

REPUBLIC BANCORP INC /KY/
Form 10-Q
October 28, 2011

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

FORM 10-Q

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

For the quarterly period ended September 30, 2011

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)

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

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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).

☒ 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.

Edgar Filing: REPUBLIC BANCORP INC /KY/ - Form 10-Q

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

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

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

The number of shares outstanding of the registrant's Class A Common Stock and Class B Common Stock, as of October 25, 2011, was 18,655,193 and 2,299,829, respectively.

TABLE OF CONTENTS

		Page
PART I – FINANCIAL INFORMATION		
<u>Item 1.</u>	<u>Financial Statements.</u>	3
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	50
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk.</u>	87
<u>Item 4.</u>	<u>Controls and Procedures.</u>	87
PART II – OTHER INFORMATION		
<u>Item 1.</u>	<u>Legal Proceedings.</u>	87
<u>Item 1A.</u>	<u>Risk Factors.</u>	88
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	103
<u>Item 4</u>	<u>(Removed and Reserved).</u>	103
<u>Item 6.</u>	<u>Exhibits.</u>	104
	<u>SIGNATURES</u>	105

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSOLIDATED BALANCE SHEETS (in thousands) (unaudited)

	September 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	\$75,573	\$786,371
Securities available for sale	672,771	509,755
Securities to be held to maturity (fair value of \$29,707 in 2011 and \$33,824 in 2010)	29,371	32,939
Mortgage loans held for sale	4,721	15,228
Loans, net of allowance for loan losses of \$23,945 and \$23,079 (2011 and 2010)	2,195,971	2,152,161
Federal Home Loan Bank stock, at cost	26,153	26,212
Premises and equipment, net	34,044	37,770
Goodwill	10,168	10,168
Other assets and accrued interest receivable	46,369	52,099
TOTAL ASSETS	\$3,095,141	\$3,622,703
LIABILITIES		
Deposits		
Non interest-bearing	\$385,511	\$325,375
Interest-bearing	1,416,887	1,977,317
Total deposits	1,802,398	2,302,692
Securities sold under agreements to repurchase and other short-term borrowings	227,504	319,246
Federal Home Loan Bank advances	524,731	564,877
Subordinated note	41,240	41,240
Other liabilities and accrued interest payable	46,197	23,272
Total liabilities	2,642,070	3,251,327
STOCKHOLDERS' EQUITY		
Preferred stock, no par value	-	-
Class A Common Stock and Class B Common Stock, no par value	4,948	4,944
Additional paid in capital	131,265	129,327
Retained earnings	308,847	230,987
Accumulated other comprehensive income	8,011	6,118
Total stockholders' equity	453,071	371,376
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$3,095,141	\$3,622,703

See accompanying footnotes to consolidated financial statements.

3

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
INTEREST INCOME:				
Loans, including fees	\$ 30,225	\$ 31,021	\$ 148,229	\$ 146,212
Taxable investment securities	3,864	3,788	11,549	11,252
Tax exempt investment securities	-	-	-	11
Federal Home Loan Bank stock and other	337	461	1,730	1,911
Total interest income	34,426	35,270	161,508	159,386
INTEREST EXPENSE:				
Deposits	2,057	2,946	7,267	10,366
Securities sold under agreements to repurchase and other short-term borrowings	111	262	535	746
Federal Home Loan Bank advances	4,467	4,978	13,857	15,014
Subordinated note	628	632	1,886	1,883
Total interest expense	7,263	8,818	23,545	28,009
NET INTEREST INCOME	27,163	26,452	137,963	131,377
Provision for loan losses	(140)	(1,804)	17,503	17,966
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	27,303	28,256	120,460	113,411
NON INTEREST INCOME:				
Service charges on deposit accounts	3,421	3,847	10,581	11,728
Electronic refund check fees	425	293	88,071	58,513
Net RAL securitization income	5	8	203	228
Mortgage banking income	1,352	1,679	3,092	4,094
Debit card interchange fee income	1,415	1,213	4,392	3,745
Gain on sale of banking center	2,856	-	2,856	-
Gain on sale of securities available for sale	301	-	2,208	-
Total impairment losses on investment securities	-	-	(279)	(126)
Gain recognized in other comprehensive income	-	-	-	-
Net securities gain (loss) recognized in earnings	-	-	(279)	(126)
Other	701	783	2,032	1,822
Total non interest income	10,476	7,823	113,156	80,004
NON INTEREST EXPENSES:				
Salaries and employee benefits	13,145	13,399	43,634	43,743

Edgar Filing: REPUBLIC BANCORP INC /KY/ - Form 10-Q

Occupancy and equipment, net	5,138	5,114	16,436	16,585
Communication and transportation	1,081	887	4,468	4,075
Marketing and development	736	722	2,508	10,116
FDIC insurance expense	918	586	3,718	2,485
Bank franchise tax expense	713	642	2,992	2,432
Data processing	787	660	2,352	1,978
Debit card interchange expense	566	299	1,690	1,234
Supplies	409	219	1,617	1,597
Other real estate owned expense	608	562	1,467	1,365
Charitable contributions	178	282	5,710	6,064
Legal expense	784	365	3,123	1,105
Accrued FDIC civil money penalty	-	-	2,000	-
FHLB advance prepayment expense	-	-	-	1,531
Other	1,375	1,385	6,067	6,596
Total non interest expenses	26,438	25,122	97,782	100,906
INCOME BEFORE INCOME TAX EXPENSE	11,341	10,957	135,834	92,509
INCOME TAX EXPENSE	3,471	3,647	47,889	32,174
NET INCOME	\$7,870	\$7,310	\$87,945	\$60,335

