

REPUBLIC BANCORP INC /KY/  
Form 10-Q  
October 27, 2010

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, 2010

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 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)

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 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.

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input checked="" type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input type="radio"/>

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 26, 2010, was 18,627,220 and 2,308,101, respectively.

---

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1.	Financial Statements.
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations.
Item 3.	Quantitative and Qualitative Disclosures about Market Risk.
Item 4.	Controls and Procedures.

PART II – OTHER INFORMATION

Item 1.	Legal Proceedings.
Item 1A.	Risk Factors.
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds.
Item 4	(Removed and Reserved)
Item 6.	Exhibits.

SIGNATURES

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements.

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

	September 30, 2010	December 31, 2009
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 171,024	\$ 1,068,179
Securities available for sale	561,483	416,311
Securities to be held to maturity (fair value of \$39,695 in 2010 and \$51,135 in 2009)	39,351	50,924
Mortgage loans held for sale	5,783	5,445
Loans, net of allowance for loan losses of \$24,566 and \$22,879 (2010 and 2009)	2,132,764	2,245,353
Federal Home Loan Bank stock, at cost	26,274	26,248
Premises and equipment, net	38,171	39,380
Goodwill	10,168	10,168
Other assets and accrued interest receivable	50,751	56,760
<b>TOTAL ASSETS</b>	<b>\$3,035,769</b>	<b>\$3,918,768</b>
<b>LIABILITIES</b>		
<b>Deposits</b>		
Non interest-bearing	\$ 328,083	\$ 318,275
Interest-bearing	1,409,019	2,284,206
Total deposits	1,737,102	2,602,481
Securities sold under agreements to repurchase and other short-term borrowings	286,510	299,580
Federal Home Loan Bank advances	565,424	637,607
Subordinated note	41,240	41,240
Other liabilities and accrued interest payable	34,668	21,840
<b>Total liabilities</b>	<b>2,664,944</b>	<b>3,602,748</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, no par value	-	-
Class A Common Stock and Class B Common Stock, no par value	4,944	4,917
Additional paid in capital	129,429	126,376
Retained earnings	229,552	178,944
Accumulated other comprehensive income	6,900	5,783
<b>Total stockholders' equity</b>	<b>370,825</b>	<b>316,020</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$3,035,769</b>	<b>\$3,918,768</b>

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,	
	2010	2009	2010	2009
<b>INTEREST INCOME:</b>				
Loans, including fees	\$31,021	\$33,413	\$146,212	\$159,136
Taxable investment securities	3,788	4,441	11,252	14,283
Tax exempt investment securities	-	5	11	17
Federal Home Loan Bank stock and other	461	406	1,911	1,692
Total interest income	35,270	38,265	159,386	175,128
<b>INTEREST EXPENSE:</b>				
Deposits	2,946	3,630	10,366	18,584
Securities sold under agreements to repurchase and other short-term borrowings	262	238	746	819
Federal Home Loan Bank advances	4,978	6,027	15,014	17,371
Subordinated note	632	634	1,883	1,881
Total interest expense	8,818	10,529	28,009	38,655
<b>NET INTEREST INCOME</b>	<b>26,452</b>	<b>27,736</b>	<b>131,377</b>	<b>136,473</b>
Provision for loan losses	(1,804 )	1,427	17,966	28,778
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>28,256</b>	<b>26,309</b>	<b>113,411</b>	<b>107,695</b>
<b>NON INTEREST INCOME:</b>				
Service charges on deposit accounts	3,847	4,990	11,728	14,404
Electronic refund check fees	293	137	58,513	25,272
Net RAL securitization income	8	26	228	498
Mortgage banking income	1,679	1,667	4,094	9,358
Debit card interchange fee income	1,213	1,321	3,745	3,792
Total impairment losses on investment securities	-	(850 )	(126 )	(5,871 )
Loss recognized in other comprehensive income	-	-	-	-
Net impairment loss recognized in earnings	-	(850 )	(126 )	(5,871 )
Other	783	597	1,822	1,844
Total non interest income	7,823	7,888	80,004	49,297
<b>NON INTEREST EXPENSES:</b>				
Salaries and employee benefits	13,399	12,652	43,743	39,815

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

Occupancy and equipment, net	5,114	5,474	16,585	16,811
Communication and transportation	887	1,056	4,075	4,000
Marketing and development	722	722	10,116	12,362
FDIC insurance expense	586	999	2,485	4,053
Bank franchise tax expense	642	685	2,432	1,957
Data processing	660	766	1,978	2,315
Debit card interchange expense	299	702	1,234	2,070
Supplies	219	463	1,597	1,739
Other real estate owned expense	562	82	1,365	2,065
Charitable contributions	282	343	6,064	1,085
FHLB advance prepayment expense	-	-	1,531	-
Other	1,750	1,795	7,701	7,663
Total non interest expenses	25,122	25,739	100,906	95,935
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	<b>10,957</b>	<b>8,458</b>	<b>92,509</b>	<b>61,057</b>
<b>INCOME TAX EXPENSE</b>	<b>3,647</b>	<b>2,797</b>	<b>32,174</b>	<b>22,770</b>
<b>NET INCOME</b>	<b>\$7,310</b>	<b>\$5,661</b>	<b>\$60,335</b>	<b>\$38,287</b>

(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,	
	2010	2009	2010	2009
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>				
Unrealized gain (loss) on securities available for sale, net	\$(385 )	\$1,606	\$693	\$(130 )
Other-than-temporary-impairment on available for sale securities recorded on other comprehensive income, net	-	-	-	1,800
Change in unrealized losses on securities available for sale for which a portion of an other-than-temporary impairment has been recognized in earnings	81	-	506	-
Reclassification adjustment for losses (gains) realized in income	-	553	(82 )	3,816
Other comprehensive income (loss)	(304 )	2,159	1,117	5,486
<b>COMPREHENSIVE INCOME</b>	<b>\$7,006</b>	<b>\$7,820</b>	<b>\$61,452</b>	<b>\$43,773</b>
<b>BASIC EARNINGS PER SHARE:</b>				
Class A Common Stock	\$0.35	\$0.27	\$2.90	\$1.85
Class B Common Stock	0.34	0.26	2.86	1.82
<b>DILUTED EARNINGS PER SHARE:</b>				
Class A Common Stock	\$0.35	\$0.27	\$2.89	\$1.84
Class B Common Stock	0.34	0.26	2.85	1.80

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					
Balance, January 1, 2010	18,499	2,309	\$4,917	\$126,376	\$178,944	\$ 5,783	\$ 316,020
Net income	-	-	-	-	60,335	-	60,335
Net change in accumulated other comprehensive income	-	-	-	-	-	1,117	1,117
Dividend declared Common Stock:							
Class A (\$0.418 per share)	-	-	-	-	(7,759 )	-	(7,759 )
Class B (\$0.380 per share)	-	-	-	-	(877 )	-	(877 )
Stock options exercised, net of shares redeemed	137	-	31	2,666	(814 )	-	1,883
Repurchase of Class A Common Stock	(11 )	-	(4 )	(106 )	(277 )	-	(387 )
Conversion of Class B Common Stock to Class A Common Stock	1	(1 )	-	-	-	-	-
Notes receivable on Common Stock, net of cash payments	-	-	-	(26 )	-	-	(26 )
Deferred director compensation expense - Company Stock	1	-	-	118	-	-	118
Stock based compensation expense	-	-	-	401	-	-	401
Balance, September 30, 2010	18,627	2,308	\$4,944	\$129,429	\$229,552	\$ 6,900	\$ 370,825

See accompanying footnotes to consolidated financial statements.

6

---

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
 NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (in thousands)

	2010	2009
<b>OPERATING ACTIVITIES:</b>		
Net income	\$60,335	\$38,287
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	8,719	8,615
Provision for loan losses	20,366	28,778
Net gain on sale of mortgage loans held for sale	(4,130 )	(9,814 )
Origination of mortgage loans held for sale	(196,853 )	(507,757 )
Proceeds from sale of mortgage loans held for sale	200,645	520,272
Net realized recovery of mortgage servicing rights	-	(1,255 )
Increase in RAL securitization residual	(228 )	(498 )
Paydown of trading securities	228	498
Net realized impairment of mortgage servicing rights	157	-
Net realized loss on sales, calls and impairment of securities	126	8,640
Net gain on sale of other real estate owned	(135 )	(7 )
Writedowns of other real estate owned	993	1,873
Deferred director compensation expense - Company Stock	118	128
Stock based compensation expense	401	539
Net change in other assets and liabilities:		
Accrued interest receivable	18	2,769
Accrued interest payable	(659 )	(3,881 )
Other assets	5,009	(10,128 )
Other liabilities	6,566	(5,626 )
Net cash provided by operating activities	101,676	71,433
<b>INVESTING ACTIVITIES</b>		
Purchases of securities available for sale	(563,688 )	(427,600 )
Purchases of securities to be held to maturity	(685 )	(18,525 )
Purchases of Federal Home Loan Bank stock	(26 )	(1,166 )
Proceeds from calls, maturities and paydowns of securities available for sale	424,804	853,136
Proceeds from calls, maturities and paydowns of securities to be held to maturity	12,259	4,000
Proceeds from sales of other real estate owned	7,421	6,365
Net change in loans	82,494	(16,665 )
Purchases of premises and equipment	(3,342 )	(2,885 )
Net cash provided by/(used in) investing activities	(40,763 )	396,660
<b>FINANCING ACTIVITIES</b>		
Net change in deposits	(865,379 )	(1,064,936 )
Net change in securities sold under agreements to repurchase and other short-term borrowings	(13,070 )	(58,171 )
Payments on Federal Home Loan Bank advances	(117,183 )	(50,545 )
Proceeds from Federal Home Loan Bank advances	45,000	235,000
Repurchase of Common Stock	(387 )	(867 )
Net proceeds from Common Stock options exercised	1,883	1,692
Cash dividends paid	(8,932 )	(7,663 )

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

Net cash used in financing activities	(958,068 )	(945,490 )
NET CHANGE IN CASH AND CASH EQUIVALENTS	(897,155 )	(477,397 )
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,068,179	616,303
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 171,024	\$ 138,906

(continued)

7

---

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)  
 NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (in thousands)

---

2010                      2009

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the period for:

Interest	\$28,758	\$42,536
Income taxes	19,905	24,029

SUPPLEMENTAL NONCASH DISCLOSURES

Transfers from loans to real estate acquired in settlement of loans	\$9,703	\$3,637
---	---------	---------

See accompanying footnotes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2010 AND 2009 (UNAUDITED)  
AND DECEMBER 31, 2009

---

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.

Republic operates 44 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. Republic’s consolidated 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 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 traditional 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.

Republic’s 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.

Republic, through its Tax Refund Solutions (“TRS”) segment, is one of a limited number of financial institutions which facilitates the payment of federal and state tax refunds through third party tax-preparers located throughout the U.S., as well as tax-preparation software providers. The Company facilitates the payment of these tax refunds through three primary products: Electronic Refund Checks (“ERCs”), Electronic Refund Deposits (“ERDs”) 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 upcoming tax season.

ERCs/ERDs are products whereby a tax refund is issued to the taxpayer after the Company has received the refund from the federal or state government. There is no credit risk or borrowing cost for the Company 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. The Company underwrites the RAL application through an automated credit review process utilizing information contained in the taxpayer's tax return and the tax-preparer's history. If the application is approved, the Company advances the amount of the refund due on the taxpayer's return up to specified amounts less the loan fee due to the Company and, if requested by the taxpayer, the fees due for preparation of the return to the tax-preparer. As part of the RAL application process, each taxpayer signs an agreement directing the IRS to send the taxpayer's refund directly to the Company. The refund received from the IRS is used by the Company 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 the Company. The funds advanced by the Company are generally repaid by the IRS 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 10 “Segment Information”
  - o Footnote 11 “Regulatory Matters”
- Part II Item 1A “Risk Factors”

#### Recently Issued Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, “Fair Value Measurements and Disclosures — Improving Disclosures about Fair Value Measurements.” The update requires new disclosures including significant transfers in and out of Level 1 and Level 2 fair value measurements. Also, the ASU provides an update on the reconciliation for fair value measurements using significant unobservable inputs (Level 3). The new guidance is effective for interim and annual periods beginning after December 15, 2009, except for the update on the reconciliation of Level 3 fair value measurements, which is effective for fiscal years beginning after December 15, 2010. The portion that is currently effective did not have an impact on the Company’s consolidated financial statements. The portion that is not yet effective is also not expected to have an impact on Company’s financial statements.

In July 2010, the FASB issued ASU No. 2010-20, “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,” which requires significant new disclosures about the allowance for credit losses and the credit quality of financing receivables, which for the Company includes loans and standby letters of credit. The requirements are intended to enhance transparency regarding credit losses and the credit quality of loan and lease receivables. Under this statement, allowance for loan losses is to be disclosed by portfolio segment, while credit quality information, impaired loans and nonaccrual status are to be presented by class. Disclosure of the nature and extent, the financial impact and segment information of troubled debt restructurings will also be required. The disclosures are to be presented at the level of disaggregation that management uses when assessing and monitoring the portfolio’s risk and performance. This ASU is effective for interim and annual reporting periods after December 15, 2010. The adoption of ASU 2010-20 is expected to result in additional quarterly and annual disclosures beginning in the fourth quarter of 2010.

#### Recent Legislative Developments

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Act”) was signed into law on July 21, 2010. Generally, the Act is effective the day after it was signed into law, but different effective dates apply to specific sections of the law. Uncertainty remains as to the ultimate impact of the Act, which could have an adverse impact on the financial services industry as a whole and on the Company’s business, results of operations and financial condition.

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

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 three and nine months ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. 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, 2009.

## 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, 2010 (in thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	\$ 176,868	\$ 1,220	\$ -	\$ 178,088
Private label mortgage backed and other private label mortgage-related securities	6,769	104	(1,509 )	5,364
Mortgage backed securities - residential	164,332	8,955	-	173,287
Collateralized mortgage obligations	202,898	1,879	(33 )	204,744
Total securities available for sale	\$ 550,867	\$ 12,158	\$ (1,542 )	\$ 561,483

December 31, 2009 (in thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	\$ 48,000	\$ 82	\$ -	\$ 48,082
Private label mortgage backed and other private label mortgage-related securities	8,085	-	(2,184 )	5,901
Mortgage backed securities - residential	227,792	10,362	-	238,154
Collateralized mortgage obligations	123,536	765	(127 )	124,174
Total securities available for sale	\$ 407,413	\$ 11,209	\$ (2,311 )	\$ 416,311

## Mortgage backed Securities

At September 30, 2010, with the exception of the \$5.4 million private label mortgage backed and other private label mortgage-related securities, all other mortgage backed securities held by the Company 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, 2010, there were gross unrealized losses of \$56,000 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 Company 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, the Company does not consider these securities to be other-than-temporarily impaired at September 30, 2010.

