $7 million of specific reserve allocations to customers whose loan terms have been modified in TDRs as of September 30, 2013 and December 31, 2012. 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 loss provisioning methodology. The Bank had no commitments to lend any additional material amounts to its existing TDR relationships at September 30, 2013 and December 31, 2012.

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A summary of the categories of TDR loan modifications that occurred during the three months ended September 30, 2013 and 2012 follows:

Three Months Ended September 30, 2013 (in thousands)	**Troubled Debt Restructurings Performing to Modified Terms**	**Troubled Debt Restructurings Not Performing to Modified Terms**	**Total Troubled Debt Restructurings**
Residential real estate loans (including home equity loans):			
Rate reduction	$ 1,082	$	$ 1,082
Bankruptcies	172	272	444
Total residential TDRs	1,254	272	1,526
Commercial related and construction/land development loans:			
Interest only	441	145	586
Rate reduction	3,407	189	3,596
Principal deferral	1,456		1,456
Bankruptcies		167	167
Total commercial TDRs	5,304	501	5,805
Total troubled debt restructurings	$ 6,558	$ 773	$ 7,331

The table above is inclusive of loans which were TDRs at the end of previous periods and were re-modified during the current period.

Three Months Ended September 30, 2012 (in thousands)	**Troubled Debt Restructurings Performing to Modified Terms**	**Troubled Debt Restructurings Not Performing to Modified Terms**	**Total Troubled Debt Restructurings**
Residential real estate loans (including home equity loans):			
Interest only	$ 793	$ 1,103	$ 1,896
Rate reduction	3,244	838	4,082
Principal deferral	3,670	85	3,755
Total residential TDRs	7,707	2,026	9,733
Commercial related and construction/land development loans:			
Interest only	120		120
Rate reduction	534		534
Principal deferral	450		450
Total commercial TDRs	1,104		1,104
Total troubled debt restructurings	$ 8,811	$ 2,026	$ 10,837

The table above is inclusive of loans which were TDRs at the end of previous periods and were re-modified during the current period.

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A summary of the categories of TDR loan modifications that occurred during the nine months ended September 30, 2013 and 2012 follows:

Nine Months Ended September 30, 2013 (in thousands)	**Troubled Debt Restructurings Performing to Modified Terms**	**Troubled Debt Restructurings Not Performing to Modified Terms**	**Total Troubled Debt Restructurings**
Residential real estate loans (including home equity loans):			
Interest only	$ 165	$	$ 165
Rate reduction	2,703	689	3,392
Principal deferral	64	160	224
Bankruptcies	1,405	826	2,231
Total residential TDRs	4,337	1,675	6,012
Commercial related and construction/land development loans:			
Interest only	719	145	864
Rate reduction	3,407	189	3,596
Principal deferral	1,765		1,765
Bankruptcies		167	167
Total commercial TDRs	5,891	501	6,392
Total troubled debt restructurings	$ 10,228	$ 2,176	$ 12,404

The table above is inclusive of loans which were TDRs at the end of previous periods and were re-modified during the current period.

Nine Months Ended September 30, 2012 (in thousands)	**Troubled Debt Restructurings Performing to Modified Terms**	**Troubled Debt Restructurings Not Performing to Modified Terms**	**Total Troubled Debt Restructurings**
Residential real estate loans (including home equity loans):			
Interest only	$ 511	$ 1,727	$ 2,238
Rate reduction	7,781	454	8,235
Principal deferral	6,480	1,108	7,588
Total residential TDRs	14,772	3,289	18,061
Commercial related and construction/land development loans:			
Interest only	3,690	708	4,398
Rate reduction	3,277		3,277
Principal deferral	4,095	455	4,550
Total commercial TDRs	11,062	1,163	12,225
Total troubled debt restructurings	$ 25,834	$ 4,452	$ 30,286

The table above is inclusive of loans which were TDRs at the end of previous periods and were re-modified during the current year.

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As of September 30, 2013 and 2012, 89% and 81% of the Bank s TDRs that occurred during the three months ended September 30, 2013 and 2012 were performing according to their modified terms. The Bank provided $294,000 and $576,000 in specific reserve allocations to customers whose loan terms were modified in TDRs during the three months ended September 30, 2013 and 2012.

As of September 30, 2013 and 2012, 82% and 85% of the Bank s TDRs that occurred during the nine months ended September 30, 2013 and 2012 were performing according to their modified terms. The Bank provided $1 million and $2 million in specific reserve allocations to customers whose loan terms were modified in TDRs during the nine months ended September 30, 2013 and 2012. 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 was no significant change between the pre and post modification loan balances at September 30, 2013 and December 31, 2012.

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The following tables present loans by class modified as troubled debt restructurings within the previous twelve months of September 30, 2013 and 2012 and for which there was a payment default during the three months ended September 30, 2013 and 2012:

Three Months Ended September 30, 2013 (dollars in thousands)	**Number of Loans**		**Recorded Investment**
Residential real estate:			
Owner occupied	14	$	979
Non owner occupied			
Commercial real estate	2		357
Commercial real estate - purchased whole loans			
Construction & land development			
Commercial	1		145
Warehouse lines of credit			
Home equity	1		68
Consumer:			
Credit cards			
Overdrafts			
Other consumer			
Total	18	$	1,549

Three Months Ended September 30, 2012 (dollars in thousands)	**Number of Loans**		**Recorded Investment**
Residential real estate	10	$	2,131
Commercial real estate			
Commercial real estate - purchased whole loans			
Real estate construction			
Commercial			
Warehouse lines of credit			
Home equity			
Consumer:			
Credit cards			
Overdrafts			
Other consumer			
Total	10	$	2,131

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The following tables present loans by class modified as troubled debt restructurings within the previous twelve months of September 30, 2013 and 2012 and for which there was a payment default during the nine months ended September 30, 2013 and 2012:

Nine Months Ended September 30, 2013 (dollars in thousands)	**Number of Loans**		**Recorded Investment**
Residential real estate:			
Owner occupied	32	$	2,434
Non owner occupied			
Commercial real estate	2		357
Commercial real estate - purchased whole loans			
Construction & land development			
Commercial	1		145
Warehouse lines of credit			
Home equity	2		74
Consumer:			
Credit cards			
Overdrafts			
Other consumer			
Total	37	$	3,010

Nine Months Ended September 30, 2012 (dollars in thousands)	**Number of Loans**		**Recorded Investment**
Residential real estate	11	$	2,980
Commercial real estate	3		970
Commercial real estate - purchased whole loans			
Real estate construction	4		1,974
Commercial			
Warehouse lines of credit			
Home equity			
Consumer:			
Credit cards			
Overdrafts			
Other consumer			
Total	18	$	5,924

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5. DEPOSITS

Ending deposit balances at September 30, 2013 and December 31, 2012 were as follows:

(in thousands)	September 30, 2013	December 31, 2012
Demand	$ 659,192	$ 580,900
Money market accounts	495,619	514,698
Brokered money market accounts	33,212	35,596
Savings	71,759	62,145
Individual retirement accounts*	29,219	32,491
Time deposits, $100,000 and over*	69,584	80,906
Other certificates of deposit*	79,494	100,036
Brokered certificates of deposit*(1)	89,580	97,110
Total interest-bearing deposits	1,527,659	1,503,882
Total non interest-bearing deposits	492,126	479,046
Total deposits	$ 2,019,785	$ 1,982,928

(*) Represents a time deposit.

(1) Includes brokered deposits less than, equal to and greater than $100,000.

