

REPUBLIC BANCORP INC /KY/
Form 10-Q
April 24, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2009

or

☐ 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
(State of other jurisdiction of incorporation or
organization)

61-0862051
(I.R.S. Employer Identification No.)

601 West Market Street, Louisville, Kentucky
(Address of principal executive offices)

40202
(Zip Code)

(502) 584-3600
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant 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 ☐
Non-accelerated filer ☐

Accelerated filer ☒
Smaller reporting company ☐

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

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

The number of shares outstanding of the registrant's Class A Common Stock and Class B Common Stock, as of April 24, 2009, was 18,438,155 and 2,310,381, respectively.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSOLIDATED BALANCE SHEETS (in thousands) (unaudited)

	March 31, 2009	December 31, 2008
ASSETS:		
Cash and cash equivalents	\$ 442,039	\$ 616,303
Securities available for sale	402,206	853,909
Securities to be held to maturity (fair value of \$49,777 in 2009 and \$49,224 in 2008)	50,576	50,765
Mortgage loans held for sale	11,499	11,298
Loans, net of allowance for loan losses of \$17,878 and \$14,832 (2009 and 2008)	2,296,811	2,289,025
Federal Home Loan Bank stock, at cost	26,248	25,082
Premises and equipment, net	40,700	42,885
Goodwill	10,168	10,168
Other assets and accrued interest receivable	57,398	39,933
TOTAL ASSETS	\$ 3,337,645	\$ 3,939,368
LIABILITIES:		
Deposits:		
Non-interest-bearing	\$ 380,039	\$ 273,203
Interest-bearing	1,588,756	2,470,166
Total deposits	1,968,795	2,743,369
Securities sold under agreements to repurchase and other short-term borrowings	325,214	339,012
Federal Home Loan Bank advances	635,191	515,234
Subordinated note	41,240	41,240
Other liabilities and accrued interest payable	63,622	24,591
Total liabilities	3,034,062	3,663,446
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value	-	-
Class A Common Stock and Class B Common Stock, no par value	4,899	4,878
Additional paid in capital	124,453	123,441
Retained earnings	169,956	146,983
Accumulated other comprehensive income	4,275	620
Total stockholders' equity	303,583	275,922
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,337,645	\$ 3,939,368

See accompanying footnotes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

(in thousands, except per share data)

	Three Months Ended March 31,	
	2009	2008
INTEREST INCOME:		
Loans, including fees	\$ 91,326	\$ 57,780
Taxable investment securities	5,154	6,996
Tax exempt investment securities	6	24
Federal Home Loan Bank stock and other	871	2,960
Total interest income	97,357	67,760
INTEREST EXPENSE:		
Deposits	10,338	14,301
Securities sold under agreements to repurchase and other short-term borrowings	339	2,767
Federal Home Loan Bank advances	5,244	5,437
Subordinated note	620	627
Total interest expense	16,541	23,132
NET INTEREST INCOME	80,816	44,628
Provision for loan losses	25,665	10,499
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	55,151	34,129
NON INTEREST INCOME:		
Service charges on deposit accounts	4,422	4,545
Electronic refund check fees	22,905	13,960
Net RAL securitization income	412	12,587
Mortgage banking income	4,174	1,602
Debit card interchange fee income	1,159	1,149
Net loss on sales, calls and impairment of securities	(3,125)	(219)
Other	555	320
Total non interest income	30,502	33,944
NON INTEREST EXPENSES:		
Salaries and employee benefits	14,516	14,500
Occupancy and equipment, net	5,909	4,672
Communication and transportation	1,923	1,338
Marketing and development	10,977	6,759
FDIC insurance assessments	1,050	59

Bank franchise tax expense	635	723
Data processing	770	717
Debit card interchange expense	674	576
Supplies	878	556
Other real estate owned expense	1,711	25
Other	4,599	3,755
Total non interest expenses	43,642	33,680
INCOME BEFORE INCOME TAX EXPENSE	42,011	34,393
INCOME TAX EXPENSE	16,252	12,270
NET INCOME	\$ 25,759	\$ 22,123

(continued)

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED) (continued)
(in thousands, except per share data)

	Three Months Ended March 31,	
	2009	2008
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Unrealized gain (loss) on securities available for sale	\$ 1,624	\$ (4,211)
Realized amount on securities impairment recorded, net	2,031	442
Realized amount on securities sold, net	-	(300)
Other comprehensive income (loss)	3,655	(4,069)
COMPREHENSIVE INCOME	\$ 29,414	\$ 18,054
BASIC EARNINGS PER SHARE:		
Class A Common Stock	\$ 1.25	\$ 1.09
Class B Common Stock	1.24	1.08
DILUTED EARNINGS PER SHARE:		
Class A Common Stock	\$ 1.24	\$ 1.07
Class B Common Stock	1.23	1.06