As mentioned throughout this filing, the Company’s mortgage backed securities portfolio includes private label mortgage backed and other private label mortgage-related securities with a fair value of \$5.4 million which had net unrealized losses of approximately \$1.5 million at September 30, 2010. As of September 30, 2010, the Company believes there is no further material credit loss component of other-than-temporary impairment (“OTTI”) in addition to

that which has already been recorded. Additionally, the Company 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:

September 30, 2010 (in thousands)	Carrying Value	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	\$ 4,190	\$ 34	\$ -	\$ 4,224
Obligations of states and political subdivisions	-	-	-	-
Mortgage backed securities - residential	2,140	122	-	2,262
Collateralized mortgage obligations	33,021	211	(23 )	33,209
Total securities to be held to maturity	\$ 39,351	\$ 367	\$ (23 )	\$ 39,695

December 31, 2009 (in thousands)	Carrying Value	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	\$ 9,187	\$ 90	\$ -	\$ 9,277
Obligations of states and political subdivisions	384	38	-	422
Mortgage backed securities - residential	2,748	108	(1 )	2,855
Collateralized mortgage obligations	38,605	84	(108 )	38,581
Total securities to be held to maturity	\$ 50,924	\$ 320	\$ (109 )	\$ 51,135

#### Sales of Securities Available for Sale

During the three and nine month periods ended September 30, 2010 and 2009, there were no sales or calls of securities available for sale.

## Market Loss Analysis

Securities with unrealized losses at September 30, 2010 and December 31, 2009, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

September 30, 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Private label mortgage backed and other private label mortgage-related securities	-	-	4,529	(1,509 )	4,529	(1,509 )
Mortgage backed securities - residential, including Collateralized mortgage obligations	20,782	(56 )	-	-	20,782	(56 )
<b>Total</b>	<b>\$ 20,782</b>	<b>\$ (56 )</b>	<b>\$ 4,529</b>	<b>\$ (1,509 )</b>	<b>\$ 25,311</b>	<b>\$ (1,565 )</b>

December 31, 2009 (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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Private label mortgage backed and other private label mortgage-related securities	5,901	(2,184 )	-	-	5,901	(2,184 )
Mortgage backed securities - residential, including Collateralized mortgage obligations	19,738	(64 )	12,093	(172 )	31,831	(236 )
<b>Total</b>	<b>\$ 25,639</b>	<b>\$ (2,248 )</b>	<b>\$ 12,093</b>	<b>\$ (172 )</b>	<b>\$ 37,732</b>	<b>\$ (2,420 )</b>

As of September 30, 2010, the Company's security portfolio consisted of 154 securities, 8 of which were in an unrealized loss position. The majority of unrealized losses are related to the Company's mortgage-backed and other

securities, as discussed below.

The amortized cost and fair value of the investment securities portfolio by contractual maturity at September 30, 2010 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.

September 30 2010, (in thousands)	Securities available for sale		Securities held to maturity	
	Amortized Cost	Fair Value	Carrying Value	Fair Value
Due in one year or less	\$ -	\$ -	\$ 495	\$ 506
Due from one year to five years	170,874	172,094	1,198	1,204
Due from five years to ten years	5,994	5,994	2,497	2,514
Private label mortgage backed and other private label mortgage-related securities	6,769	5,364	-	-
Mortgage backed securities - residential	164,332	173,287	2,140	2,262
Collateralized mortgage obligations	202,898	204,744	33,021	33,209
Total	\$ 550,867	\$ 561,483	\$ 39,351	\$ 39,695

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 Company 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 Company’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 Company 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. The Company owned and continues to own four private label mortgage backed and other private label mortgage-related securities with an amortized cost of \$6.8 million at September 30, 2010. For one of these securities, the Company has fully reserved for its projected losses through OTTI charges. The Company has partially written off the principal associated with this security, as a portion of its losses were passed through by the servicer/trustee.

None of these private label securities are guaranteed by government agencies. Approximately \$1.0 million (Securities 1 through 3 in the table below) of these securities is mostly backed by “Alternative A” first lien mortgage loans. The remaining \$5.8 million (Security 4 in the table below) represents an asset backed security with an insurance “wrap” or guarantee. The average life of securities 1 through 3 is currently estimated to be 7 months. The average life of security 4 is currently estimated to be 5 years. Due to current market conditions, all of these assets remain extremely illiquid, and as such, the Company 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 Company 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 presents a rollforward of the credit losses recognized in earnings for the three and nine month periods ended September 30, 2010:

14

---

(in thousands)	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
Beginning balance	\$ 13,115	\$ 17,266
Realized pass through of actual losses	(2,304 )	(6,581 )
Amounts related to credit loss for which an other-than-temporary impairment was not previously recognized	-	126
Additions/Subtractions:		
Increases to the amount related to the credit loss for which other-than-temporary impairment was previously recognized	-	-
Ending balance, September 30, 2010	\$ 10,811	\$ 10,811

Further deterioration in economic conditions could cause the Company to record additional impairment charges related to credit losses of up to \$6.8 million, which is the current gross amortized cost of the Company's private label mortgage backed securities and other private label mortgage-related securities.

The following table details the total impairment loss related to "all other factors" recorded as a component of accumulated other comprehensive income for the Company's private label mortgage backed and other private label mortgage-related securities as of September 30, 2010:

(in thousands)	Amortized Cost	Fair Value	Gross Unrealized Gains / (Losses)	Cumulative Credit OTTI Losses
Security 1	\$ -	\$ -	\$ -	\$ (3,701 )
Security 2	731	835	104	(3,329 )
Security 3	220	134	(86 )	(1,766 )
Security 4	5,818	4,395	(1,423 )	(2,015 )
Total	\$ 6,769	\$ 5,364	\$ (1,405 )	\$ (10,811)

The credit ratings for the Company's private label mortgage backed and other private label mortgage-related securities range from "imminent default" to "speculative" at September 30, 2010.

#### 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, 2010	December 31, 2009
Carrying amount	\$ 406,673	\$ 427,444

Fair value	406,881	427,444
------------	---------	---------

## 3. LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of the loan portfolio follows:

(in thousands)	September 30, 2010	December 31, 2009
Residential real estate	\$ 1,025,732	\$ 1,097,311
Commercial real estate	638,763	641,451
Real estate construction	73,846	83,090
Commercial	98,701	104,274
Consumer	17,739	21,651
Overdrafts	1,072	2,006
Home equity	301,477	318,449
<b>Total loans</b>	<b>2,157,330</b>	<b>2,268,232</b>
Less: Allowance for loan losses	24,566	22,879
<b>Loans, net</b>	<b>\$ 2,132,764</b>	<b>\$ 2,245,353</b>

Activity in the allowance for loan losses follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Allowance for loan losses at beginning of period	\$26,659	\$19,886	\$22,879	\$14,832
Charge offs - Traditional Banking	(4,057 )	(2,588 )	(8,451 )	(5,114 )
Charge offs - Tax Refund Solutions	-	-	(14,584 )	(31,179 )
<b>Total charge offs</b>	<b>(4,057 )</b>	<b>(2,588 )</b>	<b>(23,035 )</b>	<b>(36,293 )</b>
Recoveries - Traditional Banking	238	186	636	650
Recoveries - Tax Refund Solutions	3,530	882	6,120	11,826
<b>Total recoveries</b>	<b>3,768</b>	<b>1,068</b>	<b>6,756</b>	<b>12,476</b>
Net loan charge offs/recoveries - Traditional Banking	(3,819 )	(2,402 )	(7,815 )	(4,464 )
Net loan charge offs/recoveries - Tax Refund Solutions	3,530	882	(8,464 )	(19,353 )
<b>Net loan charge offs/recoveries</b>	<b>(289 )</b>	<b>(1,520 )</b>	<b>(16,279 )</b>	<b>(23,817 )</b>
Provision for loan losses - Traditional Banking	1,726	2,309	9,502	9,425
Provision for loan losses - Tax Refund Solutions	(3,530 )	(882 )	8,464	19,353
<b>Provision for loan losses</b>	<b>(1,804 )</b>	<b>1,427</b>	<b>17,966</b>	<b>28,778</b>
<b>Allowance for loan losses at end of period</b>	<b>\$24,566</b>	<b>\$19,793</b>	<b>\$24,566</b>	<b>\$19,793</b>

Republic defines impaired loans to be those commercial related loans that the Company has classified as doubtful (collection of total amount due is improbable) or loss (all or a portion of the loan has been written off or a specific

allowance for loss has been provided) or otherwise meet the definition of impaired. Impaired loans also include commercial and retail loans accounted for as troubled debt restructurings (“TDRs”).

Information regarding Republic's impaired loans follows:

(in thousands)	September 30, 2010	December 31, 2009
Loans with no allocated allowance for loan losses	\$ 8,492	\$ 10,995
Loans with allocated allowance for loan losses	42,973	37,851
<b>Total impaired loans</b>	<b>\$ 51,465</b>	<b>\$ 48,846</b>

For the nine months ended September 30, 2010 and 2009, the Company had allocated \$6 million and \$5 million of the allowance for loan losses related to all impaired loans. The average of individually impaired loans for the nine months ended September 30, 2010 and 2009 was \$48 million and \$34 million.

A TDR is the situation where the Bank grants a concession to the borrower that the Bank would not otherwise have considered due to a borrower's financial difficulties. All TDRs are considered "Impaired." The substantial majority of the Company's residential real estate TDRs involves reducing the client's loan payment through a rate reduction or interest only payments for a set period of time based on the borrower's ability to service the modified loan payment. The majority of the Company's commercial related and construction TDRs involve a restructuring of loan terms such as a temporary forbearance or reduction in the payment amount to require only interest and escrow (if required) and/or extending the maturity date of the loan.

Detail of TDRs as of September 30, 2010 follows:

September 30, 2010 (in thousands)	TDRs on Non-Accrual Status	TDRs on Accrual Status	Total TDRs
Residential real estate	\$ 468	\$9,242	\$9,710
Commercial real estate	5,903	10,000	15,903
Real estate construction	5,518	2,003	7,521
Commercial	-	4,236	4,236
<b>Total TDRs</b>	<b>\$ 11,889</b>	<b>\$25,481</b>	<b>\$37,370</b>

A summary of the types of TDR loan modifications outstanding as of September 30, 2010 are as follows:

September 30, 2010 (in thousands)	TDRs Performing to Modified Terms	TDRs Not Performing to Modified Terms	Total TDRs
Residential real estate loans:			
Rate reduction	\$ 6,133	\$415	\$6,548

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

Interest only payments for 12 months	1,376	378	1,754
Other	428	952	1,380
Total residential TDRs	7,937	1,745	9,682
Commerical related and construction loans:			
Interest only payments for 6 - 12 months	3,187	5,913	9,100
Interest only payments for 36 months	4,208	206	4,414
Rate reduction	2,750	165	2,915
Forbearance for 4 - 12 months	4,165	3,759	7,924
Extension and rate modification	3,335	-	3,335
Total commercial TDRs	17,645	10,043	27,688
Total TDRs	\$ 25,582	\$ 11,788	\$ 37,370

As of September 30, 2010, 82% of the Company's total residential real estate TDRs are performing according to their modified terms, whereas 64% of the Company's total commercial related and construction TDRs are performing according to their modified terms. The approximately \$10 million in commercial and construction TDRs that are not performing according to the modified terms includes five non accrual relationships totaling approximately \$7 million.

The Company had allocated \$3.9 million of specific reserves to customers whose loan terms have been modified in TDRs as of September 30, 2010. Specific reserves are generally assessed prior to loans being modified as a TDR, as most of these loans migrate from our watch list and have been specifically reserved for as part of the Company's normal reserving methodology.

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. 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, 2010 and December 31, 2009, \$11.9 million and \$18.6 million of TDRs were classified as non-performing loans.

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

(in thousands)	September 30, 2010	December 31, 2009		
Loans on non-accrual status	\$ 36,358	\$ 43,136		
Loans past due 90 days or more and still on accrual	-	8		
Total non-performing loans	36,358	43,144		
Other real estate owned	6,203	4,772		
Total non-performing assets	\$ 42,561	\$ 47,916		
Non-performing loans to total loans - Total Company	1.69	%	1.90	%
Non-performing loans to total loans - Traditional Banking	1.69	%	1.90	%
Non-performing assets to total loans (including OREO)	1.97	%	2.11	%

The composition of non-performing loans by loan type follows:

(in thousands)	September 30, 2010	December 31, 2009
Residential real estate	\$ 16,776	\$ 14,832
Commercial real estate	8,347	16,850
Real estate construction	8,476	9,500
Commercial	343	647
Consumer	80	71
Home equity	2,336	1,244
Total non-performing loans	\$ 36,358	\$ 43,144

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. Non-accrual TDRs are reviewed for return to accrual status on an individual basis, with additional consideration given to the modification terms.

RAL Loss Reserves and Provision for Loan Losses:

Substantially all RALs issued by the Company are made during the first quarter, with RAL originations ending by the end of April each year. Losses associated with RALs result from the IRS not remitting taxpayer refunds to the Company associated with a particular tax return. This occurs for a number of reasons, including errors in the tax return, tax return fraud and tax debts not previously disclosed to the Company during its underwriting process. While the RAL application form is completed by the taxpayer in the tax-preparer's office, the credit approval criteria is established by TRS and the underwriting decision is made by TRS. TRS reviews and evaluates all tax returns to determine the likelihood of IRS payment. If any attribute of the tax return appears to fall outside of predetermined parameters, TRS will not originate the RAL.

At March 31st of each year the Company reserves for its estimated RAL losses for the year based on current year and historical funding patterns and based on information received from the IRS on current year payment processing. RAL funds advanced by the Company are generally repaid by the IRS within two weeks. RALs outstanding 30 days or longer are charged off at the end of each quarter with subsequent collections recorded as recoveries. Since the RAL season is over by the end of April of each year, essentially all uncollected RALs are charged off by June 30th of each year, except for those RALs management deems certain of collection.

Profitability in the Company's TRS segment is primarily driven by the volume of RAL transactions processed and the loss rate incurred on RALs, and is particularly sensitive to both measures. During the first nine months of 2010 (primarily the first quarter), the Company processed 22% more in dollars of RALs compared to the same period in 2009. The TRS segment's provision for loan losses decreased from \$19.4 million during the first nine months of 2009 to \$8.5 million during the first nine months of 2010. Included as a reduction to the first quarter 2009 TRS provision for loan losses was \$2.8 million representing a limited preparer-provided guarantee for RAL product performance. Despite the increase in origination volume over 2009, the Company's provision for loan losses decreased primarily due to improved underwriting criteria developed from the Company's 2009 tax season funding history from the IRS.

For the quarter ended September 30, 2010 and 2009, the TRS provision for loan losses was a net credit of \$3.5 million and a net credit of \$882,000. The net credit provision resulted from better than projected paydowns in outstanding RALs subsequent to the first quarter of each year. The Company expects the actual loss rate realized will be less than the current uncollected amount, as the Company will continue to receive payments from the IRS throughout the year and make other collection efforts to obtain repayment on the RALs.