The composition of deposits related to the acquisitions of failed banks outstanding at September 30, 2013 and December 31, 2012 follows:

September 30, 2013 (in thousands)	Tennessee Commerce Bank	First Commercial Bank	Total Acquired Banks
Demand	$ 1,053	$ 2,123	$ 3,176
Money market accounts	2,298	9,222	11,520
Savings	4,834	1	4,835
Individual retirement accounts*	563	1,159	1,722
Time deposits, $100,000 and over*	4,481	2,810	7,291
Other certificates of deposit*	2,373	4,921	7,294
Brokered certificates of deposit*(1)	3,251	3,926	7,177
Total interest-bearing deposits	18,853	24,162	43,015
Total non interest-bearing deposits	3,290	4,419	7,709
Total deposits	$ 22,143	$ 28,581	$ 50,724

(*) Represents a time deposit.

(1) Includes brokered deposits less than, equal to and greater than $100,000.

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December 31, 2012 (in thousands)		Tennessee Commerce Bank		First Commercial Bank		Total Acquired Banks
Demand	$	10,024	$	5,871	$	15,895
Money market accounts		1,510		25,762		27,272
Savings		217				217
Individual retirement accounts*		1,166		3,269		4,435
Time deposits, $100,000 and over*		10,822		3,267		14,089
Other certificates of deposit*		7,196		12,574		19,770
Brokered certificates of deposit*(1)		6,729		12,247		18,976
Total interest-bearing deposits		37,664		62,990		100,654
Total non interest-bearing deposits		4,240		6,812		11,052
Total deposits	$	41,904	$	69,802	$	111,706

(*) Represents a time deposit.

(1) Includes brokered deposits less than, equal to and greater than $100,000.

See additional discussion regarding the TCB and FCB acquisitions under Footnote 2 2012 FDIC-Assisted Acquisitions of Failed Banks in this section of the filing.

6. FEDERAL HOME LOAN BANK (FHLB) ADVANCES

At September 30, 2013 and December 31, 2012, FHLB advances were as follows:

(dollars in thousands)		September 30, 2013		December 31, 2012
Fixed interest rate advances with a weighted average interest rate of 2.12% due through 2023	$	487,020	$	442,600
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	$	587,020	$	542,600

(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 September 30, 2013, Republic had available collateral to borrow an additional $317 million from the FHLB. In addition to its borrowing line with the FHLB, Republic also had unsecured lines of credit totaling $166 million available through various other financial institutions.

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Aggregate future principal payments on FHLB advances, based on contractual maturity dates are detailed below:

Year		**(in thousands)**
2013	$	10,000
2014		178,000
2015		25,000
2016		82,000
2017		135,000
Thereafter		157,020
Total	$	587,020

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

(in thousands)		**September 30, 2013**		**December 31, 2012**
First lien, single family residential real estate	$	1,104,086	$	1,053,946
Home equity lines of credit		105,407		116,043
Multi-family commercial real estate		12,504		11,695

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7. 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: For all securities available for sale, excluding the Bank s private label mortgage backed security, fair value 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). With the exception of the private label mortgage backed security, all securities available for sale are classified as Level 2 in the fair value hierarchy.

The Bank s private label mortgage backed security remains extremely 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.

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 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.

Impaired Loans: At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value generally receive specific allocations of the Allowance for anticipated selling costs of the underlying collateral. For collateral dependent loans, 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 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. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

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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 are usually 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 an annual basis, the Bank compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment, if any, should be made to the appraisal value to arrive at an estimated fair value.

Mortgage Servicing Rights: On a monthly basis, mortgage servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. If the carrying amount of an individual tranche exceeds fair value, impairment is recorded and the respective individual tranche is carried at fair value. If the carrying amount of an individual tranche 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**, including financial assets and liabilities for which the Bank has elected the fair value option, are summarized below:

	Fair Value Measurements at September 30, 2013 Using:			
(in thousands)	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	$	$ 122,933	$	$ 122,933
Private label mortgage backed security			5,457	5,457
Mortgage backed securities - residential		161,112		161,112
Collateralized mortgage obligations		177,218		177,218
Corporate bonds		14,904		14,904
Total securities available for sale	$	$ 476,167	$ 5,457	$ 481,624
Rate lock commitments	$	$ 401	$	$ 401
Mortgage loans held for sale		9,803		9,803
Financial Liabilities:				
Mandatory forward contracts	$	$ 160	$	$ 160

	Fair Value Measurements at December 31, 2012 Using:			
(in thousands)	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	$	$ 39,472	$	$ 39,472
Private label mortgage backed security			5,687	5,687
Mortgage backed securities - residential		197,210		197,210
Collateralized mortgage obligations		195,877		195,877
Total securities available for sale	$	$ 432,559	$ 5,687	$ 438,246
Mandatory forward contracts	$	$ 47	$	$ 47
Rate lock loan commitments		833		833
Mortgage loans held for sale		10,614		10,614

There were no transfers between Level 1, 2 or 3 assets during the three and nine months ended September 30, 2013 and 2012. All transfers between levels, if applicable, would be generally recognized at the end of each quarter.

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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 September 30, 2013 and 2012:

(in thousands)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Balance, beginning of period	$ 5,641	$ 4,579	$ 5,687	$ 4,542
Total gains or losses included in earnings:				
Net change in unrealized gain/(loss)	(4)	373	418	410
Reversal of actual losses previously recorded	37		37	
Principal paydowns	(217)		(685)	
Balance, end of period	$ 5,457	$ 4,952	$ 5,457	$ 4,952

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 the following steps: 1) detailed collateral analysis of the underlying mortgages, including consideration of geographic location, original loan-to-value and the weighted average credit 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.

There were no transfers between Level 3 assets during the three and nine months ended September 30, 2013 and 2012.

The following table presents quantitative information about recurring Level 3 fair value measurements at September 30, 2013 and December 31, 2012:

September 30, 2013 (dollars in thousands)	Fair Value	Valuation Technique	Unobservable Inputs	Range
Private label mortgage backed security	$ 5,457	Discounted cash flow	Constant prepayment rate	0.67% - 7%
			Probability of default	3% - 7%
			Loss severity	60% - 81%

December 31, 2012 (dollars in thousands)	Fair Value	Valuation Technique	Unobservable Inputs	Range
Private label mortgage backed security	$ 5,687	Discounted cash flow	Constant prepayment rate	1% - 6%
			Probability of default	3.50% - 7%
			Loss severity	60% - 70%

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.

See Footnote 3 Investment Securities for additional detail regarding the private label mortgage backed security in this section of the filing.

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

(in thousands)	Fair Value Measurements at September 30, 2013 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
Impaired loans:				
Residential real estate:				
Owner occupied	$	$	$ 1,059	$ 1,059
Commercial real estate			5,415	5,415
Home equity			275	275
Total impaired loans *	$	$	$ 6,749	$ 6,749
Other real estate owned:				
Commercial real estate	$	$	$ 536	$ 536
Construction & land development			4,200	4,200
Total other real estate owned	$	$	$ 4,736	$ 4,736

(in thousands)	Fair Value Measurements at December 31, 2012 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
Impaired loans:				
Residential real estate:				
Owner occupied	$	$	$ 782	$ 782
Non owner occupied			1,788	1,788
Commercial real estate			15,618	15,618
Construction & land development			1,552	1,552
Commercial			182	182
Home equity			303	303
Total impaired loans *	$	$	$ 20,225	$ 20,225
Other real estate owned:				
Residential real estate:				
Owner occupied	$	$	$ 1,195	$ 1,195
Non owner occupied				
Commercial real estate			1,219	1,219
Construction & land development			5,161	5,161
Total other real estate owned	$	$	$ 7,575	$ 7,575
Mortgage servicing rights**	$	$ 3,484	$	$ 3,484