(continued)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Unrealized gain (loss) on securities available for sale, net of tax	\$2,332	\$(385)) \$3,559	\$693
Change in unrealized losses on securities available for sale for				
which a portion of an other-than-temporary impairment has				
been recognized in earnings, net of tax	92	81	(49)) 506
Realized amount on securities sold, net	(196)) -	(1,435)) -
Reclassification adjustment for losses or gains realized in income, net of tax	-	-	(182)) (82)
Other comprehensive income (loss)	2,228	(304)) 1,893	1,117
COMPREHENSIVE INCOME	\$10,098	\$7,006	\$89,838	\$61,452

BASIC EARNINGS PER SHARE:

Class A Common Stock	\$0.38	\$0.35	\$4.20	\$2.90
Class B Common Stock	0.36	0.34	4.16	2.86

DILUTED EARNINGS PER SHARE:

Class A Common Stock	\$0.38	\$0.35	\$4.19	\$2.89
Class B Common Stock	0.36	0.34	4.15	2.85

See accompanying footnotes to consolidated financial statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2011

(in thousands, except per share data)	Common Stock			Additional Paid In Capital	Accumulated Other Comprehensive Income		Total Stockholders' Equity
	Class A Shares Outstanding	Class B Shares Outstanding	Amount		Retained Earnings	Income	
Balance, January 1, 2011	18,628	2,307	\$ 4,944	\$ 129,327	\$ 230,987	\$ 6,118	\$ 371,376
Net income	-	-	-	-	87,945	-	87,945
Net change in accumulated other comprehensive income	-	-	-	-	-	1,893	1,893
Dividend declared Common Stock:							
Class A (\$0.451 per share)	-	-	-	-	(8,407)	-	(8,407)
Class B (\$0.410 per share)	-	-	-	-	(944)	-	(944)
Stock options exercised, net of shares redeemed	38	-	7	881	(450)	-	438
Repurchase of Class A Common Stock	(20)	-	(3)	(124)	(284)	-	(411)
Conversion of Class B Common Stock to Class A Common Stock	7	(7)	-	-	-	-	-
Notes receivable on Common Stock, net of cash payments	-	-	-	838	-	-	838
Deferred director compensation expense - Company Stock	2	-	-	130	-	-	130
Stock based compensation	-	-	-	213	-	-	213

expense

Balance, September

30, 2011	18,655	2,300	\$ 4,948	\$ 131,265	\$ 308,847	\$ 8,011	\$ 453,071
----------	--------	-------	----------	------------	------------	----------	------------

See accompanying footnotes to consolidated financial statements.

6

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010 (in thousands)

	2011	2010
OPERATING ACTIVITIES:		
Net income	\$87,945	\$60,335
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	2,393	8,719
Provision for loan losses	17,503	17,966
Net gain on sale of mortgage loans held for sale	(2,976)	(4,130)
Origination of mortgage loans held for sale	(93,052)	(196,853)
Proceeds from sale of mortgage loans held for sale	106,535	200,645
Increase in RAL securitization residual	(203)	(228)
Paydown of trading securities	203	228
Net realized impairment of mortgage servicing rights	203	157
Net realized (gain) loss on sales, calls and impairment of securities	(1,929)	126
Net gain on sale of other real estate owned	(424)	(135)
Writedowns of other real estate owned	463	993
Deferred director compensation expense - Company Stock	130	118
Stock based compensation expense	213	401
Net gain on sale of banking center	(2,856)	-
Net change in other assets and liabilities:		
Accrued interest receivable	(308)	18
Accrued interest payable	(566)	(659)
Other assets	3,115	5,009
Other liabilities	17,660	6,566
Net cash provided by operating activities	134,049	99,276
INVESTING ACTIVITIES:		
Purchases of securities available for sale	(694,640)	(563,688)
Purchases of securities to be held to maturity	(500)	(685)
Purchases of Federal Home Loan Bank stock	(1)	(26)
Proceeds from calls, maturities and paydowns of securities available for sale	384,947	424,804
Proceeds from calls, maturities and paydowns of securities to be held to maturity	4,114	12,259
Proceeds from sales of securities available for sale	160,075	-
Proceeds from sales of Federal Home Loan Bank Stock	60	-
Proceeds from sales of other real estate owned	10,622	7,421
Net change in loans	(83,498)	84,894
Purchases of premises and equipment	(1,845)	(3,342)
Sale of banking center	(15,410)	-
Net cash used in investing activities	(236,076)	(38,363)
FINANCING ACTIVITIES:		
Net change in deposits	(468,372)	(865,379)
Net change in securities sold under agreements to repurchase and other short-term borrowings	(91,160)	(13,070)
Payments on Federal Home Loan Bank advances	(55,146)	(117,183)
Proceeds from Federal Home Loan Bank advances	15,000	45,000
Repurchase of Common Stock	(411)	(387)