As of September 30, 2010 and 2009, \$11.0 million and \$24.4 million of total RALs originated remained uncollected, representing 0.37% and 0.99% of total gross RALs originated during the respective tax years by the Company. All of these loans were charged off prior to September 30, 2010 and 2009.

For additional discussion regarding TRS, see the following sections:

- Part I Item 1 "Financial Statements:"
  - o Footnote 1 "Basis of Presentation and Summary of Significant Accounting Policies"
- o Footnote 10 "Segment Information"
- o Footnote 11 "Regulatory Matters"
- Part II Item 1A "Risk Factors"



4.

## DEPOSITS

Ending deposit balances were as follows at September 30, 2010 and December 31, 2009:

(in thousands)	September 30, 2010	December 31, 2009
Demand (NOW and SuperNOW)	\$ 275,176	\$ 245,502
Money market accounts	659,363	596,370
Brokered money market accounts	-	64,608
Savings	38,229	33,691
Individual retirement accounts*	34,033	34,651
Time deposits, \$100,000 and over*	154,317	169,548
Other certificates of deposit*	133,135	135,171
Brokered certificates of deposit*	114,766	1,004,665
Total interest-bearing deposits	1,409,019	2,284,206
Total non interest-bearing deposits	328,083	318,275
<b>Total</b>	<b>\$ 1,737,102</b>	<b>\$ 2,602,481</b>

\* - Represents a time deposit

During the fourth quarter of 2009, the Company obtained \$921 million in brokered certificates of deposits to be utilized to fund the first quarter 2010 RAL program. These brokered certificates of deposits had a weighted average life of three months with a weighted average interest rate of 0.51%. Also, during January of 2010, the Company obtained an additional \$542 million in brokered certificates of deposits to fund additional RAL demand. These brokered certificates of deposits acquired in January had a weighted average life of 55 days and a weighted average interest rate of 0.56%. There were no brokered certificates outstanding at September 30, 2010 related to the RAL program.

During September 2010, the Company exited a brokered money market relationship. This relationship maintained average balances with Republic of approximately \$57 million during the first two months of the third quarter of 2010 and was paid a rate equivalent to three month LIBOR plus 0.25 basis points, which equated to an average rate of 0.65%. The withdrawal of funds was facilitated by Republic through a reduction in cash at the Federal Reserve, which earned 0.25% for the Company.

During the first nine months of 2010, the Company obtained \$34 million in brokered deposits to be utilized by the Traditional Bank for on-going funding needs. These deposits had a weighted average maturity of five years and a weighted average cost of 2.86%.

## 5. FEDERAL HOME LOAN BANK (“FHLB”) ADVANCES

At September 30, 2010 and December 31, 2009, FHLB advances outstanding were as follows:

(in thousands)	September 30, 2010	December 31, 2009
Putable fixed interest rate advances with a weighted average interest rate of 4.51%(1)	\$ 150,000	\$ 150,000
Fixed interest rate advances with a weighted average interest rate of 3.13% due through 2035	415,424	487,607
<b>Total FHLB advances</b>	<b>\$ 565,424</b>	<b>\$ 637,607</b>

(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 Company 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 Company at no penalty. During the first quarter of 2007, the Company entered into \$100 million of putable advances with a final maturity of 10 years and a fixed rate period of 3 years. Based on market conditions at this time, the Company does not believe that any of its putable advances are likely to be “put back” to the Company in the short-term by the FHLB.

During the first quarter of 2010, the Company prepaid \$87 million in FHLB advances. These advances had a weighted average cost of 3.48% and were all scheduled to mature between April 2010 and January 2011. The Company incurred a \$1.5 million prepayment penalty in connection with this transaction.

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, 2010, Republic had available collateral to borrow an additional \$185 million from the FHLB. In addition to its borrowing line with the FHLB, Republic also had unsecured lines of credit totaling \$216 million available through various other financial institutions.

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

Year	(in thousands)
2010	\$ -
2011	75,000
2012	85,000
2013	91,000
2014	178,000
Thereafter	136,424

Total \$ 565,424

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

(in thousands)	September 30, 2010	December 31, 2009
First lien, single family residential real estate	\$ 688,134	\$ 733,511
Home equity lines of credit	35,480	91,014
Multi-family commercial real estate	16,615	38,526

## 6. FAIR VALUE

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

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

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

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

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

Securities available for sale: For all securities available for sale, excluding private label mortgage backed and other private label mortgage-related securities, 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 private label mortgage backed and other private label mortgage-related securities, all securities available for sale are classified as Level 2 in the fair value hierarchy.

With regards to the Company's private label mortgage backed and other private label mortgage-related securities, the Company recognized a \$1.8 million cumulative effect of initially applying FASB ASC topic 320 "Investments – Debt and Equity Securities," as an adjustment to retained earnings at April 1, 2009, with a corresponding adjustment to accumulated other comprehensive income. Due to current market conditions, all of these assets are extremely illiquid, and as such, the Company 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 Company utilized an income valuation model (present value model) approach, in determining the fair value of these securities.

See Footnote 2 "Investment Securities" for additional discussion regarding the Company's private label mortgage backed and other private label mortgage-related securities.

Derivative instruments: Mortgage Banking derivatives used in the ordinary course of business consist of mandatory forward sales contracts ("forward contracts") and rate lock loan commitments. The fair value of the Company'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 Company. Forward contracts and rate lock loan commitments are classified as Level 2 in the fair value hierarchy.

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.

**Impaired Loans:** The fair value of impaired loans with specific allocations of the allowance for loan losses is generally 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 appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

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

Mortgage Servicing Rights: The fair value of mortgage servicing rights is based on a valuation model that calculates the present value of estimated net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income. The Company is able to compare the valuation model inputs and results to widely available published industry data for reasonableness. Mortgage servicing rights are classified as Level 2 in the fair value hierarchy.

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

	Fair Value Measurements at September 30, 2010 Using:				Total Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
(in thousands)					
Securities available for sale:					
U.S. Treasury securities and U.S. Government agencies	\$ -	\$ 178,088	\$ -	\$ 178,088	
Private label mortgage backed and other private label mortgage-related securities	-	-	5,364	5,364	
Mortgage backed securities - residential	-	173,287	-	173,287	
Collateralized mortgage obligations	-	204,744	-	204,744	
Total securities available for sale	\$ -	\$ 556,119	\$ 5,364	\$ 561,483	
Mandatory forward contracts	\$ -	\$ 229	\$ -	\$ 229	
Rate lock loan commitments	-	624	-	624	
Mortgage loans held for sale	-	5,783	-	5,783	
Mortgage servicing rights	-	4,837	-	4,837	

(in thousands)	Fair Value Measurements at December 31, 2009 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
Securities available for sale:				
U.S. Treasury securities and				
U.S. Government agencies	\$ -	\$ 48,082	\$ -	\$ 48,082
Private label mortgage backed and other				
private label mortgage-related securities	-	-	5,901	5,901
Mortgage backed securities - residential	-	238,154	-	238,154
Collateralized mortgage obligations	-	124,174	-	124,174
Total securities available for sale	\$ -	\$ 410,410	\$ 5,901	\$ 416,311
Mandatory forward contracts	\$ -	\$ 616	\$ -	\$ 616
Rate lock loan commitments	-	53	-	53
Mortgage loans held for sale	-	5,445	-	5,445

The table below presents a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine month periods ended September 30, 2010 and 2009:

Securities available for Sale - Private label mortgage backed and other private label mortgage-related securities

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Balance, beginning of period	\$ 5,566	\$ 8,095	\$ 5,901	\$ 14,678
Total gains or losses included in earnings:				
Net impairment loss recognized in earnings	-	(850 )	(126 )	(5,871 )
Net change in unrealized gain / loss	2,430	117	7,330	773
Realized pass through of actual losses	(2,304 )		(6,581 )	-
Principal paydowns	(328 )	(746 )	(1,160 )	(2,964 )
Balance, end of period	\$ 5,364	\$ 6,616	\$ 5,364	\$ 6,616

There were no transfers into or out of Level 3 assets during the nine months ended September 30, 2010.



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

(in thousands)	Carrying Value	Fair Value Measurements at September 30, 2010 Using:				Total Fair Value
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Impaired loans	\$ 14,094	\$ -	\$ -	\$ 12,092	\$ 12,092	
Other real estate owned	6,203	-	-	6,203	6,203	

(in thousands)	Carrying Value	Fair Value Measurements at December 31, 2009 Using:				Total Fair Value
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Impaired loans	\$ 11,469	\$ -	\$ -	\$ 9,963	\$ 9,963	
Other real estate owned	4,772	-	-	4,772	4,772	

The following section details impairment charges recognized during the period:

The Company recorded realized impairment losses related to its Level 3 private label mortgage backed and other private label mortgage-related securities as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net impairment loss recognized in earnings	\$ -	\$ 850	\$ 126	\$ 5,871

See Footnote 2 "Investment Securities" for additional detail regarding impairment losses.

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying amount and valuation allowance as follows:

(in thousands)	September 30, 2010	December 31, 2009
Carrying amount of loans with a valuation allowance	\$ 13,636	\$ 11,469
Valuation allowance	2,002	1,506

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. At September 30, 2010 and December 31, 2009, the carrying value of other real estate owned was \$6 million and \$5 million, respectively. The fair value of the Company's other real estate owned properties exceeded their carrying value at September 30, 2010 and December 31, 2009.

Detail of other real estate owned write downs follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Other real estate owned write-downs	\$ 389	\$ 34	\$ 993	\$ 1,873

Mortgage servicing rights ("MSR"s), which are carried at lower of cost or fair value, were written down \$1.3 million during the fourth quarter of 2008 related to the impairment of nine of the 24 tranches within the portfolio. Due primarily to a decline in the expected prepayment speed of the Company's sold loan portfolio with servicing retained, the fair value of the Company's MSRs increased during 2009. As a result of this increase, the Company reduced its corresponding valuation allowance by \$1.1 million during the first quarter of 2009 and an additional \$122,000 during the second quarter of 2009. No MSR valuation allowance existed at December 31, 2009. During the third quarter of 2010, the Company recorded an MSR valuation allowance of \$157,000.

The carrying amounts and estimated fair values of financial instruments, at September 30, 2010 and December 31, 2009 follows:

(in thousands)	September 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets:</b>				
Cash and cash equivalents	\$ 171,024	\$ 171,024	\$ 1,068,179	\$ 1,068,179
Securities available for sale	561,483	561,483	416,311	416,311
Securities to be held to maturity	39,351	39,695	50,924	51,135
Mortgage loans held for sale	5,783	5,783	5,445	5,445
Loans, net	2,132,764	2,216,019	2,245,353	2,259,654
Federal Home Loan Bank stock	26,274	26,274	26,248	26,248
Accrued interest receivable	10,031	10,031	10,049	10,049
<b>Liabilities:</b>				
<b>Deposits:</b>				
Non interest-bearing accounts	328,083	328,083	318,275	318,275
Transaction accounts	972,768	972,768	940,171	940,171
Time deposits	436,251	441,873	1,344,035	1,349,268
Securities sold under agreements to repurchase				
and other short-term borrowings	286,510	286,510	299,580	299,580
Subordinated note	41,240	41,156	41,240	41,148
Federal Home Loan Bank advances	565,424	589,710	637,607	636,600
Accrued interest payable	2,229	2,229	2,888	2,888

The methods and assumptions used to estimate fair value are described as follows:

Carrying amount is the estimated fair value for cash and cash equivalents, accrued interest receivable and payable, demand deposits, short-term debt, and variable rate loans or deposits that reprice frequently and fully. The methods for determining the fair values for securities and mortgage loans held for sale were described previously. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. Fair value of debt is based on current rates for similar financing. It was not practicable to determine the fair value of FHLB stock due to restrictions placed on its transferability. The fair value of off balance sheet items is not considered material.

The fair value estimates presented herein are based on pertinent information available to management as of September 30, 2010 and December 31, 2009. 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.

## 7. MORTGAGE BANKING ACTIVITIES

Activity for mortgage loans held for sale was as follows:

September 30, (in thousands)	2010	2009
Balance, January 1	\$ 5,445	\$ 11,298
Origination of mortgage loans held for sale	196,853	507,757
Proceeds from the sale of mortgage loans held for sale	(200,645 )	(520,272 )
Net gain in sale of mortgage loans held for sale	4,130	9,814
Balance, September 30	\$ 5,783	\$ 8,597

Mortgage banking activities primarily include residential mortgage originations and servicing. The following table presents the components of Mortgage Banking income:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net gain on sale of mortgage loans held for sale	\$ 1,954	\$ 1,692	\$ 4,130	\$ 9,814
Change in mortgage servicing rights valuation allowance	(157 )	-	(157 )	1,255
Loan servicing income, net of amortization	(118 )	(25 )	121	(1,711 )
Total mortgage banking income	\$ 1,679	\$ 1,667	\$ 4,094	\$ 9,358

Activity for capitalized mortgage servicing rights was as follows:

September 30, (in thousands)	2010	2009
Balance, January 1	\$ 8,430	\$ 5,809
Additions	1,818	5,239
Amortized to expense	(2,190 )	(3,823 )
Change in valuation allowance	(157 )	1,255
Balance, September 30	\$ 7,901	\$ 8,480

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

September 30, (in thousands)	2010	2009
Balance, January 1	\$ -	\$ (1,255 )
Additions to expense	(157 )	-
Reductions credited to operations	-	1,255
Direct write downs	-	-
Balance, September 30	\$ (157 )	\$ -

Other information relating to mortgage servicing rights follows:

(in thousands)	September 30, 2010		December 31, 2009	
Fair value of mortgage servicing rights portfolio	\$ 8,747		\$ 10,475	
Discount rate	9	%	9	%
Prepayment speed range	255% - 550	%	191% - 374	%
Weighted average default rate	1.50	%	1.50	%

Mortgage Banking derivatives used in the ordinary course of business 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.

The Company adopted FASB ASC topic 815, "Derivatives and Hedging" at the beginning of the first quarter of 2009, and has included the expanded disclosures required by that statement.

The following tables include the notional amounts and realized gain (loss) for Mortgage Banking derivatives recognized in Mortgage Banking income as of September 30, 2010 and December 31, 2009:

(in thousands)	September 30, 2010	December 31, 2009
Mandatory forward contracts:		
Notional amount	\$ 34,132	\$ 32,270
Change in fair value of mandatory forward contracts	229	616
Rate lock loan commitments:		
Notional amount	\$ 35,330	\$ 28,734
Change in fair value of rate lock loan commitments	(105 )	(338 )

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 Company could potentially incur significant additional costs by replacing the positions at then current market rates. The Company manages its risk of exposure by limiting counterparties to those banks and institutions deemed appropriate by management and the Board of Directors. The Company does not expect any counterparty to default on their obligations and therefore, the Company does not expect to incur any cost related to counterparty default.