** - Impaired loan balances exclude loans measured for impairment using the present value of future cash flows.*

*** - Mortgage Servicing Rights at fair value only include those tranches which were considered impaired at the reported period end.*

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The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a **non-recurring basis** at September 30, 2013 and December 31, 2012:

September 30, 2013 (dollars in thousands)		**Fair Value**	**Valuation Technique**	**Unobservable Inputs**	**Range (Weighted Average)**
Impaired loans - commercial real estate	$	5,415	Sales comparison approach	Adjustments determined by Management for differences between the comparable sales	0% - 26% (11%)
Impaired loans - residential real estate	$	1,334	Sales comparison approach	Adjustments determined by Management for differences between the comparable sales	0% - 25% (8%)
Other real estate owned - commercial real estate	$	536	Sales comparison approach	Adjustments determined by Management for differences between the comparable sales	11% - 26 (18%)
Other real estate owned - construction & land development	$	600	Sales comparison approach	Adjustments determined by Management for differences between the comparable sales	40% (40%)
	$	3,600	Income approach	Adjustments for differences between net operating income expectations	28% (28%)

December 31, 2012 (dollars in thousands)		**Fair Value**	**Valuation Technique**	**Unobservable Inputs**	**Range (Weighted Average)**
Impaired loans - commercial real estate	$	15,230	Sales comparison approach	Adjustments determined by Management for differences between the comparable sales	0% - 50% (18%)
	$	1,940	Income approach	Adjustments for differences between net operating income expectations	12% - 12% (12%)
Impaired loans - residential real estate	$	2,873	Sales comparison approach	Adjustments determined by Management for differences between the comparable sales	2% - 60% (17%)
Impaired loans - commercial	$	182	Sales comparison approach	Adjustments determined by Management for differences between the comparable sales	0% - 50% (44%)
Other real estate owned - residential	$	1,195	Sales comparison approach	Adjustments determined by Management for differences between the comparable sales	4% - 71% (14%)
Other real estate owned - commercial real estate	$	1,219	Sales comparison approach	Adjustments determined by Management for differences	1% - 33% (16%)

				between the comparable sales	
Other real estate owned - real estate construction	$	663	Sales comparison approach	Adjustments determined by Management for differences between the comparable sales	1% - 54% (35%)
	$	4,498	Income approach	Adjustments for differences between net operating income expectations	25% - 25% (25%)

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The following section details impairment charges recognized during the period:

Impaired Loans

Collateral dependent impaired loans are measured for impairment using the fair value for reasonable disposition 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 will 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 review may result in an increase in the Allowance or in a partial charge-off of the loan. Impaired loans that are collateral dependent are classified within Level 3 of the fair value hierarchy when impairment is determined using this 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)		**September 30, 2013**		**December 31, 2012**
Carrying amount of loans measured at fair value	$	6,568	$	23,070
Estimated selling costs considered in carrying amount		943		1,839
Valuation allowance		(762)		(4,684)
Total fair value	$	6,749	$	20,225

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. The fair value of the Bank s individual other real estate owned properties exceeded their carrying value at September 30, 2013 and December 31, 2012.

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

(in thousands)		**September 30, 2013**		**December 31, 2012**
Carrying value of other real estate owned	$	15,247	$	26,203

	Three Months Ended	**Nine Months Ended**

(in thousands)	September 30, 2013	2012	September 30, 2013	2012
Other real estate owned write-downs	$ 190	$ 866	$ 1,074	$ 1,207

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Mortgage Servicing Rights

MSRs are carried at lower of cost or fair value with fair value determined by MSR tranche. There were no tranches carried at fair value at September 30, 2013, while nine of 21 tranches were carried at fair value at December 31, 2012. Details of the tranches carried at fair value follow:

(in thousands)	September 30, 2013	December 31, 2012
Outstanding balance	$	$ 3,829
Valuation allowance		(345)
Fair value	$	$ 3,484

(in thousands)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Charge (credit) to mortgage banking income due to impairment evaluation	$ (33)	$ 160	$ (345)	$ 129

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 September 30, 2013 and December 31, 2012.

As of September 30, 2013 and December 31, 2012, the aggregate fair value, contractual balance (including accrued interest), and gain or loss was as follows:

(in thousands)	September 30, 2013	December 31, 2012
Aggregate fair value	$ 9,803	$ 10,614
Contractual balance	9,557	10,037
Gain	246	577

The total amount of gains and losses from changes in fair value included in earnings for the three and nine months ended September 30, 2013 and 2012 for mortgage loans held for sale are presented in the following table:

(in thousands)	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012
Interest income	$ 130	$ 110	$ 388	$ 283
Change in fair value	(218)	82	(331)	134
Total change in fair value	$ (88)	$ 192	$ 57	$ 417

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The carrying amounts and estimated fair values of all financial instruments, at September 30, 2013 and December 31, 2012 follows:

		Fair Value Measurements at September 30, 2013:			
(in thousands)	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash and cash equivalents	$ 141,585	$ 141,585	$	$	$ 141,585
Securities available for sale	481,624		476,167	5,457	481,624
Securities to be held to maturity	52,057		52,408		52,408
Mortgage loans held for sale	9,803		9,803		9,803
Loans, net of allowance for loan losses	2,529,943			2,568,974	2,568,974
Federal Home Loan Bank stock	28,342				N/A
Accrued interest receivable	8,130		8,130		8,130
Liabilities:					
Non interest-bearing deposits	492,126		492,126		492,126
Transaction and money market deposits	1,259,782		1,259,782		1,259,782
Time deposits	267,877		270,462		270,462
Securities sold under agreements to repurchase and other short-term borrowings	106,373		106,373		106,373
Federal Home Loan Bank advances	587,020		602,458		602,458
Subordinated note	41,240		38,049		38,049
Accrued interest payable	1,435		1,435		1,435

		Fair Value Measurements at December 31, 2012:			
(in thousands)	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash and cash equivalents	$ 137,691	$ 137,691	$	$	$ 137,691
Securities available for sale	438,246		432,559	5,687	438,246
Securities to be held to maturity	46,010		46,416		46,416
Mortgage loans held for sale	10,614		10,614		10,614
Loans, net of allowance for loan losses	2,626,468			2,702,686	2,702,686
Federal Home Loan Bank stock	28,377				N/A
Accrued interest receivable	9,245		9,245		9,245
Liabilities:					
Non interest-bearing deposits	479,046		479,046		479,046
Transaction and money market deposits	1,193,339		1,193,339		1,193,339
Time deposits	310,543		314,972		314,972
Securities sold under agreements to repurchase and other short-term borrowings	250,884		250,884		250,884
Federal Home Loan Bank advances	542,600		576,158		576,158
Subordinated note	41,240		37,917		37,917
Accrued interest payable	1,403		1,403		1,403

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.

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.

Mortgage loans held for sale The fair value of loans held for sale is estimated based upon binding contracts and quotes from third party investors resulting in a Level 2 classification.

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, approximates 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 The carrying amount for securities sold under agreements to repurchase 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 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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8. MORTGAGE BANKING ACTIVITIES

Mortgage Banking activities primarily include residential mortgage originations and servicing.