Edgar Filing: REPUBLIC BANCORP INC /KY/ - Form 10-Q

Net proceeds from Common Stock options exercised	438	1,883
Cash dividends paid	(9,120)	(8,932)
Net cash used in financing activities	(608,771)	(958,068)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(710,798)	(897,155)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	786,371	1,068,179
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$75,573	\$171,024

(continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)
NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010 (in thousands)

	2011	2010
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		

Cash paid during the period for:

Interest	\$24,118	\$28,758
Income taxes	34,706	19,905

SUPPLEMENTAL NONCASH DISCLOSURES

Transfers from loans to real estate acquired in settlement of loans	\$9,873	\$9,703
---	---------	---------

See accompanying footnotes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2011 AND 2010 (UNAUDITED)
AND DECEMBER 31, 2010

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 (collectively referred together with RB&T as the “Bank”), Republic Funding Company and Republic Invest Co. Republic Invest Co. includes its subsidiary, Republic Capital LLC. The consolidated financial statements also include the wholly-owned subsidiaries of RB&T: Republic Financial Services, LLC, TRS RAL Funding, LLC and Republic Insurance Agency, LLC. Republic Bancorp Capital Trust (“RBCT”) is a Delaware statutory business trust that is a wholly-owned unconsolidated finance subsidiary of Republic Bancorp, Inc. All companies are collectively referred to as “Republic” or the “Company.” All significant intercompany balances and transactions are eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles 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 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, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. 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, 2010.

As of September 30, 2011, the Company was divided into three distinct business operating segments: Traditional Banking, Mortgage Banking and Tax Refund Solutions.

Traditional Banking and Mortgage Banking (collectively “Core Banking”)

Republic operates 42 banking centers, primarily in the retail banking industry, and conducts its operations predominately in metropolitan Louisville, Kentucky, central Kentucky, northern Kentucky, southern Indiana, metropolitan Tampa, Florida, metropolitan Cincinnati, Ohio and through an Internet banking delivery channel. 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 mortgage, 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.

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. Additionally, in June 2011 Republic commenced business in its newly established warehouse lending division. Through this division, the Bank provides short-term, revolving credit facilities to mortgage bankers secured by single 1-4 family real estate loans.

Republic’s Core Banking operating expenses consist primarily of salaries and employee benefits, occupancy and equipment expenses, communication and transportation costs, marketing and development expenses, Federal Deposit Insurance Corporation (“FDIC”) insurance expense, bank franchise tax expense, data processing, debit card interchange

expense and other general and administrative costs. Republic's 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.

Tax Refund Solutions

Republic, through its Tax Refund Solutions ("TRS") business operating segment, is one of a limited number of financial institutions that facilitates the payment of federal and state tax refund products through third-party tax preparers located throughout the U.S., as well as tax-preparation software providers. TRS's three primary tax-related products include: Electronic Refund Checks ("ERCs" or "ARs"), Electronic Refund Deposits ("ERDs" or "ARDs") and Refund Anticipation Loans ("RALs"). Substantially all of the business generated by TRS occurs in the first quarter of the year. TRS traditionally operates at a loss during the second half of the year, during which the segment incurs costs preparing for the following year's first quarter tax season.

ERCs/ERDs 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 cost for RB&T associated with these products because they are only delivered to the taxpayer upon receipt of the refund directly from the Internal Revenue Service ("IRS"). Fees earned on ERCs/ERDs are reported as non interest income under the line item "Electronic Refund Check fees."

RALs are short-term consumer loans offered to taxpayers that are secured by the customer's anticipated tax refund, which represents the source of repayment. Prior to 2011, RB&T historically underwrote the RAL application utilizing the Debt Indicator (the "DI") from the IRS in combination with an automated underwriting model utilizing information contained in the taxpayer's tax return. The DI, which indicates whether an individual taxpayer will have any portion of the refund offset for delinquent tax or other debts, such as unpaid child support or federally funded student loans, has historically been a meaningful underwriting component. On August 5, 2010, the IRS issued a news release stating that it would no longer provide tax preparers and associated financial institutions with the DI beginning with the first quarter 2011 tax season. In response to loss of access to the DI in 2011, RB&T significantly reduced the maximum RAL amount for individual customers, raised the RAL offering price to its customers and modified its underwriting and application requirements resulting in fewer RALs approved.

If a consumer's RAL application is approved, RB&T advances \$1,500 of the taxpayer's refund. As part of the RAL application process, each taxpayer signs an agreement directing the applicable taxing authority to send the taxpayer's refund directly to RB&T. The refund received from the IRS or state taxing authority, if applicable, is used by RB&T to pay off the RAL. Any amount due the taxpayer above the amount of the RAL is remitted to the taxpayer once the refund is received by RB&T. The funds advanced by RB&T are generally repaid by the applicable taxing authority within two weeks. The fees earned on RALs are reported as interest income under the line item "Loans, including fees."