The Company 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 Company 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.

## 8. OFF BALANCE SHEET RISKS, COMMITMENTS AND CONTINGENT LIABILITIES

Republic, 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 Republic pursuant to those financial instruments. Creditworthiness for all instruments is evaluated on a case by case basis in accordance with Republic's credit policies. Collateral from the customer may be required based on the Company'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.

Republic 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 Republic under such loan commitments is limited by the terms of the contracts. For example, Republic 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.

As of September 30, 2010, exclusive of Mortgage Banking loan commitments, Republic had outstanding loan commitments of \$496 million, which included unfunded home equity lines of credit totaling \$285 million. As of December 31, 2009, exclusive of Mortgage Banking loan commitments, Republic had outstanding loan commitments of \$479 million, which included unfunded home equity lines of credit totaling \$301 million. These commitments generally have open ended maturities and variable rates.

Standby letters of credit are conditional commitments issued by Republic 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. Commitments outstanding under standby letters of credit totaled \$19 million and \$12 million at September 30, 2010 and December 31, 2009. In addition to credit risk, the Company also has liquidity risk associated with standby letters of credit because funding for these obligations could be required immediately. The Company does not deem this risk to be material.

At September 30, 2010 and December 31, 2009, Republic had a \$10 million letter of credit from the FHLB issued on behalf of one RB&T client. This letter of credit was used as a credit enhancement for a client bond offering and reduced RB&T's available borrowing line at the FHLB. The Company uses a blanket pledge of eligible real estate loans to secure the letter of credit.

9.

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

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,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income	\$ 7,310	\$ 5,661	\$ 60,335	\$ 38,287
Weighted average shares outstanding	20,917	20,779	20,857	20,731
Effect of dilutive securities	71	143	88	160
Average shares outstanding including dilutive securities	20,988	20,922	20,945	20,891
Basic earnings per share:				
Class A Common Share	\$ 0.35	\$ 0.27	\$ 2.90	\$ 1.85
Class B Common Share	0.34	0.26	2.86	1.82
Diluted earnings per share:				
Class A Common Share	\$ 0.35	\$ 0.27	\$ 2.89	\$ 1.84
Class B Common Share	0.34	0.26	2.85	1.80

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Antidilutive stock options	610,857	627,977	634,497	642,797

## 10. SEGMENT INFORMATION

The reportable segments are determined by the type of products and services offered, distinguished between Traditional Banking, Mortgage Banking and Tax Refund Solutions (“TRS”). They are also distinguished by 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 branches and subsidiary banks), which are then aggregated if operating performance, products/services, and customers are similar. Loans, investments and deposits provide the majority of the net revenue from Traditional Banking operations; servicing fees and loan sales provide the majority of revenue from Mortgage Banking operations; RAL fees and ERC/ERD fees provide the majority of the revenue from TRS. 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. 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.

For additional discussion regarding TRS, see the following sections:

- Part I Item 1 “Financial Statements:”
  - o Footnote 1 “Basis of Presentation and Summary of Significant Accounting Policies”
  - o Footnote 3 “Loans and Allowance for Loan Losses”
  - o Footnote 11 “Regulatory Matters”
- Part II Item 1A “Risk Factors”

Segment information for the three and nine months ended September 30, 2010 and 2009 follows:

## Three Months Ended September 30, 2010

(dollars in thousands)	Traditional Banking	Tax Refund Solutions	Mortgage Banking	Total Company		
Net interest income	\$26,341	\$13	\$98	\$26,452		
Provision for loan losses	1,726	(3,530 )	-	(1,804 )		
Electronic Refund Check fees	-	293	-	293		
Net RAL securitization income	-	8	-	8		
Mortgage banking income	-	-	1,679	1,679		
Net gain on sales, calls and impairment of securities	-	-	-	-		
Other non interest income	5,764	43	36	5,843		
Total non interest income	5,764	344	1,715	7,823		
Total non interest expenses	22,277	2,279	566	25,122		
Gross operating profit	8,102	1,608	1,247	10,957		
Income tax expense	2,627	641	379	3,647		
Net income	\$5,475	\$967	\$868	\$7,310		
Segment assets	\$3,005,971	\$13,412	\$14,008	\$3,033,391		
Net interest margin	3.49	%	NM	NM	3.49	%

## Three Months Ended September 30, 2009

(dollars in thousands)	Traditional Banking	Tax Refund Solutions	Mortgage Banking	Total Company
Net interest income	\$27,576	\$47	\$113	\$27,736
Provision for loan losses	2,309	(882 )	-	1,427
Electronic Refund Check fees	-	137	-	137
Net RAL securitization income	-	26	-	26
Mortgage banking income	-	-	1,667	1,667
Net loss on sales, calls and impairment of securities	(850 )	-	-	(850 )
Other non interest income	6,864	18	26	6,908
Total non interest income	6,014	181	1,693	7,888
Total non interest expenses	23,132	2,283	324	25,739
Gross operating profit	8,149	(1,173 )	1,482	8,458
Income tax expense	2,855	(565 )	507	2,797
Net income	\$5,294	\$(608 )	\$975	\$5,661

Segment assets	\$3,012,018	\$7,966	\$17,437	\$3,037,421		
Net interest margin	3.79	%	NM	NM	3.79	%

33

---

## Nine Months Ended September 30, 2010

(dollars in thousands)	Traditional Banking	Tax Refund Solutions	Mortgage Banking	Total Company		
Net interest income	\$80,364	\$50,729	\$284	\$131,377		
Provision for loan losses	9,502	8,464	-	17,966		
Electronic Refund Check fees	-	58,513	-	58,513		
Net RAL securitization income	-	228	-	228		
Mortgage banking income	-	-	4,094	4,094		
Net gain on sales, calls and impairment of securities	(126 )	-	-	(126 )		
Other non interest income	17,183	53	59	17,295		
Total non interest income	17,057	58,794	4,153	80,004		
Total non interest expenses	70,567	28,273	2,066	100,906		
Gross operating profit	17,352	72,786	2,371	92,509		
Income tax expense	5,593	25,862	719	32,174		
Net income	\$11,759	\$46,924	\$1,652	\$60,335		
Segment assets	\$3,005,971	\$13,412	\$14,008	\$3,033,391		
Net interest margin	3.62	%	NM	NM	5.08	%

## Nine Months Ended September 30, 2009

(dollars in thousands)	Traditional Banking	Tax Refund Solutions	Mortgage Banking	Total Company
Net interest income	\$82,905	\$52,880	\$688	\$136,473
Provision for loan losses	9,425	19,353	-	28,778
Electronic Refund Check fees	-	25,272	-	25,272
Net RAL securitization income	-	498	-	498
Mortgage banking income	-	-	9,358	9,358
Net loss on sales, calls and impairment of securities	(5,871 )	-	-	(5,871 )
Other non interest income	19,912	50	78	20,040
Total non interest income	14,041	25,820	9,436	49,297
Total non interest expenses	71,212	23,632	1,091	95,935
Gross operating profit	16,309	35,715	9,033	61,057
Income tax expense	5,428	14,290	3,052	22,770
Net income	\$10,881	\$21,425	\$5,981	\$38,287

Segment assets	\$3,012,018	\$7,966	\$17,437	\$3,037,421		
Net interest margin	3.79	%	NM	NM	5.50	%

## 11. REGULATORY MATTERS

On a recurring basis, the FDIC performs a Community Reinvestment Act Performance Evaluation of RB&T. Among other things, the purpose of this evaluation is to assess RB&T's performance and initiatives that are designed to help meet the credit needs of the areas it serves, including low and moderate-income individuals, neighborhoods and businesses. The evaluation also includes a review of RB&T's community development services and investments in RB&T's assessment areas.

During the first quarter of 2009, the FDIC made public RB&T's 2008 Community Reinvestment Act Performance Evaluation (the "2008 CRA Evaluation"). RB&T received "High Satisfactory" ratings on the Investment Test component and the Service Test component evaluated as part of the 2008 CRA Evaluation. Based on issues identified within RB&T's Refund Anticipation Loan ("RAL") program, RB&T received a "Needs to Improve" rating on the Lending Test component, and as a result, a "Needs to Improve" rating on its overall rating. By statute, a bank such as RB&T with a "Needs to Improve" CRA rating has limitations on certain future business activities, including the ability to branch and to make acquisitions, until its CRA rating improves.

As stated in the 2008 CRA Evaluation, the FDIC concluded that RB&T violated Regulation B ("Reg B"), which implements the Equal Credit Opportunity Act ("ECOA"), specifically related to RB&T's tax refund business and its RAL program. The Reg B issues involved RB&T's requirement that both spouses who file a joint tax return sign a RAL proceeds check, even if one spouse opted out of the RAL transaction. The RAL is ultimately repaid to RB&T by the IRS with funds made payable to both spouses. The Reg B issues also involved a claim that in 2008 one electronic return originator ("ERO") out of a total of more than 8,000 EROs did not allow spouses to opt out of RAL transactions. In response to the 2008 CRA Evaluation, RB&T changed certain procedures and processes to address the Reg B issues raised by the FDIC as it relates to RB&T's RAL program.

As required by statute, the FDIC referred their conclusions regarding the alleged Reg B violations to the Department of Justice ("DOJ"). During the second quarter of 2009, the Company was notified that the DOJ had referred the Reg B issue back to the FDIC for administrative handling with no further corrective action required by the DOJ.

Effective February 25, 2009, RB&T entered into a Stipulation and Consent Agreement with the FDIC agreeing to the issuance of a Cease and Desist Order (the "Order") predominately related to required improvements and increased oversight of RB&T's compliance management system. The Company filed the final Order as Exhibit 10.62 of its 2008 Annual Report on Form 10-K.

The Order cited insufficient oversight of RB&T's consumer compliance programs, most notably in RB&T's RAL program. The Order required increased compliance oversight of the RAL program by RB&T's management and board of directors, subject to review and approval by the FDIC. Under the Order, RB&T increased its training and audits of its ERO partners, who make RB&T's tax products available to taxpayers across the nation. In addition, various components of the Order required RB&T to meet certain implementation, completion and reporting timelines, including the establishment of a compliance management system to appropriately assess, measure, monitor and control third party risk and ensure compliance with consumer laws.

In addition to the compliance issues cited in regard to the RAL program, the Order also required RB&T to correct Home Mortgage Disclosure Act ("HMDA") reporting errors. As part of the Order, RB&T made corrections to its 2007 and 2006 HMDA reporting. As a result of the errors in its 2007 and 2006 HMDA reporting, RB&T paid a \$22,000 civil money penalty during the first quarter of 2009.

During the fourth quarter of 2009, the FDIC began the process for the 2009 Community Reinvestment Act Performance Evaluation (the "2009 CRA Evaluation"). During the third quarter of 2010, the FDIC notified RB&T of its

2009 CRA Evaluation performance rating. RB&T received “High Satisfactory” ratings on the Investment Test component and the Service Test component evaluated as part of the 2009 CRA Evaluation. Based on alleged Reg B violations regarding documentation of spousal obligations on a limited number of loans identified within RB&T’s commercial lending area, RB&T received a “Needs to Improve” rating on the Lending Test component, and as a result, a “Needs to Improve” rating on its overall rating. The Company expects the FDIC to make the 2009 CRA Evaluation public during the fourth quarter of 2010, subsequent to this filing. By statute, the FDIC referred these alleged Reg B violations to the DOJ. The FDIC subsequently notified RB&T that the DOJ had referred this matter back to the FDIC for administrative handling.

Prior to the FDIC's notification to RB&T of the 2009 CRA Evaluation results, RB&T changed certain procedures and processes to better document its commercial loan origination process as it relates to the intent of both spouses to apply for and become obligated to repay certain commercial loans. The FDIC has notified RB&T of certain additional corrective actions to be undertaken in response to the alleged Reg B violations. Management expects RB&T to be subject to further corrective actions from the FDIC via a supervisory order or agreement. At this time, the Company is uncertain of the extent of the possible further corrective actions.

For additional discussion regarding TRS, see the following sections:

- o Part I Item 1 "Financial Statements:"
- o Footnote 1 "Summary of Significant Accounting Policies"
- o Footnote 3 "Loans and Allowance for Loan Losses"
- o Footnote 10 "Segment Information"

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"), 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 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."

Republic Bancorp 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. For an update on regulatory matters affecting the Company and its subsidiaries, see Footnote 11 in Part I Item 1 "Financial Statements."

This discussion includes various forward-looking statements with respect to credit quality, including but not limited to, delinquency trends and the adequacy of the allowance for loan losses, segments, corporate objectives, the Company's interest rate sensitivity model and other financial and business matters. Broadly speaking, forward-looking statements may include:

- projections of revenue, expenses, income, 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:

- delinquencies, future credit losses, non-performing loans and non-performing assets;
- further developments in the Company's ongoing review of and efforts to resolve possible problem credit relationships, which could result in, among other things, additional provisions to the allowance for loans losses;
- deteriorating credit quality, including changes in the interest rate environment and reducing interest margins;
- the overall adequacy of the allowance for loans losses;
- 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 regulatory viability of the Tax Refund Solutions ("TRS") business operating segment;
- anticipated future funding sources for TRS;
- potential impairment of investment securities;
- the future value of mortgage servicing rights;
- the impact of new accounting pronouncements;
- legal and regulatory matters including results and consequences of regulatory 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; and

inflation, interest rate, market and monetary fluctuations and the Bank's ability to maintain current deposit and loan levels at current interest rates.

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," "project," "target," "can," "could," "may," "should," "will," "would," or 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. Some factors that could cause results to differ materially from those projected in forward-looking statements include risks described in the filings of the Company with the Securities and Exchange Commission, including but not limited to the discussion under Part II Item 1A "Risk Factors."

As used in this report, 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: Republic Bank & Trust Company and Republic Bank.

## RECENT DEVELOPMENTS

### Regulatory Developments

As disclosed in Footnote 11 “Regulatory Matters,” the FDIC concluded as part of its 2009 CRA Evaluation that RB&T violated Reg B regarding documentation of spousal obligations on a limited number of loans identified within RB&T’s commercial lending area.

Prior to the FDIC’s notification to RB&T of the 2009 CRA Evaluation results, RB&T changed certain procedures and processes to better document its commercial loan origination process as it relates to the intent of both spouses to apply for and become obligated to repay certain commercial loans. The FDIC has notified RB&T of certain additional corrective actions to be undertaken in response to the alleged Reg B violations. Management expects RB&T to be subject to further corrective actions from the FDIC via a supervisory order or agreement. At this time, the Company is uncertain of the extent of the possible further corrective actions.

### Jackson Hewitt Contract

On September 30, 2010, RB&T amended its Program Agreement, dated September 19, 2007, as previously amended December 2, 2008, November 23, 2009, December 29, 2009, and June 30, 2010 (the “Program Agreement”) with Jackson Hewitt, Inc. (“JHI”). In addition, RB&T terminated its Technology Agreement, dated September 19, 2007, as previously amended December 2, 2008, November 23, 2009, December 29, 2009, and June 30, 2010 (the “Technology Agreement”) with Jackson Hewitt Technology Services LLC (“JHTSL”).