Activity for mortgage loans held for sale was as follows:

September 30, (in thousands)	2013	2012
Balance, January 1	$ 10,614	$ 4,392
Origination of mortgage loans held for sale	263,411	172,305
Proceeds from the sale of mortgage loans held for sale	(270,562)	(179,853)
Net gain on sale of mortgage loans held for sale	6,340	6,541
Balance, September 30	$ 9,803	$ 3,385

The following table presents the components of Mortgage Banking income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2013	2012	2013	2012
Net gain realized on sale of mortgage loans held for sale	$ 1,633	$ 2,705	$ 7,310	$ 5,890
Net change in fair value recognized on loans held for sale	(218)	82	(331)	134
Net change in fair value recognized on rate lock commitments	(44)	386	(432)	909
Net change in fair value recognized on forward contracts	(439)	(354)	(207)	(392)
Net gain recognized	932	2,819	6,340	6,541
Loan servicing income	514	418	1,606	1,653
Amortization of mortgage servicing rights	(453)	(803)	(1,811)	(2,474)
Change in mortgage servicing rights valuation allowance	33	(160)	345	(129)
Net servicing income recognized	94	(545)	140	(950)
Total Mortgage Banking income	$ 1,026	$ 2,274	$ 6,480	$ 5,591

Activity for capitalized mortgage servicing rights was as follows:

September 30, (in thousands)	2013	2012

Balance, January 1	$ 4,777	$ 6,087
Additions	2,171	1,496
Amortized to expense	(1,811)	(2,474)
Change in valuation allowance	345	(129)
Balance, September 30	$ 5,482	$ 4,980

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Activity for the valuation allowance for capitalized mortgage servicing rights was as follows:

September 30, (in thousands)	2013	2012
Balance, January 1	$ (345)	$ (203)
Additions		(171)
Reductions credited to operations	345	42
Balance, September 30	$	$ (332)

Other information relating to mortgage servicing rights follows:

(dollars in thousands)	September 30, 2013	December 31, 2012
Fair value of mortgage servicing rights portfolio	$ 7,157	$ 5,446
Prepayment speed range	115% - 350%	112% - 550%
Discount rate	10%	9%
Weighted average default rate	1.50%	1.50%
Weighted average life in years	5.90	3.89

Mortgage Banking derivatives used in the ordinary course of business primarily consist of mandatory forward sales contracts and 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. 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)	September 30, 2013 Notional Amount	September 30, 2013 Fair Value	December 31, 2012 Notional Amount	December 31, 2012 Fair Value
Included in Mortgage loans held for sale:				
Mortgage loans held for sale	$ 9,557	$ 9,803	$ 10,037	$ 10,614
Included in other assets:				
Rate lock loan commitments	$ 11,781	$ 401	$ 27,468	$ 833
Mandatory forward contracts			36,675	47
Total included in other assets	$ 11,781	$ 401	$ 64,143	$ 880
Included in other liabilities:				
Mandatory forward contracts	$ 17,791	$ 160	$	$

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9. OFF BALANCE SHEET RISKS, COMMITMENTS AND CONTINGENT LIABILITIES

The Bank, 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 Bank pursuant to those financial instruments. Creditworthiness for all instruments is evaluated on a case by case basis in accordance with the Bank s credit policies. Collateral from the customer may be required based on the Bank s credit evaluation of the customer and may include business assets of commercial customers, as well as personal property and real estate of individual customers or guarantors.

The Bank also extends binding commitments to customers and prospective customers. Such commitments assure the borrower of financing for a specified period of time at a specified rate. The risk to the Bank under such loan commitments is limited by the terms of the contracts. For example, the Bank may not be obligated to advance funds if the customer s financial condition deteriorates or if the customer fails to meet specific covenants. An approved but unfunded loan commitment represents a potential credit risk once the funds are advanced to the customer. Unfunded loan commitments also represent liquidity risk since the customer may demand immediate cash that would require funding and interest rate risk as market interest rates may rise above the rate committed. In addition, 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. Loan commitments generally have open-ended maturities and variable rates.

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

(in thousands)		**September 30, 2013**		**December 31, 2012**
Unused warehouse lines of credit	$	195,190	$	113,924
Unused home equity lines of credit		228,298		232,719
Unused loan commitments - other		185,934		163,523
Standby letters of credit		2,476		16,985
FHLB letters of credit		3,200		11,908
Total commitments	$	615,098	$	539,059

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer 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 Bank also has liquidity risk associated with standby letters of credit because funding for these obligations could be required immediately. The Bank does not deem this risk to be material.

At September 30, 2013 and December 31, 2012, the Bank had a letter of credit from the FHLB issued on behalf of an RB&T client. This letter of credit was used as a credit enhancement for client bond offerings and reduced RB&T s available borrowing line at the FHLB. The Bank uses a blanket pledge of eligible real estate loans to secure these letters of credit.

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Legal Proceedings

On August 1, 2011, a lawsuit was filed in the U.S. District Court for the Western District of Kentucky styled Brenda Webb vs. Republic Bank & Trust Company d/b/a Republic Bank, Civil Action No. 3:11-CV-00423-TBR. The Complaint was brought as a putative class action and seeks monetary damages, restitution and declaratory relief allegedly arising from the manner in which RB&T assessed overdraft fees. In the Complaint, the Plaintiff pleads seven claims against RB&T alleging: breach of contract and breach of the covenant of good faith and fair dealing (Count I), unconscionability (Count II), conversion (Count III), unjust enrichment (Count IV), violation of the Electronic Funds Transfer Act and Regulation E (Count V), and violations of the Kentucky Consumer Protection Act, (Count VI). RB&T filed a Motion to Dismiss the case on January 12, 2012. In response, Plaintiff filed her Motion to Amend the Complaint on February 23, 2012. In Plaintiff s proposed Amended Complaint, Plaintiff acknowledged disclosure of the Overdraft Honor Policy and did not seek to add any claims to the Amended Complaint. However, Plaintiff divided the breach of contract and breach of the covenant of good faith and fair dealing claims into two counts (Counts One and Two). In the original Complaint, those claims were combined in Count One. RB&T filed its objection to Plaintiff s Motion to Amend. On June 16, 2012, the District Court denied the Plaintiff s Motion to Amend concluding that the Plaintiff lacked the ability to automatically amend the complaint as of right. However, the Court held that the Plaintiff could be permitted to amend if the Plaintiff could first demonstrate that her amendment would not be futile and that the Plaintiff had standing to sue despite RB&T s offer of judgment. The Court declined to rule on that issue at that time and ordered the case stayed pending a decision by the U.S. Court of Appeals for the Sixth Circuit in a case on appeal with the same standing issue. The Sixth Circuit ruled on June 11, 2013 and concluded that the offer of judgment did not moot the matter before it only because the offer of judgment in question did not afford the Plaintiff complete relief. The District Court lifted the stay of this matter on June 14, 2013 and permitted Plaintiff to file her Amended Complaint. Plaintiff filed her Amended Complaint on June 21, 2013 and brought seven claims: breach of contract and breach of the covenant of good faith and fair dealing (Counts I & II), unconscionability (Count III), conversion (Count IV), unjust enrichment (Count V), violation of the Electronic Funds Transfer Act, (Count VI) and violation of the Kentucky Consumer Protection Act (Count VII). RB&T filed its Motion to Dismiss the Amended Complaint on July 15, 2013. On September 30, 2013 the Court issued its decision granting the Motion to Dismiss in part and denying it in part. The Court initially concluded that the offer of judgment did not moot the case and deprive it of subject matter jurisdiction as it did not provide Plaintiff with all of the relief she sought. The Court dismissed the conversion, unconscionability and Electronic Funds Transfer Act claims in their entirety for failure to state a claim. With respect to the remaining claims, the Court dismissed them to the extent they are premised upon any overdraft charges incurred by the Plaintiff on or after January 6, 2010, the date on which she received the Overdraft Honor Policy. The Court concluded that Plaintiff could not state any claim for the time period after she received the Policy with respect to the manner in which RB&T assessed overdraft fees. The Answer to the remaining claims was filed on October 14, 2013 and the matter now proceeds into discovery.