For additional discussion regarding TRS, see the following sections:

Part I Item 1 "Financial Statements:"

- o Footnote 3 "Loans and Allowance for Loan Losses"
- o Footnote 4 "Deposits"
- o Footnote 8 "Off Balance Sheet Risks, Commitments and Contingent Liabilities"
- o Footnote 10 "Segment Information"
- o Footnote 11 "Regulatory Matters"

Part II Item 1A "Risk Factors"

Recently Issued Accounting Pronouncements

In April, 2011, the FASB issued ASU No. 2011-03, "Reconsideration of Effective Control for Repurchase Agreements." The amendments in this ASU remove from the assessment of effective control the criteria relating to the transferor's ability to repurchase or redeem financial assets on substantially the agreed terms, even in the event of default by the transferee. The amendments in this ASU also eliminate the requirement to demonstrate that the transferor possesses adequate collateral to fund substantially all the cost of purchasing replacement financial assets. The guidance in this ASU is effective for the first interim or annual period beginning on or after December 15, 2011. The guidance should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption is not permitted. The Company will adopt the methodologies prescribed by this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

In May, 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments in this ASU generally represent clarifications of Topic 820, but also include some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This ASU results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and IFRSs. The amendments in this ASU are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. The Company will adopt the methodologies prescribed by this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

In June, 2011, the FASB issued ASU No. 2011-05, "Amendments to Topic 220, Comprehensive Income." Under the amendments in this ASU, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments in this ASU should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted, because compliance with the amendments is already permitted. The amendments do not require any transition disclosures. Due to the recency of this pronouncement, the Company is evaluating its timing of adoption of ASU 2011-05, but will adopt the ASU retrospectively by the due date.

In September, 2011, the FASB issued ASU No. 2011-08, "Intangibles – Goodwill and Other." This ASU is intended to simplify how an entity tests goodwill for impairment. The new guidance allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity no longer is required to calculate the fair value of a reporting unit unless the entity determines, based on its qualitative assessment, that it is more likely than not that the reporting unit's fair value is less than its carrying amount. The ASU will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company will adopt the methodologies prescribed by this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

Reclassifications – Certain amounts presented in prior periods have been reclassified to conform to the current period presentation.

2. INVESTMENT SECURITIES

Securities available for sale:

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

September 30, 2011 (in thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	\$ 147,221	\$ 1,313	\$(97)	\$ 148,437
Private label mortgage backed and other private label mortgage-related securities	5,818	-	(1,275)	4,543
Mortgage backed securities - residential	302,496	9,972	-	312,468
Collateralized mortgage obligations	204,911	2,503	(91)	207,323
Total securities available for sale	\$ 660,446	\$ 13,788	\$(1,463)	\$ 672,771

December 31, 2010 (in thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	\$ 119,894	\$ 668	\$(265)	\$ 120,297
Private label mortgage backed and other private label mortgage-related securities	6,323	211	(1,410)	5,124
Mortgage backed securities - residential	150,460	8,217	-	158,677
Collateralized mortgage obligations	223,665	2,144	(152)	225,657
Total securities available for sale	\$ 500,342	\$ 11,240	\$(1,827)	\$ 509,755

Mortgage backed Securities

At September 30, 2011, with the exception of the \$4.5 million private label mortgage backed and other private label mortgage-related securities, all other mortgage backed securities held by the Bank were issued by U.S. government-sponsored entities and agencies, primarily Federal Home Loan Mortgage Corporation ("Freddie Mac" or "FHLMC") and Fannie Mae ("FNMA"), institutions which the government has affirmed its commitment to support. At September 30, 2011 and December 31, 2010, there were gross unrealized losses of \$91,000 and \$152,000 related to available for sale and held to maturity mortgage backed securities other than the private label mortgage backed and other private label mortgage-related 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.

As mentioned throughout this filing, the Bank's mortgage backed securities portfolio includes private label mortgage backed and other private label mortgage-related securities with a fair value of \$4.5 million which had gross unrealized losses of approximately \$1.3 million at September 30, 2011 and \$1.4 million at December 31, 2010. As of September

30, 2011, the Bank believes there is no further credit loss component of other-than-temporary impairment (“OTTI”) in addition to that which has already been recorded. Additionally, the Bank does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery.

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:

	Carrying Value	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
September 30, 2011 (in thousands)				
U.S. Treasury securities and U.S. Government agencies	\$4,239	\$ 15	\$ -	\$4,254
Mortgage backed securities - residential	1,546	115	-	1,661
Collateralized mortgage obligations	23,586	206	-	23,792
Total securities to be held to maturity	\$29,371	\$ 336	\$ -	\$29,707

	Carrying Value	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
December 31, 2010 (in thousands)				
U.S. Treasury securities and U.S. Government agencies	\$4,191	\$ 10	\$ (4)	\$4,197
Mortgage backed securities - residential	1,930	109	-	2,039
Collateralized mortgage obligations	26,818	770	-	27,588
Total securities to be held to maturity	\$32,939	\$ 889	\$ (4)	\$33,824

During 2011, the Company recognized net securities gains in earnings for securities available for sale as follows:

There were no sales of securities available for sale during the first quarter of 2011.