See accompanying footnotes to consolidated financial statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)

(in thousands, except per share data)	Common Stock			Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Class A Shares Outstanding	Class B Shares Outstanding	Amount				
Balance, January 1, 2009	18,318	2,310	\$ 4,878	\$ 123,441	\$ 146,983	\$ 620	\$ 275,922
Net income	-	-	-	-	25,759	-	25,759
Net change in accumulated other comprehensive income	-	-	-	-	-	3,655	3,655
Dividend declared Common Stock:							
Class A (\$0.121 per share)	-	-	-	-	(2,224)	-	(2,224)
Class B (\$0.110 per share)	-	-	-	-	(255)	-	(255)
Stock options exercised, net of shares redeemed	100	-	22	892	(200)	-	714
Repurchase of Class A Common Stock	(6)	-	(1)	(38)	(107)	-	(146)
Notes receivable on Common Stock, net of cash payments	-	-	-	(90)	-	-	(90)
Deferred director compensation expense - Company Stock	-	-	-	65	-	-	65
Stock based compensation expense	-	-	-	183	-	-	183
Balance, March 31, 2009	18,412	2,310	\$ 4,899	\$ 124,453	\$ 169,956	\$ 4,275	\$ 303,583

See accompanying footnotes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (in thousands)

	2009	2008
OPERATING ACTIVITIES		
Net income	\$ 25,759	\$ 22,123
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	3,017	2,348
Federal Home Loan Bank stock dividends	-	(307)
Provision for loan losses	25,665	10,499
Net gain on sale of mortgage loans held for sale	(3,974)	(1,611)
Origination of mortgage loans held for sale	(183,563)	(78,066)
Proceeds from sale of mortgage loans held for sale	187,336	73,089
Net realized recovery of mortgage servicing rights	(1,133)	-
Net gain on sale of RALs	-	(8,371)
Increase in RAL securitization residual	412	(4,216)
Origination of RALs sold	-	(1,098,717)
Proceeds from sale of RALs	-	1,009,698
Paydown of trading securities	(412)	104,201
Net realized loss on sales, calls and impairment of securities	3,125	219
Net gain on sale of other real estate owned	(20)	(42)
Write downs of other real estate owned	1,663	-
Net gain on sale of premises and equipment	-	(43)
Deferred director compensation expense – Company Stock	65	43
Employee Stock Ownership Plan compensation expense	-	200
Stock based compensation expense	183	195
Net change in other assets and liabilities:		
Accrued interest receivable	2,042	(3,569)
Accrued interest payable	(2,749)	(1,972)
Other assets	(19,352)	(4,068)
Other liabilities	39,800	33,989
Net cash provided by operating activities	77,864	55,622
INVESTING ACTIVITIES:		
Purchases of securities available for sale	(300,114)	(1,107,155)
Purchases of Federal Home Loan Bank stock	(1,166)	(531)
Proceeds from calls, maturities and paydowns of securities available for sale	754,338	1,129,766
Proceeds from calls, maturities and paydowns of securities to be held to maturity	188	428
Proceeds from the sale of Federal Home Loan Bank stock	-	360
Proceeds from sales of other real estate owned	473	828
Net (increase) decrease in loans	(34,210)	27,097
Purchases of premises and equipment	(1,320)	(1,773)
Proceeds from sale of premises and equipment	-	848
Net cash provided by investing activities	418,189	49,868
FINANCING ACTIVITIES:		
Net decrease in deposits	(774,574)	(163,377)
Net decrease in securities sold under agreements to repurchase		

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and other short-term borrowings	(13,798)	(68,824)
Payments on Federal Home Loan Bank advances	(5,043)	(52,970)
Proceeds from Federal Home Loan Bank advances	125,000	198,000
Repurchase of Common Stock	(146)	-
Net proceeds from Common Stock options exercised	714	439
Cash dividends paid	(2,470)	(2,209)
Net cash used in financing activities	(670,317)	(88,941)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(174,264)	16,549
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	616,303	86,177
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 442,039	\$ 102,726

(continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)
THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (in thousands)

	2009	2008
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 19,290	\$ 25,104
Income taxes	63	236
SUPPLEMENTAL NONCASH DISCLOSURES:		
Transfers from loans to real estate acquired in settlement of loans	\$ 669	\$ 941
Retained securitization residual	-	102,059

See accompanying footnotes to consolidated financial statements.