The parties amended the Program Agreement to, among other things:

Incorporate certain terms of the Technology Agreement into the Program Agreement to provide that JHI assumes responsibility for provision of certain technology services, including personnel and support, and training previously provided by JHTSL;

Eliminate the fees payable by RB&T to JHI and JHTSL;

Extend the term of the Program Agreement by one year to expire on October 31, 2013, unless terminated earlier; and

Amend termination provisions of the Program Agreement to provide for the extended term of the Program Agreement and to modify the calculation of the termination fee.

The fifth amendment to the Program Agreement and termination of the Technology Agreement are not expected to impact the Company’s net income and earnings per share for the remaining term of the Program Agreement.

### IRS Decision to Withhold Debt Indicator

On August 5, 2010, the Internal Revenue Service (“IRS”) issued a news release stating that it will no longer provide tax preparers and associated financial institutions with the debt indicator (“DI”) beginning with the first quarter 2011 tax

season. The DI 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 delinquent federally funded student loans.

RB&T has historically utilized the DI as a material underwriting component of its Refund Anticipation Loan (“RAL”) product within its Tax Refund Solutions (“TRS”) business segment. Without the DI, the Company will experience a higher provision for loan losses related to its RAL portfolio during 2011. In an effort to achieve earnings neutrality at TRS in 2011 compared to 2010, RB&T expects to increase its pricing for its individual TRS related products. In addition, the Company expects to modify its underwriting to approve fewer RALs and significantly reduce its maximum RAL amount to individual customers in order to partially mitigate the anticipated increase in its provision for loan losses expected from the loss of the DI.

RB&T’s planned increase in pricing is not expected to reduce overall consumer demand for the product, however, its revised tighter underwriting standards combined with its reduced maximum RAL offering amount are expected to decrease overall RAL dollar volume for the upcoming first quarter 2011 tax season. Based on these factors, the Company believes its funding needs for the first quarter 2011 tax season could be near one third of its first quarter 2010 requirements. Management currently estimates that RB&T will be able to attain earnings neutrality at current RAL and ERC consumer demand levels if RAL losses, in combination with expected price increases, do not exceed 3%.

In addition to the elimination of the DI, the IRS also has announced plans to explore the possibility of providing a new tool for the first quarter 2012 tax filing season to give taxpayers a mechanism to use a portion of their tax refund to pay for the services of a professional tax preparer. This product would likely present direct competition for RB&T’s Electronic Refund Check (“ERC”) products. At this time, the Company is uncertain what impact, if any, this IRS product could have on the Company’s results of operations in 2012.

For additional discussion regarding TRS, see the following sections:

	Part I Item 1 “Financial Statements:”
o	Footnote 1 “Summary of Significant Accounting Policies”
o	Footnote 3 “Loans and Allowance for Loan Losses”
o	Footnote 10 “Segment Information”
o	Footnote 11 “Regulatory Matters”
Part I Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations:”	
o	“Business Segment Composition”
o	“Overview”
o	“Results of Operations”
o	“Comparison of Financial Condition”
	Part II Item 1A “Risk Factors”

## BUSINESS SEGMENT COMPOSITION

As of September 30, 2010, the Company was divided into three distinct segments: Traditional Banking, Tax Refund Solutions and Mortgage Banking.

Net income, total assets and net interest margin by segment for the three and nine months ended September 30, 2010 and 2009 are presented below:

## Three Months Ended September 30, 2010

(in thousands)	Traditional Banking	Tax Refund Solutions	Mortgage Banking	Total Company
Net income	\$5,475	\$967	\$868	\$7,310
Segment assets	3,005,971	13,412	14,008	3,033,391
Net interest margin	3.49 %	NM	NM	3.49 %

## Three Months Ended September 30, 2009

(in thousands)	Traditional Banking	Tax Refund Solutions	Mortgage Banking	Total Company
Net income	\$5,294	\$(608 )	\$975	\$5,661
Segment assets	3,012,018	7,966	17,437	3,037,421
Net interest margin	3.79 %	NM	NM	3.79 %

## Nine Months Ended September 30, 2010

(in thousands)	Traditional Banking	Tax Refund Solutions	Mortgage Banking	Total Company
Net income	\$11,759	\$46,924	\$1,652	\$60,335
Segment assets	3,005,971	13,412	14,008	3,033,391
Net interest margin	3.62 %	NM	NM	5.08 %

## Nine Months Ended September 30, 2009

(in thousands)	Traditional Banking	Tax Refund Solutions	Mortgage Banking	Total Company
Net income	\$10,881	\$21,425	\$5,981	\$38,287
Segment assets	3,012,018	7,966	17,437	3,037,421
Net interest margin	3.79 %	NM	NM	5.50 %

NM – Not Meaningful

For expanded segment financial data see Footnote 10 “Segment Information”



(I) Traditional Banking

As of September 30, 2010, Republic had 44 full-service banking centers with 35 located in Kentucky, five located in metropolitan Tampa, Florida, three located in southern Indiana and one located in metropolitan Cincinnati, Ohio in addition to an Internet banking delivery channel. RB&T's primary market areas are located in metropolitan Louisville, Kentucky, central Kentucky, northern Kentucky and southern Indiana. Louisville, the largest city in Kentucky, is the location of Republic's headquarters, as well as 20 banking centers. RB&T's central Kentucky market includes 12 banking centers in the following Kentucky cities: Bowling Green (1); Elizabethtown (1); Frankfort (1); Georgetown (1); Lexington, the second largest city in Kentucky (5); Owensboro (2); and Shelbyville (1). RB&T's northern Kentucky market includes banking centers in Covington, Florence and Independence. RB&T also has banking centers located in Floyds Knobs, Jeffersonville and New Albany, Indiana. Republic Bank has locations in Hudson, New Port Richey, Palm Harbor, Port Richey and Temple Terrace, Florida, as well as metropolitan Cincinnati, Ohio.

(II) Tax Refund Solutions ("TRS")

Republic, through its TRS segment, is one of a limited number of financial institutions which facilitates the payment of federal and state tax refunds through third party tax-preparers located throughout the U.S., as well as tax preparation software providers. The Company facilitates the payment of these tax refunds through three primary products: Electronic Refund Checks ("ERCs"), Electronic Refund Deposits ("ERDs") and Refund Anticipation Loans ("RALs"). Substantially all of the business generated by TRS occurs in the first quarter of the year.

ERCs/ERDs are products whereby a tax refund is issued to the taxpayer after the Company has received the refund from the federal or state government. There is generally no credit risk or borrowing cost for the Company 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. The Company underwrites the RAL application through an automated credit review process utilizing information contained in the taxpayer's tax return and the tax-preparer's history. If the application is approved, the Company advances the amount of the refund due on the taxpayer's return up to specified amounts less the loan fee due to the Company and, if requested by the taxpayer, the fees due for preparation of the return to the tax-preparer. As part of the RAL application process, each taxpayer signs an agreement directing the IRS to send the taxpayer's refund directly to the Company. The refund received from the IRS is used by the Company 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 the Company. The funds advanced by the Company are generally repaid by the IRS within two weeks. The fees earned on RALs are reported as interest income under the line item "Loans, including fees."

The Company has agreements with Jackson Hewitt Inc. ("JHI"), a subsidiary of Jackson Hewitt Tax Service Inc. ("JH"), and Liberty Tax Service ("Liberty") to offer RAL and ERC/ERD products. JH and Liberty provide preparation services of federal, state and local individual income tax returns in the U.S. through a nationwide network of franchised and company-owned tax-preparers offices. Approximately 34% and 27% of the Company's year to date September 30, 2010 and 2009 TRS gross revenue was derived from JH with another 29% and 4% from Liberty for the same respective periods. See "Results of Operations – Tax Refund Solutions" for additional discussion regarding JH and Liberty agreements.

Substantially all RALs issued by the Company are made during the first quarter, with origination of new RALs ending by the end of April each year. Losses associated with RALs result from the IRS not remitting taxpayer refunds to the Company associated with a particular tax return. This occurs for a number of reasons, including errors in the tax

return, tax return fraud and tax debts not previously disclosed to the Company during its underwriting process. While the RAL application form is completed by the taxpayer in the tax-preparer's office, the credit approval criteria is established by TRS and the underwriting decision is made by TRS. TRS reviews and evaluates all tax returns to determine the likelihood of IRS payment. If any attribute of the tax return appears to fall outside of predetermined parameters, TRS will not originate the RAL.

At March 31 of each year the Company reserves for its estimated RAL losses for the year based on current year and historical funding patterns and based on information received from the IRS on current year payment processing. RAL funds advanced by the Company are generally repaid by the IRS within two weeks. RALs outstanding 30 days or longer are charged off at the end of each quarter with subsequent collections recorded as recoveries. Since the RAL season is over by the end of April of each year, essentially all uncollected RALs are charged off by June 30th of each year, except for those RALs management deems certain of collection.

Subsequent to the first quarter, the results of operations for the TRS business operating segment consist primarily of fixed overhead expenses and adjustments to the segment's estimated provision for loan losses, as estimated results became final. However, as was the case in 2009, the fourth quarter can be impacted by the funding strategy for the upcoming tax season. As detailed in the section titled "TRS Funding – First Quarter 2010 Tax Season" below, the TRS business operating segment incurred a fourth quarter 2009 net loss of \$1.5 million with approximately \$200,000 attributable to the negative spread the segment earned on brokered deposits obtained for the upcoming first quarter 2010 tax season.

#### TRS Rebate Accruals

During September 2009, the Company announced a new pricing model reducing the fees the Bank charges consumers for RALs beginning with the first quarter 2010 tax season. With respect to new contracts entered into for the first quarter 2010 tax season, TRS substantially reduced rebates paid to individual technology and tax preparation service providers in connection with the delivery of tax refund products. The Company accrued \$12.7 million in total rebates during the first nine months of 2010 compared to \$36.0 million during the same period in 2009. For the three months ended September 30, 2010 and 2009, the Company accrued \$43,000 and \$110,000 in total rebates.

Following the September 30, 2010 revisions to the JH contracts, the Company expects to have only one contract for the first quarter 2011 tax season which requires rebate payments by Republic for products originated through a software company via the internet. Total rebate payments under this contract during the first nine months of 2010 were \$2.4 million

#### TRS Funding – First Quarter 2011 Tax Season

At the time of this filing, the Company expects to utilize brokered certificates of deposit and to a lesser extent its traditional borrowing lines as its primary funding source for RALs for the first quarter 2011 tax season. Due to RB&T's anticipated reduction to its maximum RAL offering amount and tighter underwriting guidelines in response to the elimination of the DI by the IRS, the Company believes its funding needs for the first quarter 2011 tax season could be near one third of its first quarter 2010 funding requirements. During the fourth quarter of 2009 and the first quarter of 2010, the Company gathered approximately \$1.5 billion in brokered deposits to fund its first quarter 2010 tax season. The Company expects to begin increasing its brokered deposit balances during the fourth quarter of 2010 in anticipation of the funding needs for the upcoming tax season.

#### TRS Funding – First Quarter 2010 Tax Season

Due to the on-going excessive costs of securitization structures, the Company elected not to obtain funding from a securitization structure for the first quarter 2010 and 2009 tax seasons. Instead, the Company utilized brokered certificates of deposits and to a lesser extent its traditional borrowing lines of credit as its primary RAL funding source. During the fourth quarter of 2009, the Company obtained \$921 million in brokered certificates of deposits to be utilized to fund the first quarter 2010 RAL program. These brokered certificates of deposits had a weighted average life of three months with a weighted average interest rate of 0.51%. Also, during January of 2010, the Company obtained an additional \$542 million in brokered certificates of deposits to fund additional RAL demand. These brokered certificates of deposits acquired in January had a weighted average life of 55 days and a weighted average interest rate of 0.56%.

#### TRS Funding – First Quarter 2009 Tax Season

During the fourth quarter of 2008, the Company obtained \$918 million in brokered certificates of deposits to be utilized to fund the first quarter 2009 RAL program. These brokered certificates of deposits had a weighted average life of three months with a weighted average interest rate of 2.71%. Also, during January of 2009, the Company obtained an additional \$375 million in brokered certificates of deposits to fund additional RAL demand. These brokered certificates of deposits acquired in January had a weighted average life of 45 days and a weighted average interest rate of 1.27%.

For additional discussion regarding TRS, see the following sections:

	Part I Item 1 “Financial Statements:”
o	Footnote 1 “Summary of Significant Accounting Policies”
o	Footnote 3 “Loans and Allowance for Loan Losses”
o	Footnote 10 “Segment Information”
o	Footnote 11 “Regulatory Matters”
Part I Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations:”	
o	“Recent Developments”
o	“Overview”
o	“Results of Operations”
o	“Comparison of Financial Condition”
	Part II Item 1A “Risk Factors”

### (III) Mortgage Banking

Mortgage Banking activities primarily include 15, 20 and 30-year fixed-term single family residential rate real estate loans that are sold into the secondary market, primarily to Freddie Mac. From 2003 through mid 2009, the Bank historically retained servicing on substantially all loans sold into the secondary market. In order to take advantage of the steep yield curve, during the second quarter of 2009, the Company borrowed from the FHLB to fund a pool of 15 year fixed rate residential real estate loans. 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.

As part of the sale of loans with servicing retained, the Company records an MSR. MSRs represent an estimate of the present value of future cash servicing income, net of estimated costs, which Republic expects to receive on loans sold with servicing retained by the Company. MSRs are capitalized as separate assets when loans are sold and servicing is retained. This transaction is posted to net gain on sale of loans, a component of “Mortgage Banking income” in the income statement. Management considers all relevant factors, in addition to pricing considerations from other servicers, to estimate the fair value of the MSRs to be recorded when the loans are initially sold with servicing retained by the Company. The carrying value of MSRs is initially amortized in proportion to and over the estimated period of net servicing income and subsequently adjusted quarterly based on the weighted average remaining life of the underlying loans. The amortization is recorded as a reduction to Mortgage Banking income.

The carrying value of the MSRs asset is reviewed monthly for impairment based on the fair value of the MSRs, using groupings of the underlying loans by interest rates. Any impairment of a grouping would be reported as a valuation allowance. A primary factor influencing the fair value is the estimated life of the underlying loans serviced. The estimated life of the loans serviced is significantly influenced by market interest rates. During a period of declining interest rates, the fair value of the MSRs is expected to decline due to increased anticipated prepayments within the portfolio. Alternatively, during a period of rising interest rates, the fair value of MSRs is expected to increase, as prepayment assumptions on the underlying loans would be anticipated to decline. Management utilizes an independent third party on a monthly basis to assist with the fair value estimate of the MSRs.