During the second quarter of 2011, the Bank sold available for sale mortgage backed securities with an amortized cost of \$132 million, resulting in a pre-tax gain of \$1.9 million.

During the third quarter of 2011, the Company realized \$188,000 in pre-tax gains related to unamortized discount accretion on \$24 million of callable U.S. Government agencies that were called during the third quarter of 2011 before their maturity.

Also, during the third quarter of 2011, the Bank sold available for sale mortgage backed securities with an amortized cost of \$2 million, resulting in a pre-tax gain of \$112,000.

During the three and nine month periods ended September 30, 2010, there were no sales or calls of securities available for sale.

The amortized cost and fair value of the investment securities portfolio by contractual maturity at September 30, 2011 follows. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are detailed separately.

	Securities available for sale		Securities held to maturity	
	Amortized Cost	Fair Value	Carrying Value	Fair Value
September 30, 2011 (in thousands)				

Edgar Filing: REPUBLIC BANCORP INC /KY/ - Form 10-Q

Due in one year or less	\$-	\$-	\$-	\$-
Due from one year to five years	116,973	129,483	2,239	2,254
Due from five years to ten years	30,248	18,954	2,000	2,000
Due beyond ten years	-	-	-	-
Private label mortgage backed and other private label mortgage-related securities	5,818	4,543	-	-
Mortgage backed securities - residential	302,496	312,468	1,546	1,661
Collateralized mortgage obligations	204,911	207,323	23,586	23,792
Total	\$660,446	\$672,771	\$29,371	\$29,707

Market Loss Analysis

Securities with unrealized losses at September 30, 2011 and December 31, 2010, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

September 30, 2011 (in thousands)	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and U.S. Government agencies	\$30,151	\$(97)	\$-	\$-	\$30,151	\$(97)
Private label mortgage backed and other						
private label mortgage-related securities	-	-	4,543	(1,275)	4,543	(1,275)
Mortgage backed securities - residential, including Collateralized mortgage obligations	24,206	(91)	-	-	24,206	(91)
Total	\$54,357	\$(188)	\$4,543	\$(1,275)	\$58,900	\$(1,463)
December 31, 2010 (in thousands)	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and U.S. Government agencies	\$23,235	\$(269)	\$-	\$-	\$23,235	\$(269)
Private label mortgage backed and other						
private label mortgage-related securities	-	-	4,409	(1,410)	4,409	(1,410)
Mortgage backed securities - residential, including Collateralized mortgage obligations	49,477	(152)	-	-	49,477	(152)
Total	\$72,712	\$(421)	\$4,409	\$(1,410)	\$77,121	\$(1,831)

At September 30, 2011, the Bank's security portfolio consisted of 163 securities, 11 of which were in an unrealized loss position. The majority of unrealized losses are related to the Bank's mortgage-backed securities, as discussed in this section of the filing.

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 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.

Nationally, residential real estate values have declined significantly since 2007. These declines in value, coupled with the reduced ability of certain homeowners to refinance or repay their residential real estate obligations, have led to elevated delinquencies and losses in residential real estate loans. Many of these loans have previously been securitized and sold to investors as private label mortgage backed and other private label mortgage-related securities. As detailed in the table below, the Bank owns three private label mortgage backed securities and one private label mortgage-related security with a total carrying value of \$5.8 million at September 30, 2011. For the three private label mortgage backed securities (Securities 1 through 3 in the table below), the Bank has recorded all projected losses through OTTI charges. The Bank has permanently written off a portion of the principal associated with these securities, as a portion of their losses were passed through by the servicer/trustee.

None of these private label securities are guaranteed by government agencies. Securities 1 through 3 in the table below are mostly backed by “Alternative A” first lien mortgage loans. Security 4 in the table below represents an asset backed security with an insurance “wrap” or guarantee. The average life of security 4 is currently estimated to be five years. Due to current market conditions, all of these assets remain extremely illiquid, and as such, the Bank determined that these securities are Level 3 securities in accordance with FASB 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 these securities. 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 these investments. See Footnote 6, “Fair Value” for additional discussion.

The following table contains details regarding the Bank’s private label securities as of September 30, 2011:

(in thousands)	Amortized Cost	Cumulative OTTI Credit Losses	Amortized Cost, Net of OTTI Reserves	Fair Value	Gross Unrealized Gains / (Losses)
Security 1	\$ 1,290	\$ (1,290)	\$ -	\$ -	\$ -
Security 2	597	(597)	-	-	-
Security 3	1,394	(1,394)	-	-	-
Security 4	7,834	(2,016)	5,818	4,543	(1,275)
Total	\$ 11,115	\$ (5,297)	\$ 5,818	\$ 4,543	\$ (1,275)

The credit ratings for the Bank’s private label mortgage backed and other private label mortgage-related securities range from “speculative” to “default” at September 30, 2011.