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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 September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Net income	$ 4,603	$ 20,668	$ 24,078	$ 112,718
Weighted average shares outstanding	20,787	20,948	20,811	20,954
Effect of dilutive securities	140	81	94	78
Average shares outstanding including dilutive securities	20,927	21,029	20,905	21,032
Basic earnings per share:				
Class A Common Share	$ 0.22	$ 0.99	$ 1.16	$ 5.38
Class B Common Share	0.21	0.97	1.12	5.34
Diluted earnings per share:				
Class A Common Share	$ 0.22	$ 0.98	$ 1.16	$ 5.36
Class B Common Share	0.21	0.97	1.11	5.32

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

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Antidilutive stock options	13,500	219,350	113,000	219,350

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11. SEGMENT INFORMATION

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 subsidiary banks), which are then aggregated if operating performance, products/services, and customers are similar.

As of September 30, 2013, the Company was divided into three distinct business operating segments: Traditional Banking, Mortgage Banking and Republic Processing Group (RPG). During 2012, the Company realigned the previously reported Tax Refund Solutions (TRS) segment as a division of the newly formed RPG segment. Along with the TRS division, Republic Payment Solutions (RPS) and Republic Credit Solutions (RCS) were created to operate as divisions of RPG segment.

Nationally, through RB&T, RPG facilitates the receipt and payment of federal and state tax refund products under the TRS division. Through RB, the RPS division is an issuing bank offering general purpose reloadable prepaid debit cards through third party program managers. Through RB, the RPS division is an issuing bank offering general purpose reloadable prepaid debit cards through third party program managers. Through RB&T, the RCS division is piloting short-term consumer credit products.

For the projected near-term, as programs are being established, the operating results of these divisions are expected to be immaterial to the Company s overall results of operations and will be reported as part of the RPG business operating segment. The RPS and RCS divisions will not be reported as separate business operating segments until such time, if any, that they become material to the Company s overall results of operations.

Loans, investments and deposits provide the majority of the net revenue from Traditional Banking operations, while servicing fees and loan sales provide the majority of revenue from Mortgage Banking operations. Prior to 2013, RAL fees and net RT fees provided the majority of the revenue for RPG. In 2013, net RT fees have provided, and are expected to continue to provide going forward, the majority of revenues for RPG as the Company no longer offers RALs. All Company operations are domestic.

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 2012 Annual Report on Form 10-K. Segment performance is evaluated using operating income. Goodwill is not allocated. Income taxes which are not segment specific are allocated based on income before income tax expense. Transactions among reportable segments are made at fair value.

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Segment information for the three and nine months ended September 30, 2013 and 2012 follows:

	Three Months Ended September 30, 2013			
(dollars in thousands)	Traditional Banking	Mortgage Banking	Republic Processing Group	Total Company
Net interest income	$ 28,390	$ 130	$ 19	$ 28,539
Provision for loan losses	2,257		(57)	2,200
Net refund transfer fees			152	152
Mortgage banking income		1,026		1,026
Other non interest income	6,243	19	99	6,361
Total non interest income	6,243	1,045	251	7,539
Total non interest expenses	22,237	768	3,320	26,325
Income before income tax expense	10,139	407	(2,993)	7,553
Income tax expense	3,856	142	(1,048)	2,950
Net income	$ 6,283	$ 265	$ (1,945)	$ 4,603
Segment end of period assets	$ 3,305,689	$ 15,697	$ 10,495	$ 3,331,881
Net interest margin	3.54%	NM	NM	3.54%

	Three Months Ended September 30, 2012			
(dollars in thousands)	Traditional Banking	Mortgage Banking	Republic Processing Group	Total Company
Net interest income	$ 28,444	$ 110	$ 18	$ 28,572
Provision for loan losses	2,543		(460)	2,083
Net refund transfer fees			231	231
Mortgage banking income		2,274		2,274
Total bargain purchase gains	26,923			26,923
Other non interest income	5,387	11	19	5,417
Total non interest income	32,310	2,285	250	34,845
Total non interest expenses	26,118	851	2,793	29,762
Income before income tax expense	32,093	1,544	(2,065)	31,572
Income tax expense	11,145	541	(782)	10,904
Net income	$ 20,948	$ 1,003	$ (1,283)	$ 20,668
Segment end of period assets	$ 3,413,293	$ 8,765	$ 13,718	$ 3,435,776
Net interest margin	3.54%	NM	NM	3.54%

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	Nine Months Ended September 30, 2013			
(dollars in thousands)	**Traditional Banking**	**Mortgage Banking**	**Republic Processing Group**	**Total Company**
Net interest income	$ 85,957	$ 388	$ 91	$ 86,436
Provision for loan losses	3,276		(796)	2,480
Net refund transfer fees			13,849	13,849
Mortgage banking income		6,480		6,480
Bargain purchase gain - FCB	1,324			1,324
Other non interest income	18,300	102	792	19,194
Total non interest income	19,624	6,582	14,641	40,847
Total non interest expenses	72,862	2,537	11,927	87,326
Income before income tax expense	29,443	4,433	3,601	37,477
Income tax expense	10,588	1,551	1,260	13,399
Net income	$ 18,855	$ 2,882	$ 2,341	$ 24,078
Segment end of period assets	$ 3,305,689	$ 15,697	$ 10,495	$ 3,331,881
Net interest margin	3.57%	NM	NM	3.55%

	Nine Months Ended September 30, 2012			
(dollars in thousands)	**Traditional Banking**	**Mortgage Banking**	**Republic Processing Group**	**Total Company**
Net interest income	$ 84,406	$ 283	$ 45,415	$ 130,104
Provision for loan losses	6,505		7,214	13,719
Net refund transfer fees			78,127	78,127
Mortgage banking income		5,591		5,591
Net gain on sales, calls and impairment of securities	56			56
Total bargain purchase gains	54,726			54,726
Other non interest income	17,005	27	208	17,240
Total non interest income	71,787	5,618	78,335	155,740
Total non interest expenses	76,752	2,928	18,686	98,366
Income before income tax expense	72,936	2,973	97,850	173,759
Income tax expense	25,150	1,041	34,850	61,041
Net income	$ 47,786	$ 1,932	$ 63,000	$ 112,718
Segment end of period assets	$ 3,413,293	$ 8,765	$ 13,718	$ 3,435,776
Net interest margin	3.51%	NM	NM	5.11%

NM Not Meaningful

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12. H&R BLOCK AND H&R BLOCK BANK

RB&T entered into a Purchase and Assumption Agreement (the Agreement) dated July 11, 2013, with H&R Block Bank (HRBB) and its sole shareholder Block Financial LLC (collectively, H&R Block). Pursuant to the Agreement, RB&T was to acquire certain assets and assume certain liabilities, including all of the deposits of HRBB (the P&A Transaction).

On July 15, 2013, RB&T submitted an application for approval of the P&A Transaction to the Office of the Comptroller of the Currency (OCC) for consideration in conjunction with RB&T s pending application from May 2013 for approval of an internal merger of RB&T and its affiliate, RB, which would include RB&T s conversion to a national bank.

On October 8, 2013, RB&T notified Block that RB&T was withdrawing its pending applications with the OCC to merge and consolidate its RB&T and RB charters into one national bank charter and to consummate the P&A Transaction. As a result, H&R Block terminated the Agreement with RB&T and the parties terminated discussions regarding the Joint Marketing Master Services Agreement and related Receivables Participation Agreement.