Due to the significant reduction in long-term interest rates during December of 2008, the fair value of the MSR portfolio declined as prepayment speed assumptions were adjusted upwards resulting in an impairment charge of \$1.3 million for the fourth quarter and year ended December 31, 2008. During the first quarter of 2009, prepayment speed assumptions stabilized to levels similar to those assumed in the third quarter of 2008 and the Company reversed \$1.1 million from the valuation allowance. The Company reversed an additional \$122,000 during the second quarter of 2009. There were no impairment charges recorded prior to the fourth quarter of 2008 and no MSR valuation

allowance existed at December 31, 2009. During the third quarter of 2010, however, the Company recorded an MSR valuation allowance of \$157,000.

See additional detail regarding Mortgage Banking under Footnote 7 “Segment Information” of Part I Item 1 “Financial Statements.”

OVERVIEW (Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009)

Net income for the three months ended September 30, 2010 was \$7.3 million, representing an increase of \$1.6 million, or 29%, compared to the same period in 2009. Diluted earnings per Class A Common Share increased to \$0.35 for the quarter ended September 30, 2010 compared to \$0.27 for the same period in 2009. General highlights for the three months ended September 30, 2010 by business segment are detailed below. Additional discussion follows under the section titled “Results of Operations.”

Traditional Banking (Third Quarter Highlights)

Net income increased \$181,000, or 3%, for the third quarter of 2010 compared to the same period in 2009.

Net interest income decreased \$1.2 million, or 4%, for the third quarter of 2010 to \$26.3 million. The Traditional Banking segment net interest margin declined 30 basis points for the quarter ended September 30, 2010 compared to the third quarter of 2009 to 3.49%.

The provision for loan losses was \$1.7 million for the quarter ended September 30, 2010 compared to \$2.3 million for the same period in 2009.

Non interest income decreased \$250,000, or 4%, for the third quarter of 2010 compared to the same period in 2009.

Total non interest expense decreased \$855,000, or 4%, during the third quarter of 2010 compared to the third quarter of 2009.

Total non-performing loans to total loans for the Traditional Banking segment decreased to 1.69% at September 30, 2010, from 1.90% at December 31, 2009, as the total balance of non-performing loans decreased by nearly \$7 million for the same period.

Tax Refund Solutions (“TRS”) (Third Quarter Highlights)

TRS segment net income was \$967,000 for the third quarter ended September 30, 2010 compared to a net loss of \$608,000 for the same period in 2009.

TRS recorded a credit to its provision for loan losses of \$3.5 million for the third quarter of 2010 compared to \$882,000 for the third quarter of 2009.

The IRS announced it would no longer provide the Debt Indicator to banks that participate in the RAL business. See discussion in section titled “Recent Developments” of this document for further discussion related to the Debt Indicator and for other matters impacting TRS.

For additional discussion regarding TRS, see the following sections:

- o Part I Item 1 “Financial Statements:”
  - o Footnote 1 “Summary of Significant Accounting Policies”
  - o Footnote 3 “Loans and Allowance for Loan Losses”
  - o Footnote 10 “Segment Information”
  - o Footnote 11 “Regulatory Matters”
- o Part I Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations:”
  - o “Recent Developments”

- o “Business Segment Composition”
- o “Results of Operations”
- o “Comparison of Financial Condition”  
Part II Item 1A “Risk Factors”

RESULTS OF OPERATIONS (Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009)

Net Interest Income

The largest source of Republic's revenue is 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 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 \$1.3 million, or 5%, for the third quarter of 2010 compared to the same period in 2009. The total Company net interest margin decreased 30 basis points to 3.49% for the same period. The most significant components comprising the total Company decrease in net interest income were as follows:

Traditional Banking segment

Net interest income within the Traditional Banking Segment decreased \$1.2 million, or 4%, for the third quarter of 2010 compared to 2009. The Traditional Banking net interest margin declined 30 basis points for the same period to 3.49%. The decrease in net interest income was due primarily to a decline in interest income resulting from the continued paydowns and downward repricing of loans and investments. This is consistent with national trends in consumer deleveraging and refinancing from adjustable rate loan products into longer-term fixed rate loans. Generally, the Company's strategy has largely been not to reinvest the cash it has been receiving from its loan and investment paydowns and pay-offs into assets with longer-term repricing horizons due to market projections of interest rate increases in the future. As a result, much of the cash the Company received from paydowns over the past several months has been reinvested into short-term, lower yielding investments, which has greatly improved the Company's risk position from future interest rate increases, while negatively impacting current earnings. This, combined with the Company's tightened loan underwriting strategy, has resulted in average loans declining \$128 million compared to the quarter ended September 30, 2009.

The Company has been able to partially offset the downward pressure on interest income during 2010, although by a significantly smaller magnitude than in recent prior years, by lowering its cost of interest bearing liabilities, which was 1.46% and 1.77% for the third quarters of 2010 and 2009. One specific strategy utilized by the Company to combat the moderate compression in its net interest margin was the prepayment of \$87 million in FHLB advances with a weighted average cost of 3.48% during the first quarter of 2010. This strategy positively impacted third quarter net interest income by an estimated \$356,000. The Company also exited a brokered money market relationship during third quarter ended September 2010. This relationship maintained average balances with Republic of approximately \$57 million during first two months of the third quarter of 2010 and was paid a rate equivalent to three month LIBOR plus 0.25 basis points, which equated to an average rate of 0.65%. The withdrawal of funds was facilitated by Republic through a reduction in cash at the Federal Reserve, which earned 0.25% for the Company.

The Company expects to continue to receive paydowns in its loan and investment portfolios. These paydowns will continue to cause compression in Republic's net interest income and net interest margin, as the cash received from these paydowns is reinvested at lower yields. Additionally, because the Federal Funds Target rate ("FFTR") (the index which many of the Company'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 Markets Committee ("FOMC") of the FRB are possible, exacerbating the compression to the Company's net interest income and net interest margin caused by its repricing loans and investments. The Company is unable to precisely determine the ultimate negative impact to the Company's net interest spread and margin in the future because several factors remain unknown at this time, such as future

demand for financial products and the overall future need for liquidity, among many other factors.

TRS

Entering the final quarter of 2010, the Company will begin accumulating funds for its first quarter 2011 tax season. The Company expects to employ a similar on-balance sheet funding strategy as it did during the first quarter 2010 tax season. As it begins to accumulate additional cash, Republic expects to experience a further nominal decline in its total Company net interest income and net interest margin during the fourth quarter of 2010 compared to the third quarter of 2010. Due to RB&T's anticipated reduced maximum RAL offering amount and tighter underwriting guidelines in response to the elimination of the DI by the IRS, the Company believes its funding needs for the first quarter 2011 tax season could be near one third of its first quarter 2010 funding requirement. The final impact to the Company's net interest income and net interest margin for the fourth quarter of 2010 cannot yet be determined because the Company has not finalized its strategy regarding the amount and the timing of its funding needs for the first quarter 2011 tax season.

For additional information on the potential future effect of changes in short-term interest rates on Republic's net interest income, see Table 13, "Interest Rate Sensitivity for 2010" in this section of the document.

Table 1 provides detailed information as to average balances, interest income/expense and rates by major balance sheet category for the three month periods ended September 30, 2010 and 2009. Table 2 provides an analysis of the changes in net interest income attributable to changes in rates and changes in volume of interest-earning assets and interest-bearing liabilities for the same periods.

Table 1 – Average Balance Sheets and Interest Rates for the Three Months Ended September 30, 2010 and 2009

(dollars in thousands)	Three Months Ended September 30, 2010			Three Months Ended September 30, 2009		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>ASSETS</b>						
Interest-earning assets:						
Taxable investment securities, including FHLB stock(1)	\$ 623,758	\$ 4,097	2.63 %	\$ 532,818	\$ 4,765	3.58 %
Tax exempt investment securities(1)(4)	-	-	0.00 %	384	5	8.01 %
Federal funds sold and other interest-earning deposits	229,125	152	0.27 %	87,202	82	0.38 %
Loans and fees(2)(3)	2,180,565	31,021	5.69 %	2,308,156	33,413	5.79 %
<b>Total interest-earning assets</b>	<b>3,033,448</b>	<b>35,270</b>	<b>4.65 %</b>	<b>2,928,560</b>	<b>38,265</b>	<b>5.23 %</b>
Less: Allowance for loan losses	26,017			20,038		
Non interest-earning assets:						
Non interest-earning cash and cash equivalents	61,100			59,045		
Premises and equipment, net	38,471			40,204		
Other assets(1)	56,732			48,498		
<b>Total assets</b>	<b>\$ 3,163,734</b>			<b>\$ 3,056,269</b>		
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Interest-bearing liabilities:						
Transaction accounts	\$ 310,864	\$ 155	0.20 %	\$ 255,965	\$ 55	0.09 %
Money market accounts	662,269	706	0.43 %	592,790	824	0.56 %
Time deposits	325,765	1,405	1.73 %	365,775	2,226	2.43 %
Brokered money market and brokered CD's	172,908	680	1.57 %	161,931	525	1.30 %
<b>Total deposits</b>	<b>1,471,806</b>	<b>2,946</b>	<b>0.80 %</b>	<b>1,376,461</b>	<b>3,630</b>	<b>1.05 %</b>

Securities sold under  
agreements to  
repurchase and

other short-term borrowings	333,299	262	0.31 %	311,867	238	0.31 %
Federal Home Loan Bank advances	565,445	4,978	3.52 %	655,791	6,027	3.68 %
Subordinated note	41,240	632	6.13 %	41,240	634	6.15 %
Total interest-bearing liabilities	2,411,790	8,818	1.46 %	2,385,359	10,529	1.77 %

Non interest-bearing  
liabilities and  
Stockholders' equity

Non interest-bearing deposits	345,970			327,173		
Other liabilities	36,695			25,053		
Stockholders' equity	369,279			318,704		
Total liabilities and stock-holders' equity	\$ 3,163,734			\$ 3,056,289		

Net interest income		\$ 26,452				\$ 27,736
Net interest spread			3.19 %			3.46 %
Net interest margin			3.49 %			3.79 %

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

(2) The amount of loan fee income included in total interest income was \$924,000 and \$763,000 for the three months ended September 30, 2010 and 2009.

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

(4) Yields on tax exempt securities have been computed based on a fully tax-equivalent basis using the federal income tax rate of 35%.

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

Table 2 – Volume/Rate Variance Analysis for the Three Months Ended September 30, 2010 and 2009

(in thousands)	Total Net Change	Three Months Ended Sept. 30, 2010 Compared to Three Months Ended Sept. 30, 2009 Increase / (Decrease) Due to	
		Volume	Rate
<b>Interest income:</b>			
Taxable investment securities	\$(673 )	\$724	\$(1,397 )
Federal funds sold and other interest-earning deposits	70	100	(30 )
Loans and fees	(2,392 )	(1,823 )	(569 )
<b>Net change in interest income</b>	<b>(2,995 )</b>	<b>(999 )</b>	<b>(1,996 )</b>
<b>Interest expense:</b>			
Transaction accounts	100	14	86
Money market accounts	(118 )	89	(207 )
Time deposits	(821 )	(224 )	(597 )
Brokered money market and brokered CDs	155	37	118
Securities sold under agreements to repurchase and other short-term borrowings	24	17	7
Federal Home Loan Bank advances	(1,049 )	(803 )	(246 )
Subordinated note	(2 )	-	(2 )
<b>Net change in interest expense</b>	<b>(1,711 )</b>	<b>(870 )</b>	<b>(841 )</b>
<b>Net change in net interest income</b>	<b>\$(1,284 )</b>	<b>\$(129 )</b>	<b>\$(1,155 )</b>

## Provision for Loan Losses

The Company recorded a net credit provision for loan losses of \$1.8 million for the third quarter 2010, compared to a provision of \$1.4 million for the same period in 2009. The significant components comprising the increase in the provision for loan losses were as follows:

### Traditional Banking segment

Traditional Banking provision for loan losses for the third quarter of 2010 was \$1.7 million, a \$583,000 decrease from the third quarter of 2009. Annualized net charge-offs as a percentage of average loans within the Traditional Banking segment were higher than previous quarters at 0.70% but were significantly impacted by \$2.3 million in charge-offs associated with two commercial real estate relationships, which had been fully reserved for in prior quarters. These two charge-offs increased the Traditional Bank's annualized net charge-offs as a percentage of average loans by 41 basis points during the quarter.

During the first two quarters of 2010, the Company increased its Traditional Banking segment's provision for loan losses by a net \$2.3 million for the identification of specific loss allocations associated with its large classified loan relationships. Approximately \$3.6 million of the net \$2.3 million increase related to new or increased reserve allocations, with \$1.2 million removed due to charge off and \$51,000 removed due to reserve allocation adjustments. In addition, during the first two quarters of 2010 the Company increased its Traditional Banking segment's provision for loan losses by \$1.3 million for general reserves associated with its home equity portfolio due to higher historical loss percentages and declining residential real estate values. During the third quarter of 2010, no additional new significant specific loss allocations were identified for the Traditional Bank's large classified loan relationships. Additionally, the Company did not make any increased adjustments, quantitatively or qualitatively, during the quarter to its historical loss percentages for its general reserves related to its home equity portfolio. See section titled "Asset Quality" for additional discussion of the Company's delinquent and non-performing loans.

### TRS segment

Losses associated with RALs result from the IRS not remitting taxpayer refunds to the Company associated with a particular tax return. This occurs for a number of reasons, including errors in the tax return, tax return fraud and tax debts not previously disclosed to the Company during its underwriting process.

For the three months ended September 30, 2010 the TRS provision for loan losses was a net credit of \$3.5 million compared to a net credit of \$882,000 for the three months ended September 30, 2009. The net credits recorded in the third quarters of 2010 and 2009 were the result of better than projected paydowns in outstanding RALs subsequent to the first quarter. As a result of these recoveries, TRS RAL loss rate improved to approximately 0.37% of total RALs originated as of September 30, 2010 compared to 0.93% for the 2009 calendar year.