The following table presents a rollforward of the credit losses recognized in earnings:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Beginning balance	\$7,705	\$13,115	\$9,757	\$17,266
Reversal of interest reserve	(62)	-	(341)	-
Realized pass through of actual losses	(2,346)	(2,304)	(4,398)	(6,581)
Amounts related to credit loss for which an other-than-temporary impairment was not previously recognized	-	-	279	126
Ending balance, September 30	\$5,297	\$10,811	\$5,297	\$10,811

Further deterioration in economic conditions could cause the Bank to record additional impairment charges related to credit losses of up to \$5.8 million, which is the current carrying value of the Bank's one private label mortgage-related security.

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,	
	2011	December 31, 2010
Carrying amount	\$ 432,708	\$ 420,999
Fair value	443,055	430,445

3. LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of the loan portfolio follows:

(in thousands)	September 30,	
	2011	December 31, 2010
Residential Real Estate:		
Owner Occupied	\$ 936,750	\$ 918,407
Non Owner Occupied	102,596	126,404
Commercial Real Estate	647,676	640,872
Commercial Real Estate - Purchased Whole Loans	32,783	-
Real Estate Construction	66,578	68,701
Commercial	111,295	108,720
Warehouse Lines of Credit	17,324	-
Home Equity	287,119	289,945
Consumer:		
Credit Cards	7,858	8,213

Edgar Filing: REPUBLIC BANCORP INC /KY/ - Form 10-Q

Overdrafts	710	901
Other Consumer	9,227	13,077
Total Loans	2,219,916	2,175,240
Less: Allowance for Loan Losses	23,945	23,079
Loans, Net	\$ 2,195,971	\$ 2,152,161

Banking Center Divestiture:

In May 2011, RB&T, entered into a definitive agreement to sell its banking center located in Bowling Green, Kentucky to Citizens First Bank, Inc. ("Citizens"). This transaction was closed on September 30, 2011. In addition to other items, Citizens acquired \$13 million, or approximately one-half, of the outstanding loans of RB&T's Bowling Green banking center.

Credit Quality Indicators:

Bank procedures for assessing and maintaining adequate credit quality grading differ slightly depending on whether a new or renewed loan is being underwritten, or whether an existing loan is being re-evaluated for potential credit quality concerns. The latter usually occurs upon receipt of updated financial information, or other pertinent data, that would potentially cause a change in the loan grade.

For new and renewed commercial and commercial real estate loans, the Bank's Credit Administration Department, which acts independently of the loan officer, assigns the credit quality grade to the loan. Loan grades for new commercial and commercial real estate loans with an aggregate credit exposure of \$1,500,000 or greater are validated by the Senior Loan Committee ("SLC"). Loan grades for renewed commercial and commercial real estate loans with an aggregate credit exposure of \$2,000,000 or greater, are also validated by the SLC.

The SLC is chaired by the Chief Operating Officer of Commercial Banking ("COO") and includes the Bank's Chief Commercial Credit Officer ("CCCO") and the Bank's Chief Risk Management Officer ("CRMO").

Commercial loan officers are responsible for reviewing their loan portfolios and reporting any adverse material changes to the CCCO. When circumstances warrant a review and possible change in the credit quality grade, loan officers are required to notify the Bank's Credit Administration Department.

The COO meets monthly with commercial loan officers to discuss the status of past-due loans and possible classified loans. These meetings are also designed to give the loan officers an opportunity to identify an existing loan that should be downgraded.

Monthly, members of senior management along with managers of Commercial Lending, Commercial Credit Administration and Special Asset and Retail Collections attend a Special Asset Committee ("SAC") meeting. The SAC reviews all commercial and commercial real estate past due, classified, and impaired loans in excess of \$100,000 and discusses the relative trends and current status of these assets. In addition, the SAC reviews all retail single 1-4 residential real estate loans exceeding \$750,000 and all home equity loans exceeding \$100,000 that are 80-days or more past due or that are on non-accrual status. SAC also reviews the actions taken by management regarding foreclosure mitigation, loan extensions, troubled debt restructures and collateral repossessions. Based on the information reviewed in this meeting, the SAC approves all specific loan loss allocations to be recognized by the Bank within its Allowance for Loan Loss analysis.

For all real estate and consumer loans that do not meet the scope above, the Bank uses a grading system based on delinquency. Loans that are 80 days or more past due, on non-accrual, or are troubled debt restructurings are graded "Substandard." Occasionally a real estate loan below scope may be graded as "Special Mention" or "Substandard" if the loan is cross collateralized with a classified commercial loan.

On at least an annual basis, the Bank analyzes all aggregate lending relationships with outstanding balances greater than \$1 million that are internally classified as "Special Mention," "Substandard," "Doubtful" or "Loss." In addition, for all "Pass" rated loans, the Bank analyzes, on at least an annual basis, all aggregate lending relationships with outstanding

balances exceeding \$4 million.