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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) and Republic Bank (RB), (collectively referred together as the Bank). Republic Invest Co., a former subsidiary of RB&T, and its subsidiary, Republic Capital LLC, were dissolved in April 2013 in connection with the full repayment by RB&T of intragroup subordinated debentures issued by Republic Capital LLC in a 2004 intragroup trust preferred transaction. 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 banks: RB&T and RB.

Republic and its subsidiaries operate in a heavily regulated industry. These regulatory requirements can and do affect the Company s results of operations and financial condition.

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 customers 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; as well as other risks and uncertainties reported from time to time in the Company s filings with the Securities and Exchange Commission (SEC) included under Part 1 Item 1A *Risk Factors* of the Company 2012 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 provision for loan losses;
- deteriorating credit quality, including changes in the interest rate environment and reducing interest margins;
- future credit losses and the overall adequacy of the Allowance for Loan Losses (Allowance);
- potential write-downs of other real estate owned (OREO);
- future short-term and long-term interest rates and the respective impact on net interest margin, net interest spread, net income, liquidity and capital;
- 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 and warehouse lines of credit;
- the future value of mortgage servicing rights;
- the future operating performance of the Tax Refund Solutions (TRS) division;
- future Refund Transfers (RT s) volume for TRS;
- the future net revenues associated with RTs at TRS;
- the future financial performance of Republic Payment Solutions (RPS);
- the future financial performance of Republic Credit Solutions (RCS);
- the potential impairment of investment securities;

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- the extent to which regulations written and implemented by the Federal Bureau of Consumer Financial Protection (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 Basel III capital reforms; the Dodd-Frank Act; and legislation and regulation relating to overdraft fees (and changes to the Bank s overdraft practices as a result thereof), debit card 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;

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

- the Bank s ability to maintain current deposit and loan levels at current interest rates; and

- the Company s ability to successfully implement strategic plans, including but not limited to those related to the acquisition of two failed banks in 2012.

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 2012 Annual Report on Form 10-K and under Part II Item 1A Risk Factors of the Company s June 30, 2013 Quarterly Report on Form 10-Q.

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RECENT DEVELOPMENTS

H&R Block & H&R Block Bank

RB&T entered into a Purchase and Assumption Agreement (the Agreement) dated July 11, 2013, with H&R Block Bank (HRBB) and its sole shareholder Block Financial LLC (collectively, H&R Block). Pursuant to the Agreement, RB&T was to acquire certain assets and assume certain liabilities, including all of the deposits of HRBB (the P&A Transaction).

On July 15, 2013, RB&T submitted an application for approval of the P&A Transaction to the Office of the Comptroller of the Currency (OCC) for consideration in conjunction with RB&T s pending application from May 2013 for approval of an internal merger of RB&T and its affiliate, RB, which would include RB&T s conversion to a national bank.

On October 8, 2013, RB&T notified Block that RB&T was withdrawing its pending applications with the OCC to merge and consolidate its RB&T and RB charters into one national bank charter and to consummate the P&A Transaction. As a result, H&R Block terminated the Agreement with RB&T and the parties terminated discussions regarding the Joint Marketing Master Services Agreement and related Receivables Participation Agreement.

Minnesota Banking Center

In October 2013, Republic gave the required 90-day regulatory notice of its intentions to close its sole banking center location in Minneapolis, Minnesota, which it acquired as part of the First Commercial Bank (FCB) acquisition in September 2012. The Bank is currently under a lease for this location which is set to expire in April 2015. The Bank intends to repurpose the location as a support office until the expiration of its lease or until such time that it is able to negotiate with the landlord a buy-out of its future lease obligations. The banking center is expected to stop transacting business at the Minnesota location with deposit customers in January 2014.

Florida Banking Center

In October 2013, Republic gave the required 90-day regulatory notice of its intentions to close its sole banking center in Palm Harbor, Florida. This location is expected to close in January 2014 with the lease for the premises expiring in February 2014.

Consumer Mortgage Regulation

On January 10, 2013, the CFPB issued a final rule implementing the ability to repay (ATR) requirement in the Dodd-Frank Act. The rule, among other things, requires lenders to consider a consumer s ability to repay a mortgage loan before extending credit to the consumer and limits prepayment penalties. The rule also establishes certain protections from liability for mortgage lenders with regard to qualified mortgage loans (QML s) they originate. For this purpose, the rule defines QMLs to include loans with a borrower debt-to-income ratio of less than or equal to 43% or, alternatively, a loan eligible for purchase by Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) while they operate under Federal conservatorship or receivership, and loans eligible for insurance or guarantee by the Federal Housing Administration, U.S. Department of Veterans Affairs or U.S. Department of Agriculture. Additionally, QMLs may not: (i) contain excess upfront points and fees; (ii) have a term greater than 30 years; or (iii) include interest-only or negative amortization payments. The rule is effective January 10, 2014, and the Company is currently evaluating its full impact on the Bank s mortgage operations.

On January 17, 2013, the CFPB issued a series of final rules as part of an ongoing effort to address mortgage servicing reforms and create uniform standards for the mortgage servicing industry. The rules increase requirements for communications with borrowers, address requirements around the maintenance of customer account records, govern procedural requirements for responding to written borrower requests and complaints of errors, and provide guidance around servicing of delinquent loans, foreclosure proceedings and loss mitigation efforts, among other measures. These rules will also be effective January 10, 2014 and will likely lead to increased costs to service loans across the mortgage industry. The Company is continuing to evaluate these rules and their impact on the Bank s mortgage operations.

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BUSINESS SEGMENT COMPOSITION

As of September 30, 2013, the Company was divided into three distinct business operating segments: Traditional Banking, Mortgage Banking and Republic Processing Group (RPG). During 2012, the Company realigned the previously reported TRS segment as a division of the RPG segment. Along with the TRS division, Republic Payment Solutions (RPS) and Republic Credit Solutions (RCS) operate as divisions of the newly formed RPG segment. The RPS and RCS divisions are considered immaterial for segment reporting. Net income, total assets and net interest margin by segment for the three and nine months ended September 30, 2013 and 2012 are presented below:

	Three Months Ended September 30, 2013			
(in thousands)	**Traditional Banking**	**Mortgage Banking**	**Republic Processing Group**	**Total Company**
Net income	$ 6,283	$ 265	$ (1,945)	$ 4,603
Segment assets*	3,305,689	15,697	10,495	3,331,881
Net interest margin	3.54%	NM	NM	3.54%

	Three Months Ended September 30, 2012			
(in thousands)	**Traditional Banking**	**Mortgage Banking**	**Republic Processing Group**	**Total Company**
Net income	$ 20,948	$ 1,003	$ (1,283)	$ 20,668
Segment assets*	3,413,293	8,765	13,718	3,435,776
Net interest margin	3.54%	NM	NM	3.54%

	Nine Months Ended September 30, 2013			
(in thousands)	**Traditional Banking**	**Mortgage Banking**	**Republic Processing Group**	**Total Company**
Net income	$ 18,855	$ 2,882	$ 2,341	$ 24,078
Segment assets*	3,305,689	15,697	10,495	3,331,881
Net interest margin	3.57%	NM	NM	3.55%

	Nine Months Ended September 30, 2012			
(in thousands)	**Traditional Banking**	**Mortgage Banking**	**Republic Processing Group**	**Total Company**
Net income	$ 47,786	$ 1,932	$ 63,000	$ 112,718
Segment assets*	3,413,293	8,765	13,718	3,435,776
Net interest margin	3.51%	NM	NM	5.11%

* *Segment assets are report as of the end of the period.*

NM Not Meaningful

For expanded segment financial data see Footnote 11 Segment Information of Part I Item 1 Financial Statements.