An analysis of the changes in the allowance for loan losses and selected ratios follows:

Table 3 – Summary of Loan Loss Experience

(dollars in thousands)	Three Months Ended			
	September 30,			
	2010	2009		
Allowance for loan losses at beginning of period	\$26,659	\$19,886		
Charge offs:				
Real Estate:				
Residential	(638 )	(465 )		
Commercial	(2,613 )	(105 )		
Construction	-	(986 )		
Commercial	(62 )	(112 )		
Consumer	(404 )	(516 )		
Home Equity	(340 )	(404 )		
Tax Refund Solutions	-	-		
Total	(4,057 )	(2,588 )		
Recoveries:				
Real Estate:				
Residential	21	37		
Commercial	6	7		
Construction	6	6		
Commercial	27	3		
Consumer	173	129		
Home Equity	5	4		
Tax Refund Solutions	3,530	882		
Total	3,768	1,068		
Net loan charge offs/recoveries	(289 )	(1,520 )		
Provision for loan losses	(1,804 )	1,427		
Allowance for loan losses at end of period	\$24,566	\$19,793		
Ratios:				
Allowance for loan losses to total loans	1.14	%	0.86	%
Allowance for loan losses to total loans - Traditional Banking Segment	1.14	%	0.86	%
Allowance for loan losses to non performing loans	68	%	49	%
Allowance for loan losses to non performing assets	58	%	45	%
Annualized net loan charge offs to average loans outstanding	0.05	%	0.26	%
Annualized net loan charge offs to average loans outstanding - Traditional Banking Segment	0.70	%	0.42	%

#### Non interest Income

Non interest income decreased \$65,000 for the third quarter of 2010 compared to the same period in 2009. The most significant components comprising the total Company decrease in non interest income were as follows:

Traditional Banking segment

Traditional Banking segment non interest income decreased \$250,000, or 4%, for the third quarter of 2010 compared to the same period in 2009. The decrease in non interest income was primarily the result of a reduction in service charges on deposit accounts which declined \$1.1 million, or 23%, compared to the third quarter of 2009. Approximately \$652,000 of this decrease resulted from the December 2009 discontinuation of the Company's Currency Connection checking product, which was marketed to clients on a national basis through various third parties. The Company discontinued the product because management did not believe that it would be able to grow revenue to a level which would achieve an acceptable profitability within the program, given a substantial anticipated increase in cost of future product delivery.

In November 2009, the FRB announced its amendment of Regulation E, which implements the Electronic Funds Transfer Act (“EFTA”) effective for the third quarter of 2010. The EFTA prohibits financial institutions from charging consumers fees for paying overdrafts on automated teller machine and one-time debit card transactions, unless a consumer affirmatively consents, or opts in, to the overdraft service for those types of transactions. Before opting in, the consumer must be provided a notice that explains the financial institution’s overdraft services, including the fees associated with the service, and the consumer’s choices. The final rules, along with a model opt-in notice, were issued under Regulation E, which implements the EFTA. The final rules required institutions to provide consumers who do not opt in with the same account terms, conditions, and features (including pricing) that they provide to consumers who do opt in. For consumers who do not opt in, the institution is prohibited from charging overdraft fees for any overdrafts it pays on ATM and one-time debit card transactions.

The Company earns a substantial majority of its fee income related to its overdraft service program from the per item fee it assesses its customers for each insufficient funds check or electronic debit presented for payment. In addition, the Company estimates that it historically earned more than 60% of its overdraft related fees on the electronic debits presented for payment. Both the per item fee and the daily fee assessed to the account resulting from its overdraft status, if computed as a percentage of the amount overdrawn, results in a high rate of interest when annualized and are thus considered excessive by some consumer groups. The total net per item fees included in service charges on deposits for the three months and nine months ended September 30, 2010 were \$2.8 million and \$8.3 million as compared to \$3.3 million and \$9.2 million for the same prior year periods. The total net daily overdraft charges included in interest income for the three months and nine months ended September 30, 2010 were \$478,000 and \$1.5 million as compared to \$613,000 and \$1.7 million for the same prior year periods.

Approximately 12% of the Company’s overdraft fee related income through the first nine months of 2010 was generated by commercial type clients not subject to the new EFTA rules with another 10% of the Company’s income generated from accounts closed throughout the year. The Company implemented a program during the second quarter to notify all eligible clients of the new “opt in” requirements of the EFTA rules. Through September 30, 2010, those clients who “opted in” generated approximately 63% of the Company’s overdraft fee income for the first nine months of 2010. Approximately 3% of the Company’s overdraft related fee income during the first nine months of 2010 was generated by clients who responded that they did not wish to “opt in” to the program. The remaining 12% of the Company’s overdraft related fee income through the first nine months of 2010 was generated by clients who did not respond to Republic’s notifications. These accounts were automatically removed or opted out of the Reg E portion of the Company’s Overdraft Honor program. Management believes the EFTA did have a negative impact on the Company’s overdraft related fee income during the third quarter of 2010 and will continue to do so in the future. A decrease in future overdraft fee related income resulting from the new Reg E requirements may be partially offset by growth in the Company’s checking account base and potential fee increases for its overdraft related charges or other deposit related activities.

The decrease in service charges on deposits discussed in the preceding paragraphs was significantly offset by a reduction in OTTI charges totaling \$850,000 that the Company incurred during the third quarter of 2009 for its private label mortgage backed security portfolio. During the third quarter of 2010, the Company recorded no OTTI charges. See Footnote 2 “Investment Securities” for additional discussion.

#### Non interest Expenses

Non interest expenses decreased \$617,000, or 2%, during the third quarter of 2010 compared to 2009. The most significant components comprising the decrease in non interest expense were as follows:

#### Traditional Banking segment

Salaries and employee benefits increased \$747,000, or 6%, for the third quarter of 2010 compared to the third quarter of 2009 due to annual merit increases, additional staffing and increased employee benefits expense.

Debit card interchange expense decreased \$403,000 during the third quarter of 2010, as the Company entered into a new contract with a third party provider at significantly reduced rates. In addition, this expense item incurred a benefit of \$131,000 during the quarter due to a non-recurring credit from the third party provider as compensation for a processing error.

Other real estate owned (“OREO”) expense increased \$480,000 during the third quarter of 2010 primarily due to the write downs experienced for two commercial real estate relationships.

#### OVERVIEW (Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009)

Net income for the nine months ended September 30, 2010 was \$60.3 million, representing an increase of \$22.0 million, or 58%, compared to the same period in 2009. Diluted earnings per Class A Common Share increased 57% to \$2.89 for the nine months ended September 30, 2010 compared to \$1.84 for the same period in 2009. General highlights for the nine months ended September 30, 2010 by business segment are detailed below. Additional discussion follows under the section titled “Results of Operations.”

#### Traditional Banking (First Nine Months Highlights)

Net income increased \$878,000, or 8%, for the first nine months of 2010 compared to the same period in 2009.

Net interest income decreased \$2.5 million, or 3%, for the first nine months of 2010 to \$80.4 million. The Traditional Banking segment net interest margin declined 17 basis points for the nine months ended September 30, 2010 compared to the first nine months of 2009 to 3.62%.

Provision for loan losses was \$9.5 million for the nine months ended September 30, 2010 compared to \$9.4 million for the same period in 2009.

Non interest income increased \$3.0 million, for the first nine months of 2010 compared to the same period in 2009.

Total non-interest expense decreased \$645,000 during the first nine months of 2010 compared to the first nine months of 2009.

Total non-performing loans to total loans for the Traditional Banking segment decreased to 1.69% at September 30, 2010, from 1.90% at December 31, 2009, as the total balance of non-performing loans decreased by nearly \$7 million for the same period.

#### Tax Refund Solutions (“TRS”) (First Nine Months Highlights)

Net income increased \$25.5 million for the first nine months of 2010 compared to the same period in 2009.

TRS recorded provision for loan losses of \$8.5 million for the nine months ended September 30, 2010 compared to \$19.4 million for the same period in 2009. For additional discussion regarding RAL Provision for Loan Losses see Footnote 3 “Loans and Allowance for Loan Losses.”

TRS posted non interest income of \$58.8 million for the nine months ended September 30, 2010 compared to \$25.8 million for the same period in 2009.

The IRS announced it would no longer provide the Debt Indicator to banks that participate in the RAL business. See discussion in section titled “Recent Developments” of this document for further discussion related to the Debt Indicator and for other matters impacting TRS.

The total dollar volume of tax refunds processed during the 2010 tax season increased \$2.3 billion, or 30%, over the 2009 tax season. Total RAL dollar volume increased from \$2.5 billion during the 2009 tax season to \$3.0 billion

during the 2010 tax season.

The Company obtained \$921 million in brokered deposits during the fourth quarter of 2009 and an additional \$542 million in brokered certificates of deposits during the first quarter of 2010 to fund anticipated RAL demand.

For additional discussion regarding TRS, see the following sections:

- o Part I Item 1 “Financial Statements:”
  - o Footnote 1 “Summary of Significant Accounting Policies”
  - o Footnote 3 “Loans and Allowance for Loan Losses”
  - o Footnote 10 “Segment Information”
  - o Footnote 11 “Regulatory Matters”
- Part I Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations:”
  - o “Recent Developments”
  - o “Business Segment Composition”
  - o “Results of Operations”
  - o “Comparison of Financial Condition”
- o Part II Item 1A “Risk Factors”

### Mortgage Banking (First Nine Months Highlights)

Within the Mortgage Banking segment, mortgage banking income decreased \$5.3 million during the first nine months of 2010 compared to the same period in 2009.

Mortgage banking income during the first nine months of 2009 was positively impacted by the reversal of \$1.2 million of the valuation allowance related to the MSR portfolio.

Non interest expenses increased \$975,000 for the first nine months of 2010 compared to the same period in 2009 primarily due to a change in the allocation of certain shared expenses during 2010.

### RESULTS OF OPERATIONS (Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009)

#### Net Interest Income

The largest source of Republic's revenue is 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 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 \$5.1 million, or 4%, for the first nine months of 2010 compared to the same period in 2009. The total Company net interest margin decreased 42 basis points to 5.08% for the same period. The most significant components comprising the total Company decrease in net interest income were as follows:

#### Traditional Banking segment

Net interest income decreased \$2.5 million, or 3%, for the first nine months of 2010 compared to 2009. The Traditional Bank's net interest margin declined 17 basis points for the same period to 3.62%. The decrease in net interest income was due primarily to a decline in interest income resulting from the continued paydowns and downward repricing of loans and investments. Generally, the Company's strategy has largely been not to reinvest the cash it has been receiving from its loan and investment paydowns and pay-offs into assets with longer term repricing horizons due to market projections of interest rate increases in the future. As a result, much of the cash the Company received from paydowns over the past several months has been reinvested into short-term, lower yielding investments, which has greatly improved the Company's risk position from future interest rate increases, while negatively impacting current earnings.

The Company was able to partially offset the downward pressure on interest income during 2010, although by a significantly smaller magnitude than in prior year, by lowering its cost of funds, which was 1.37% and 1.90% for the nine months ended September 30, 2010 and 2009. One specific strategy utilized by the Company to combat the moderate compression in its net interest margin was the prepayment of \$87 million in FHLB advances with a weighted average cost of 3.48% during the first quarter of 2010. This strategy positively impacted net interest income for the first nine months of 2010 by an estimated \$972,000. The Company also exited a brokered money market relationship during September 2010. This relationship maintained average balances with Republic of approximately \$57 million during the first two months of the third quarter of 2010 and was paid a rate equivalent to three month LIBOR plus 0.25 basis points, which equated to an average interest rate of 0.65%. The withdrawal of funds was facilitated by Republic through a reduction in cash at the Federal Reserve which was earning 0.25% for the Company.



The Company expects to continue to receive paydowns in its loan and investment portfolios. These paydowns will continue to cause compression in Republic's net interest income and net interest margin, as the cash received from these paydowns is reinvested at lower yields. Additionally, because the Federal Funds Target rate ("FFTR") (the index which many of the Company'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 Markets Committee ("FOMC") of the FRB are possible, exacerbating the compression to the Company's net interest income and net interest margin caused by its repricing loans and investments. The Company is unable to precisely determine the ultimate negative impact to the Company's net interest spread and margin in the future because several factors remain unknown at this time, such as future demand for 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 Table 13, "Interest Rate Sensitivity for 2010" in this section of the document.

#### TRS segment

Net interest income within the TRS segment decreased \$2.2 million, or 4%, for the first nine months of 2010 compared to the same period in 2009. The decrease in net interest income within the TRS segment was primarily due to a 10% reduction in RAL fee income resulting from the Company's new pricing model, which substantially lowered RB&T's RAL fee to its customers. In conjunction with the new pricing model, Republic significantly reduced third party rebates to its technology and service providers, partially offsetting the reduction in price. TRS was also able to partially offset the decline in RAL fees through an increase in volume, as the total number of RALs processed increased 15% over the first nine months of 2009 while the dollar volume of RALs processed increased 22%.

TRS net interest income benefited significantly from lower funding costs during the first nine months of 2010 compared to 2009. Average brokered deposits outstanding utilized to fund RALs during first nine months of 2010 and 2009 were \$365 million and \$283 million with a weighted average cost of 0.53% and 2.29%, respectively. As a result, interest expense for the TRS segment was \$1.4 million for the first nine months of 2010, a decrease of \$3.3 million from the same period in 2009.

For additional discussion regarding TRS, see the following sections:

- o Part I Item 1 "Financial Statements:"
  - o Footnote 1 "Summary of Significant Accounting Policies"
  - o Footnote 3 "Loans and Allowance for Loan Losses"
  - o Footnote 10 "Segment Information"
  - o Footnote 11 "Regulatory Matters"
- o Part I Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations:"
  - o "Recent Developments"
  - o "Business Segment Composition"
  - o "Overview"
  - o "Comparison of Financial Condition"
- o Part II Item 1A "Risk Factors"

Table 4 provides detailed information as to average balances, interest income/expense and rates by major balance sheet category for the nine month periods ended September 30, 2010 and 2009. Table 5 provides an analysis of the changes in net interest income attributable to changes in rates and changes in volume of interest-earning assets and interest-bearing liabilities for the same periods.



Table 4 – Average Balance Sheets and Interest Rates for the Nine Months Ended September 30, 2010 and 2009

(dollars in thousands)	Nine Months Ended September 30, 2010			Nine Months Ended September 30, 2009		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>ASSETS</b>						
Interest-earning assets:						
Taxable investment securities, including FHLB stock(1)	\$ 538,763	\$ 12,180	3.01 %	\$ 541,405	\$ 15,162	3.73 %
Tax exempt investment securities(1)(4)	214	11	6.85 %	384	17	9.08 %
Federal funds sold and other interest-earning deposits	519,489	983	0.25 %	354,618	813	0.31 %
Refund Anticipation Loan fees	133,352	51,555	51.55 %	98,492	56,995	77.16 %
Loans and fees(2)(3)	2,256,206	94,657	5.59 %	2,312,636	102,141	5.89 %
<b>Total interest-earning assets</b>	<b>3,448,024</b>	<b>159,386</b>	<b>6.16 %</b>	<b>3,307,535</b>	<b>175,128</b>	<b>7.06 %</b>
Less: Allowance for loan losses	28,977			22,624		
Non interest-earning assets:						
Non interest-earning cash and cash equivalents	56,962			105,183		
Premises and equipment, net	38,604			41,375		
Other assets(1)	63,636			46,740		
<b>Total assets</b>	<b>\$ 3,578,249</b>			<b>\$ 3,478,209</b>		
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Interest-bearing liabilities:						
Transaction accounts	\$ 297,897	\$ 440	0.20 %	\$ 251,800	\$ 145	0.08 %
Money market accounts	628,326	2,212	0.47 %	575,923	2,372	0.55 %
Time deposits	334,505	4,511	1.80 %	405,191	8,604	2.83 %
Brokered money market and brokered CD's	514,571	3,203	0.83 %	499,163	7,463	1.99 %
<b>Total deposits</b>	<b>1,775,299</b>	<b>10,366</b>	<b>0.78 %</b>	<b>1,732,077</b>	<b>18,584</b>	<b>1.43 %</b>
Securities sold under agreements to repurchase						

and other short-term borrowings	322,492	746	0.31 %	322,553	819	0.34 %
Federal Home Loan Bank advances	577,170	15,014	3.47 %	622,391	17,371	3.72 %
Subordinated note	41,240	1,883	6.09 %	41,240	1,881	6.08 %
Total interest-bearing liabilities	2,716,201	28,009	1.37 %	2,718,261	38,655	1.90 %
Non interest-bearing liabilities and Stockholders' equity						
Non interest-bearing deposits	499,843			400,830		
Other liabilities	66,440			50,715		
Stockholders' equity	351,704			308,403		
Total liabilities and stock-holders' equity	\$ 3,634,188			\$ 3,478,209		
Net interest income		\$ 131,377			\$ 136,473	
Net interest spread			4.79 %			5.16 %
Net interest margin			5.08 %			5.50 %

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

(2) The amount of loan fee income included in total interest income was \$54.2 million and \$59.8 million for the nine months ended September 30, 2010 and 2009.