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, public information, and current economic trends. The Bank also considers the fair value of the underlying collateral and the strength and willingness of the guarantor(s). The Bank analyzes loans individually and based on this analysis, establishes a credit risk rating. The Bank uses the following definitions for risk ratings:

Risk Grade 1 - Excellent (Pass): Loans fully secured by liquid collateral, such as certificates of deposit, reputable bank letters of credit, or other cash equivalents; loans fully secured by publicly traded marketable securities where there is no impediment to liquidation; or loans to any publicly held company with a current long-term debt rating of A or better.

Risk Grade 2 - Good (Pass): Loans to businesses that have strong financial statements containing an unqualified opinion from a CPA firm and at least three consecutive years of profits; loans supported by unaudited financial statements containing strong balance sheets, five consecutive years of profits, a five-year satisfactory relationship with the Bank, and key balance sheet and income statement trends that are either stable or positive; loans that are guaranteed or otherwise backed by the full faith and credit of United States government or an agency thereof, such as the Small Business Administration; or loans to publicly held companies with current long-term debt ratings of Baa or better.

Risk Grade 3 - Satisfactory (Pass): Loans supported by financial statements (audited or unaudited) that indicate average or slightly below average risk and having some deficiency or vulnerability to changing economic conditions; loans with some weakness but offsetting features of other support are readily available; loans that are meeting the terms of repayment, but which may be susceptible to deterioration if adverse factors are encountered.

Loans may be graded Satisfactory when there is no recent information on which to base a current risk evaluation and the following conditions apply:

At inception, the loan was properly underwritten, did not possess an unwarranted level of credit risk, and the loan met the above criteria for a risk grade of Excellent, Good, or Satisfactory;

At inception, the loan was secured with collateral possessing a loan value within Loan Policy guidelines to protect the Bank from loss.

The loan has exhibited two or more years of satisfactory repayment with a reasonable reduction of the principal balance.

During the period that the loan has been outstanding, there has been no evidence of any credit weakness. Some examples of weakness include slow payment, lack of cooperation by the borrower, breach of loan covenants, or the borrower is in an industry known to be experiencing problems. If any of these credit weaknesses is observed, a lower risk grade may be warranted.

Risk Grade 4 - Satisfactory/Monitored (Pass): Loans in this category are considered to be of acceptable credit quality, but contain greater credit risk than Satisfactory loans due to weak balance sheets, marginal earnings or cash flow, or other uncertainties. These loans warrant a higher than average level of monitoring to ensure that weaknesses do not advance. The level of risk in a Satisfactory/Monitored loan is within acceptable underwriting guidelines so long as the loan is given the proper level of management supervision.

Risk Grade 5 - Special Mention: Loans that possess some credit deficiency or potential weakness that deserves close attention. Such loans pose an unwarranted financial risk that, if not corrected, could weaken the loan by adversely impacting the future repayment ability of the borrower. The key distinctions of a Special Mention classification are that (1) it is indicative of an unwarranted level of risk and (2) credit weaknesses are not defined impairments to the primary source of repayment and are consider potential.

Risk Grade 6 - Substandard: One or more of the following characteristics may be exhibited in loans classified Substandard:

Loans that possess a defined credit weakness. The likelihood that a loan will be paid from the primary source of repayment is uncertain. Financial deterioration is under way and very close attention is warranted to ensure that the loan is collected without loss.

Loans are inadequately protected by the current net worth and paying capacity of the obligor.

The primary source of repayment is gone, and the Bank is forced to rely on a secondary source of repayment, such as collateral liquidation or guarantees.

Loans have a distinct possibility that the Bank will sustain some loss if deficiencies are not corrected.

Unusual courses of action are needed to maintain a high probability of repayment.

The borrower is not generating enough cash flow to repay loan principal, however, it continues to make interest payments.

The Bank is forced into a subordinated or unsecured position due to flaws in documentation.

Loans have been restructured so that payment schedules, terms and collateral represent concessions to the borrower when compared to the normal loan terms.

The Bank is seriously contemplating foreclosure or legal action due to the apparent deterioration in the loan.

There is significant deterioration in market conditions to which the borrower is highly vulnerable.

Risk Grade 7 - Doubtful: One or more of the following characteristics may be present in loans classified Doubtful:

Loans have all of the weaknesses of those classified as substandard. However, based on existing conditions, these weaknesses make full collection of principal highly improbable.

The primary source of repayment is gone, and there is considerable doubt as to the quality of the secondary source of repayment.

The possibility of loss is high but because of certain important pending factors which may strengthen the loan, loss classification is deferred until the exact status of repayment is known.

Risk Grade 8 - Loss: Loans are considered uncollectible and of such little value that continuing to carry them as assets is not feasible. Loans will be classified Loss when it is neither practical nor desirable to defer writing off or reserving all or a portion of a basically worthless asset, even though partial recovery may be possible at some time in the future. These loans will be either written off or a specific valuation allowance established.