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(I) Traditional Banking segment

As of September 30, 2013, in addition to an Internet delivery channel, Republic had 45 full-service banking centers with locations as follows:

- Kentucky 34
- Metropolitan Louisville 20
- Central Kentucky 11
- Elizabethtown 1
- Frankfort 1
- Georgetown 1
- Lexington 5
- Owensboro 2
- Shelbyville 1
- Northern Kentucky 3
- Covington 1
- Florence 1
- Independence 1
- Southern Indiana 3
- Floyds Knobs 1
- Jeffersonville 1
- New Albany 1
- Metropolitan Tampa, Florida 4
- Metropolitan Cincinnati, Ohio 1
- Metropolitan Nashville, Tennessee 2

- Metropolitan Minneapolis, Minnesota 1

Republic s corporate headquarters are located in Louisville, which is the largest city in Kentucky by population size.

(II) 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 insurance and remitting payments to secondary market investors. A fee is received by the Bank for performing these standard servicing functions.

Traditional Banking and Mortgage Banking are collectively referred to as (Core Banking).

(III) Republic Processing Group segment

Nationally, through RB&T, RPG facilitates the receipt and payment of federal and state tax refund products under its TRS division. Through RB, the RPS division is an issuing bank offering general purpose reloadable prepaid debit cards through third party program managers. Through RB&T, the RCS division is piloting short-term consumer credit products.

<u>OVERVIEW (Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012)</u>

Net income for the three months ended September 30, 2013 was $4.6 million, representing a decrease of $16.1 million, or 78%, compared to the same period in 2012. Diluted earnings per Class A Common Share decreased to $0.22 for the quarter ended September 30, 2013 compared to $0.98 for the same period in 2012. The decrease is primarily the result of a $27.1 million pre-tax bargain purchase gain the Company recorded during the third quarter of 2012 related to the FDIC-assisted acquisition of specific assets and substantially all of the liabilities of First Commercial Bank (FCB), in Bloomington, Minnesota.

For additional discussion of period to period comparability related to the 2012 FDIC-assisted acquisitions of failed banks, see the Overview for the nine months ended September 30, 2013 compared to September 30, 2012 in this section of the filing.

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General highlights by segment for the quarter ended September 30, 2013 consisted of the following:

Traditional Banking segment

- Net income decreased $14.7 million, or 70%, for the third quarter of 2013 compared to the same period in 2012 primarily due to the previously mentioned $27.1 million pre-tax bargain purchase gain in the third quarter of 2012 for an FDIC-assisted acquisition of a failed bank.

- Net interest income decreased $54,000, or less than 1%, for the third quarter of 2013 to $28.4 million. The Traditional Banking segment net interest margin was unchanged at 3.54% for the third quarter of 2013.

- Provision for loan losses was $2.3 million for the third quarter of 2013 compared to $2.5 million for the same period in 2012.

- Total non-interest income decreased $26.1 million, or 81%, for the third quarter of 2013 compared to the same period in 2012, reflecting the effects of the aforementioned 2012 bargain purchase gain.

- Total non-interest expenses decreased $3.9 million, or 15%, during the third quarter of 2013 compared to the third quarter of 2012.

- Total non-performing loans to total loans for the Traditional Banking segment was 0.79% at September 30, 2013, compared to 0.82% at December 31, 2012 and 0.80% at September 30, 2012.

- Total delinquent loans to total loans for the Traditional Banking segment was 0.59% at September 30, 2013, compared to 0.79% at December 31, 2012 and 0.68% at September 30, 2012.

Mortgage Banking segment

- Within the Mortgage Banking segment, mortgage banking income decreased $1.2 million, or 55%, during the third quarter of 2013 compared to the same period in 2012.

• While long-term interest rates at September 30, 2013 were relatively low as compared to historical levels, significant increases in these rates during the latter part of the second quarter of 2013 negatively impacted third quarter loan application volume, with mortgage refinancing activity primarily impacted. This rise in interest rates is expected to continue to negatively impact future loan application volume during the remainder of 2013 and beyond.

Republic Processing Group segment

• Net loss increased $662,000, or 52%, for the third quarter of 2013 compared to the same period in 2012.

• With RB&T s resolution of its differences with the FDIC through a Stipulation Agreement and Consent Order (collectively, the FDIC Agreement), RB&T discontinued RALs effective April 30, 2012. Without the ability to originate RALs, RB&T continues to face increased competition in the RT marketplace.

• Due to recoveries of prior period RAL losses, RPG recorded a credit to the provision for loan losses of $57,000 for the third quarter of 2013, compared to a net credit of $460,000 for the same period in 2012.

• Non-interest income was $251,000 for the third quarter of 2013 compared to $250,000 for the same period in 2012.

• Non-interest expenses were $3.3 million for the third quarter of 2013 compared to $2.8 million for the same period in 2012.

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RESULTS OF OPERATIONS (Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012)

Net Interest Income

Banking results of 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 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 decreased $33,000, or less than 1%, for the third quarter of 2013 compared to the same period in 2012. The total Company net interest margin remained at 3.54% from period to period. The most significant components affecting the total Company s net interest income by business segment were as follows:

Traditional Banking segment

Net interest income within the Traditional Banking segment decreased $54,000, or less than 1%, for the quarter ended September 30, 2013 compared to the same period in 2012. The Traditional Banking net interest margin was 3.54% for both the third quarter of 2012 and 2013. The net interest margin during 2013 was significantly and positively impacted by the following factors:

- The Bank accreted $551,000 to interest income on loans during the third quarter of 2013 from discounts on its acquired TCB portfolio compared to $87,000 for the same period in 2012.

- The Bank accreted $1.5 million to interest income on loans during the third quarter of 2013 from discounts on its acquired FCB portfolio compared to no similar accretion for the same period in 2012 as the acquisition occurred near the end of the third quarter of 2012.

The total discount accretion of $2.0 million during the third quarter of 2013 resulting from the TCB and FCB acquisitions positively impacted the Company s third quarter net interest margin by 25 basis points, while the overall operations of the acquisitions contributed $3.4 million in net interest income and added 30 basis points to the net interest margin. Management projects accretion of loan discounts related to the 2012 FDIC-assisted acquisitions to be approximately $600,000 for the remainder of 2013. The accretion estimate for the remainder of 2013 could be positively impacted by positive workout arrangements in which RB&T receives final loan payoffs for amounts greater than the carrying values of the loans being paid off.

The Traditional Banking segment continues to experience downward repricing in its loan and investment portfolios resulting from ongoing paydowns and early payoffs. As expected, the yield in both the loan and investment portfolios of the Bank declined from the third quarter of 2012 to the third quarter of 2013. The impact of this downward repricing to the Traditional Bank s net interest income during the third quarter of 2013 more than offset the positive benefit in net interest income that resulted from the accretion of discounts for the Bank s FDIC-assisted acquisitions in Tennessee and Minnesota.

While the overall yield for each of the earning asset classes declined from the third quarter of 2013 compared to the third quarter of 2012, the percentage of average loans to average interest-earning assets increased during those same periods (80% vs. 78%) thereby aiding the Traditional Bank in its ability to maintain its overall yield on interest-earning assets and its related net interest margin.

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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 future. Additionally, 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 System (FRB) are possible, exacerbating the compression to the Bank s net interest income and net interest margin caused by its repricing loans and investments. The Bank is unable to determine the ultimate negative impact to the Bank s net interest spread and margin in the future because several factors remain unknown, such as future demand for its financial products and the overall future need for liquidity, among many other factors.

For additional information on the potential future effect of changes in short-term interest rates on Republic s net interest income, see the table titled Traditional Banking Interest Rate Sensitivity for 2013 in this section of the filing.

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Table 1 provides detailed total Company information as to average balances, interest income/expense and rates by major balance sheet category for the three months ended September 30, 2013 and 2012.

Table 1 Total Company Average Balance Sheets and Interest Rates for the Three Months Ended September 30, 2013 and 2012

	Three Months Ended September 30, 2013			Three Months Ended September 30, 2012		
(dollars in thousands)	**Average Balance**	**Interest**	**Average Rate**	**Average Balance**	**Interest**	**Average Rate**
ASSETS						
Interest-earning assets:						
Taxable investment securities, including FHLB stock(1)	$ 530,759	$ 2,307	1.74%	$ 629,542	$ 2,791	1.77%
Federal funds sold and other interest-earning cash	113,042	83	0.29%	82,404	45	0.22%
Refund Anticipation Loans(2)(3)			0.00%		9	0.00%
Traditional Bank loans(2)(4)	2,576,606	31,619	4.91%	2,520,174	31,283	4.97%
Total interest-earning assets	3,220,407	34,009	4.22%	3,232,120	34,128	4.22%
Less: Allowance for loan losses	22,664			22,560		
Non interest-earning assets:						
Non interest-earning cash and cash equivalents	65,920			38,086		
Premises and equipment, net	32,820			33,035		
Other assets(1)	43,113			41,396		
Total assets	$ 3,339,596			$ 3,322,077		
LIABILITIES AND STOCKHOLDERS EQUITY						
Interest-bearing liabilities:						
Transaction accounts	$ 712,426	$ 127	0.07%	$ 617,919	$ 56	0.04%
Money market accounts	497,332	149	0.12%	488,609	172	0.14%
Time deposits	180,422	345	0.76%	240,424	489	0.81%
Brokered money market and brokered CD s	123,150	422	1.37%	115,117	480	1.67%
Total interest-bearing deposits	1,513,330	1,043	0.28%	1,462,069	1,197	0.33%
Securities sold under agreements to repurchase and other short-term borrowings	139,293	11	0.03%	208,051	110	0.21%
Federal Home Loan Bank advances	592,735	3,788	2.56%	523,053	3,619	2.77%
Subordinated note	41,240	628	6.09%	41,240	630	6.11%
Total interest-bearing liabilities	2,286,598	5,470	0.96%	2,234,413	5,556	0.99%
Non interest-bearing liabilities and Stockholders equity:						

Non interest-bearing deposits	488,386			505,127		
Other liabilities	17,173			42,674		
Stockholders equity	547,439			539,863		
Total liabilities and stockholders equity	$ 3,339,596			$ 3,322,077		
Net interest income		$ 28,539			$ 28,572	
Net interest spread			3.26%			3.23%
Net interest margin			3.54%			3.54%

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(1) For 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 amount of loan fee income included in total interest income was $3.3 million and $1.1 million for the three months ended September 30, 2013 and 2012.

(3) The Refund Anticipation Loan product was discontinued effective April 30, 2012.

(4) Average balances for loans include the principal balance of non-accrual loans and loans held for sale.

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Table 2 illustrates the extent to which changes in interest rates and changes in the volume of total Company 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 September 30, 2013 and 2012

		Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012 Increase / (Decrease) Due to	
(in thousands)	**Total Net Change**	**Volume**	**Rate**
Interest income:			
Taxable investment securities, including FHLB stock	$ (484)	$ (430)	$ (54)
Federal funds sold and other interest-earning deposits	38	20	18
Refund Anticipation Loans	(9)	(9)	
Traditional Bank loans	336	695	(359)
Net change in interest income	(119)	276	(395)
Interest expense:			
Transaction accounts	71	10	61
Money market accounts	(23)	3	(26)
Time deposits	(144)	(116)	(28)
Brokered money market and brokered CDs	(58)	32	(90)
Securities sold under agreements to repurchase and other short-term borrowings	(99)	(28)	(71)
Federal Home Loan Bank advances	169	459	(290)
Subordinated note	(2)		(2)
Net change in interest expense	(86)	360	(446)
Net change in net interest income	$ (33)	$ (84)	$ 51

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Provision for Loan Losses (Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012)

The Company recorded a provision for loan losses of $2.2 million for the third quarter 2013, compared to $2.1 million for the same period in 2012. The significant components comprising the Company s increased provision for loan losses by business segment were as follows:

Traditional Banking segment

The Traditional Banking provision for loan losses during the third quarter of 2013 was $2.3 million, a $286,000, or 11%, decrease from the $2.5 million recorded during the third quarter of 2012. Included in the third quarter 2013 provision for loan losses was $1.2 million for loss provisions related to the Bank s 2012 FDIC-assisted acquisitions. These provisions primarily reflect probable shortfalls in future estimated cash flows below initial acquisition day (day-one) estimates for these loans. No analogous provisions were made during 2012, as the 2012 FDIC-assisted acquisitions were still within their initial day-one measurement periods.

The Bank recorded an additional $975,000 in provision for loan losses for the third quarter of 2013 associated with residential mortgage TDRs, as the Company successfully refinanced retail borrowers displaying weaknesses in their ability to make payments under their previous contractual loan terms. The provision was primarily calculated utilizing discounted cash flow analyses. No significant analogous provisions were made for the same period in 2012.

Approximately $1.9 million of the provision for loan losses from the third quarter of 2012 was attributable to the Bank s large classified loan portfolio. The Bank increased allocations for relationships that were either downgraded to substandard or displayed further signs of credit deterioration during the quarter. Significant provisions of this nature were not made for the third quarter of 2013.

Approximately $600,000 of the provision for loan losses from the third quarter of 2012 was attributable to increases in the Bank s general loan loss reserves for its pass-rated credits. This was due to growth in the loan portfolio combined with increases in historical loss percentages.

See the section titled Asset Quality in this section of the filing under Comparison of Financial Condition at September 30, 2013 and December 31, 2012 for additional discussion regarding the Company s provision for loan losses, classified assets, Allowance, non-performing loans, delinquent loans, impaired loans and TDRs.

Republic Processing Group segment

Historically, the substantial majority of RAL recoveries during the third and fourth quarters of each calendar year related to RALs that were originated during that particular year and were charged-off within 120 days from their dates of origination as required by regulatory guidelines. RPG ceased offering RALs as of April 30, 2012 and as a result, no RALs were originated during 2013 thereby reducing the opportunity for recoveries during the third and fourth quarters of 2013. During the third quarter 2013, the Company recorded a credit of $57,000 to provision expense for recoveries of prior period losses. During the third quarter of 2012, the Company recorded a net credit of $460,000 to provision expense due to RAL recoveries.

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

Table 3 Summary of Loan Loss Experience for the Three Months Ended September 30, 2013 and 2012

	Three Months Ended September 30,	
(dollars in thousands)	**2013**	**2012**
Allowance for loan losses at beginning of period	$ 22,491	$ 22,510
Charge offs:		
Residential real estate:		
Owner occupied	(578)	(348)
Non owner occupied	(67)	(20)
Commercial real estate	(307)	(37)
Commercial real estate - purchased whole loans		
Construction & land development	(16)	
Commercial	(102)	(11)
Warehouse lines of credit		
Home equity	(218)	(633)
Consumer:		
Credit cards	(60)	(9)
Overdrafts	(169)	(100)
Other consumer	(110)	(62)
Refund Anticipation Loans		
Total charge offs	(1,627)	(1,220)
Recoveries:		
Residential real estate:		
Owner occupied	20	32
Non owner occupied	59	2
Commercial real estate	38	24
Commercial real estate - purchased whole loans		
Construction & land development	7	28
Commercial	19	3
Warehouse lines of credit		