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

September 30, 2011 (in thousands)	Pass	Special Mention	Substandard	Doubtful / Loss	Total Rated Loans
Residential Real Estate:					
Owner Occupied	\$-	\$ 1,192	\$ 12,499	\$-	\$ 13,691
Non Owner Occupied	-	2,626	2,537	-	5,163
Commercial Real Estate	609,014	26,040	12,622	-	647,676
Commercial Real Estate - Purchased Whol Loans	32,783	-	-	-	32,783
Real Estate Construction	52,822	3,692	10,064	-	66,578
Commercial	106,692	4,304	299	-	111,295
Warehouse Lines of Credit	17,324	-	-	-	17,324
Home Equity	-	-	3,423	-	3,423
Consumer:					
Credit Cards	-	-	-	-	-
Overdrafts	-	-	-	-	-
Other Consumer	-	-	10	-	10
Total	\$818,635	\$37,854	\$ 41,454	\$-	\$897,943

December 31, 2010 (in thousands)	Pass	Special Mention	Substandard	Doubtful/ Loss	Total Rated Loans
Residential Real Estate:					
Owner Occupied	\$ -	\$ 1,017	\$ 11,925	\$ -	\$ 12,942
Non Owner Occupied	-	3,288	1,095	-	4,383
Commercial Real Estate	592,957	33,802	14,113	-	640,872
Real Estate Construction	51,173	11,340	6,188	-	68,701
Commercial	103,489	4,807	424	-	108,720
Home Equity	-	-	4,495	-	4,495
Consumer:					
Credit Cards	-	-	-	-	-
Overdrafts	-	-	-	-	-
Other Consumer	-	-	5	-	5
Total	\$ 747,619	\$ 54,254	\$ 38,245	\$ -	\$ 840,118

Activity in the allowance for loan losses follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Allowance for loan losses at beginning of period	\$25,931	\$26,659	\$23,079	\$22,879
Charge offs - Traditional Banking	(2,975)	(4,057)	(6,142)	(8,451)
Charge offs - Tax Refund Solutions	(6)	-	(15,484)	(14,584)
Total charge offs	(2,981)	(4,057)	(21,626)	(23,035)
Recoveries - Traditional Banking	442	238	1,554	636
Recoveries - Tax Refund Solutions	693	3,530	3,435	6,120
Total recoveries	1,135	3,768	4,989	6,756
Net loan charge offs/recoveries - Traditional Banking	(2,533)	(3,819)	(4,588)	(7,815)
Net loan charge offs/recoveries - Tax Refund Solutions	687	3,530	(12,049)	(8,464)
Net loan charge offs/recoveries	(1,846)	(289)	(16,637)	(16,279)
Provision for loan losses - Traditional Banking	547	1,726	5,454	9,502
Provision for loan losses - Tax Refund Solutions	(687)	(3,530)	12,049	8,464
Total provision for loan losses	(140)	(1,804)	17,503	17,966
Allowance for loan losses at end of period	\$23,945	\$24,566	\$23,945	\$24,566

The following table presents the activity in the allowance for loan losses by portfolio segment for the nine months ended September 30, 2011:

September 30, 2011 (in thousands)	Commercial							
	Residential Real Estate		Real Estate -		Real Estate		Warehouse	
	Owner	Non Owner	Commercial	Purchased	Estate	Construction	Lines of Credit	Home Equity
	Occupied	Occupied	Real Estate	Whole Loans				
Beginning balance	\$ 3,775	\$ 1,507	\$ 7,214	\$ -	\$ 2,612	\$ 1,347	\$ -	\$ 3,581
Provision for loan losses	2,372	192	1,512	-	1,083	(322)	43	555
Loans charged off	(1,699)	(512)	(1,081)	-	(823)	(100)	-	(1,043)
Recoveries	186	4	284	-	231	125	-	100
Ending Balance	\$ 4,634	\$ 1,191	\$ 7,929	\$ -	\$ 3,103	\$ 1,050	\$ 43	\$ 3,193

September 30, 2011 (in thousands)	Consumer					
	Tax Refund	Credit	Other			
	Solutions	Cards	Overdrafts	Consumer Unallocated	Total	
Beginning balance	\$ -	\$ 492	\$ 125	\$ 461	\$ 1,965	\$ 23,079
	12,049	114	67	(162)	-	17,503

Provision for loan losses						
Loans charged off	(15,484)	(172)	(486)	(226)	-	(21,626)
Recoveries	3,435	24	395	205	-	4,989
Ending Balance	\$ -	\$ 458	\$ 101	\$ 278	\$ 1,965	\$ 23,945

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

(in thousands)	September 30, 2011	December 31, 2010
Loans on non-accrual status	\$ 23,822	\$ 28,317
Loans past due 90 days or more and still on accrual	-	-
Total non-performing loans	23,822	28,317
Other real estate owned	11,185	11,969
Total non-performing assets	\$ 35,007	\$ 40,286

Total Company Credit Quality Ratios:

Non-performing loans to total loans	1.07	%	1.30	%
Non-performing assets to total loans (including OREO)	1.57	%	1.84	%
Non-performing assets to total assets	1.13	%	1.11	%

Traditional Banking Credit Quality Ratios:

Non-performing loans to total loans	1.07	%	1.30	%
Non-performing assets to total loans (including OREO)	1.57	%	1.84	%
Non-performing assets to total assets	1.14	%	1.32	%

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

September 30, 2011	December 31, 2010
Loans Past Due 90 Days or More and	Loans Past Due 90 Days