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

(4) Yields on tax exempt securities have been computed based on a fully tax-equivalent basis using the federal income tax rate of 35%.

Table 5 illustrates the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities impacted Republic's interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior rate), (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume) and (iii) net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

Table 5 – Volume/Rate Variance Analysis for the Nine Months Ended September 30, 2010 and 2009

(in thousands)	Total Net Change	Nine Months Ended Sept. 30, 2010 Compared to Nine Months Ended Sept. 30, 2009 Increase / (Decrease) Due to	
		Volume	Rate
<b>Interest income:</b>			
Taxable investment securities	\$(2,983 )	\$(74 )	\$(2,909 )
Tax exempt investment securities	(6 )	(8 )	2
Federal funds sold and other interest-earning deposits	171	331	(160 )
TRS loan fees	(5,441 )	16,718	(22,159 )
Traditional Bank loans and fees	(7,483 )	(2,452 )	(5,031 )
<b>Net change in interest income</b>	<b>(15,742 )</b>	<b>14,515</b>	<b>(30,257 )</b>
<b>Interest expense:</b>			
Transaction accounts	295	31	264
Money market accounts	(160 )	204	(364 )
Time deposits	(4,093 )	(1,324 )	(2,769 )
Brokered money market and brokered CDs	(4,260 )	224	(4,484 )
Securities sold under agreements to repurchase and other short-term borrowings	(73 )	-	(73 )
Federal Home Loan Bank advances	(2,357 )	(1,218 )	(1,139 )
Subordinated note	2	-	2
<b>Net change in interest expense</b>	<b>(10,646 )</b>	<b>(2,083 )</b>	<b>(8,563 )</b>
<b>Net change in net interest income</b>	<b>\$(5,096 )</b>	<b>\$16,598</b>	<b>\$(21,694 )</b>



## Provision for Loan Losses

The Company recorded a provision for loan losses of \$18.0 million for the nine months ended September 30, 2010, compared to a provision of \$28.8 million for the same period in 2009. The significant components comprising the increase in the provision for loan losses were as follows:

### Traditional Banking segment

The provision for loan losses within the Traditional Banking segment was \$9.5 million for the nine months ended September 30, 2010, compared to \$9.4 million during the same period in 2009. Annualized net charge-offs as a percentage of average loans within the Traditional Banking segment were 0.46% for the first nine months of 2010 compared to 0.26% during the first nine months of 2009. Annualized net charge offs as a percent of average loans were significantly impacted by \$2.5 million in charge-offs associated with three commercial real estate relationships, which had been fully reserved for earlier in 2010 and 2009. These three commercial charge-offs increased the Traditional Bank's annualized net charge-offs as a percentage of average loans by 15 basis points during the nine month period ended September 30, 2010.

During the first nine months of 2010, the Company increased its Traditional Banking segment's provision for loan losses by a net \$20,000 for the identification of specific loss allocations associated with its large classified loan relationships. Approximately \$3.0 million of the net \$20,000 increase related to new or increased reserve allocations, with \$2.5 million removed due to charge off and \$559,000 removed due to reserve allocation reductions. Additionally during the first nine months of 2010, the Company recorded a net provision expense of \$646,000 for its 90-day delinquent and non-accrual retail and small dollar commercial relationships not specifically evaluated as part of the Company's large-dollar commercial classified asset review process. Finally, the Company increased its Traditional Banking segment's provision for loan losses during the first nine months of 2010 by approximately \$1.1 million related to quantitative and qualitative adjustments to its historical loss percentages for its general reserves across substantially all loan categories. See section titled "Asset Quality" for additional discussion of the Company's delinquent and non-performing loans.

By comparison, during the first nine months of 2009, the Company increased its Traditional Banking segment's provision for loan losses by a net \$2.9 million for the identification of specific loss allocations associated with its large classified loan relationships. Approximately \$3.8 million of the net \$2.9 million increase related to new or increased reserve allocations, with \$754,000 removed due to charge off and \$117,000 removed due to reserve allocation reductions. Additionally during the first nine months of 2009, the Company recorded a net provision expense of \$1.6 million for its 90-day delinquent and non-accrual retail and small dollar commercial relationships not specifically evaluated as part of the Company's large-dollar commercial classified asset review process. Finally, the Company increased its Traditional Banking segment's provision for loan losses during the first nine months of 2009 by approximately \$524,000 related to quantitative and qualitative adjustments to its historical loss percentages for its general reserves across substantially all loan categories. See section titled "Asset Quality" for additional discussion of the Company's delinquent and non-performing loans.

### TRS segment

Despite the increase in dollar volume of RALs processed during the 2010 tax season, the provision for loan losses associated with RALs decreased from \$19.4 million during the first nine months of 2009 to \$8.5 million during the first nine months of 2010. The decrease in the Company's provision for loan losses was due to improved underwriting criteria developed from the Company's 2009 tax season funding history from the IRS. RALs outstanding past their expected due date as of September 30, 2010 and 2009 were \$11.0 million, or 0.37% of total RALs originated, compared to \$24.4 million, or 0.93% of RALs originated during the 2009 calendar year. All of these RALs were

charged off prior to September 30, 2010 and 2009.

For additional discussion regarding RAL Provision for Loan Losses see Footnote 3 “Loans and Allowance for Loan Losses.”

An analysis of the changes in the allowance for loan losses and selected ratios follows:

Table 6 – Summary of Loan Loss Experience

(dollars in thousands)	Nine Months Ended September 30,			
	2010	2009		
Allowance for loan losses at beginning of period	\$22,879	\$14,832		
Charge offs:				
Real Estate:				
Residential	(1,588 )	(1,303 )		
Commercial	(3,514 )	(106 )		
Construction	(516 )	(1,043 )		
Commercial	(202 )	(229 )		
Consumer	(1,017 )	(1,421 )		
Home Equity	(1,614 )	(1,012 )		
Tax Refund Solutions	(14,584 )	(31,179 )		
Total	(23,035 )	(36,293 )		
Recoveries:				
Real Estate:				
Residential	56	59		
Commercial	41	110		
Construction	6	102		
Commercial	48	13		
Consumer	468	348		
Home Equity	17	18		
Tax Refund Solutions	6,120	11,826		
Total	6,756	12,476		
Net loan charge offs/recoveries	(16,279 )	(23,817 )		
Provision for loan losses	17,966	28,778		
Allowance for loan losses at end of period	\$24,566	\$19,793		
Ratios:				
Allowance for loan losses to total loans	1.14	%	0.86	%
Allowance for loan losses to total loans - Traditional Banking Segment	1.14	%	0.86	%
Allowance for loan losses to non performing loans	68	%	49	%
Allowance for loan losses to non performing assets	58	%	49	%
Annualized net loan charge offs to average loans outstanding	0.91	%	1.32	%
Annualized net loan charge offs to average loans outstanding - Traditional Banking Segment	0.46	%	0.26	%

#### Non interest Income

Non interest income increased \$30.7 million, or 62%, for the first nine months of 2010 compared to the same period in 2009. The most significant components comprising the total Company increase in non interest income were as follows:

### Traditional Banking segment

Traditional Banking segment non interest income increased \$3.0 million, or 21%, for the first nine months of 2010 compared to the same period in 2009. The increase in non interest income was primarily the result of OTTI charges totaling \$5.9 million that the Company incurred during the first nine months of 2009 for its private label mortgage backed security portfolio. During the first nine months of 2010, the Company recorded only \$126,000 in OTTI charges.

Service charges on deposit accounts decreased \$2.7 million, or 19%, during the first nine months of 2010 compared to the same period in 2009. Approximately \$1.7 million of the decrease was due to the discontinuation of the Company's Currency Connection checking product, which was marketed to clients on a national basis through various third parties. The Company discontinued the product because management did not believe that it would be able to grow revenue to a level which would achieve an acceptable profitability within the program, given a substantial anticipated increase in cost of future product delivery.

The Company earns a substantial majority of its fee income related to its overdraft service program from the per item fee it assesses its customers for each insufficient funds check or electronic debit presented for payment. In addition, the Company estimates that it has historically earned more than 60% of its overdraft related fees on the electronic debits presented for payment. Both the per item fee and the daily fee assessed to the account resulting from its overdraft status, if computed as a percentage of the amount overdrawn, results in a high rate of interest when annualized and are thus considered excessive by some consumer groups. The total net per item fees included in service charges on deposits for the first nine months of 2010 and 2009 were \$1.5 million and \$1.7 million. The total net daily overdraft charges included in interest income for the first nine months of 2010 and 2009 was \$8.3 million and \$9.2 million, respectively. (See discussion of the new Regulation E requirements as it relates to electronic overdraft items in the quarterly discussion of non interest income in this document.)

### TRS segment

Net ERC/ERD fees increased \$33 million for the nine months ended September 30, 2010 compared to the same period in 2009 primarily attributable to the overall increase in volume at TRS during the tax season. ERC/ERD fee income was positively impacted by a 24% increase in the number of ERCs/ERDs processed. In addition, the Company increased ERC/ERD fee income significantly by reducing third party rebates to its technology and service providers.

For additional discussion regarding TRS, see the following sections:

	Part I Item 1 “Financial Statements:”
o	Footnote 1 “Summary of Significant Accounting Policies”
o	Footnote 3 “Loans and Allowance for Loan Losses”
o	Footnote 10 “Segment Information”
o	Footnote 11 “Regulatory Matters”
Part I Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations:”	
o	“Recent Developments”
o	“Business Segment Composition”
o	“Overview”
o	“Comparison of Financial Condition”
	Part II Item 1A “Risk Factors”

### Mortgage Banking

Within the Mortgage Banking segment, mortgage banking income decreased \$5.3 million for the first nine months of 2010 compared to the same period in 2009. The majority of this decrease was in the “gain on sale of loan” category, as a meaningful decline in short-term interest rates through the end of May 2009 caused a significant increase in demand for 15 and 30 year fixed rate loans, which the Company sold into the secondary market. Despite similarly low interest rates, especially during the second and third quarters of 2010, demand did not return to prior year levels as many qualified homeowners had already taken advantage of historical low interest rates by refinancing in 2009. As a result, the Company sold \$520 million in fixed rate loans into the secondary market during the first nine months of 2009 compared to \$201 million during the first nine months of 2010.

Due to the significant reduction in long-term interest rates during December of 2008, the fair value of the Mortgage Servicing Rights (“MSR”) portfolio declined as pre-payment speed assumptions were adjusted upwards resulting in an impairment charge of \$1.3 million for the fourth quarter and year ended December 31, 2008. During the first quarter of 2009, prepayment speed assumptions stabilized to levels last seen prior to December of 2008 and the Company reversed \$1.1 million from the valuation allowance and an additional \$122,000 during the second quarter of 2009. No

MSR valuation allowance existed at December 31, 2009; however, the Company recorded an MSR valuation of \$157,000 during the third quarter of 2010.

#### Non interest Expenses

Non interest expenses increased \$5.0 million, or 5%, during the nine months ended September 30, 2010 compared to 2009. Approximately \$4.6 million of the increase related to TRS while \$400,000 related to the Company's other operating segments. The most significant components comprising the increase in non interest expense were as follows:

#### Traditional Banking segment

Salaries and employee benefits increased \$2.7 million for the nine months ended September 30, 2010 compared to 2009 due to annual merit increases, additional staffing and increased employee benefits expense. In addition, the Company experienced a \$950,000 decrease in its ASC 310-20 "Receivables – Nonrefundable Fees and Other Costs" salary expense deferral for the first nine months of 2010 as a result of a reduction in new loan originations.

FDIC insurance assessment expense decreased \$1.8 million during the nine months ended September 30, 2010 compared to the same period in 2009. During the second quarter of 2009, the Company incurred a \$1.4 million special assessment which the FDIC implemented to all banks nationally in order to replenish the Deposit Insurance Fund.

Debit card interchange expense decreased \$836,000 during the first nine months of 2010, as the Company entered into a new contract with a third party provider at significantly reduced rates. In addition, this expense item incurred a benefit of \$530,000 during the first nine months due to a non-recurring credit from the third party provider as compensation for a processing error.

Other real estate owned ("OREO") expense decreased \$700,000 during the nine months ended September 30, 2010 primarily due to the significant prior period write downs related to two properties held in Florida.

During the first quarter of 2010, the Company prepaid \$87 million in FHLB advances that were originally scheduled to mature between April 2010 and January 2011. These advances had a weighted average cost of 3.48%. The Company incurred \$1.5 million in early termination penalties in connection with this transaction. If short-term interest rates remain stable over the next 4 months, management anticipates this strategy will save the Company approximately \$1.6 million in interest expense on its FHLB borrowings during that time period, netting the Company a combined overall savings of approximately \$100,000 as a result of the transaction.

#### TRS segment

Salaries and employee benefits at TRS increased \$1.3 million during the nine months ended September 30, 2010 compared to the same period in 2009. Approximately \$900,000 of this increase related to higher bonus accruals, as TRS is expected to achieve its maximum tier for its 2010 profitability goal. The remaining increase in salaries and benefits is due to annual merit increases, additional staffing and increased employee benefits expense.

Occupancy and equipment expense increased \$533,000 during the nine months ended September 30, 2010 due primarily to expanded infrastructure and technology costs to accommodate the increased volume of the business.

Marketing and development expense decreased \$2.5 million during the nine months ended September 30, 2010 due to a reduction in the fixed-payment portion of expenses associated with the Program and Technology Agreements with JH. The decrease was the result of amended contract terms reached for the 2010 tax season.

Charitable contribution expense totaled \$4.7 million at TRS for the first nine months of 2010. Due to the financial success the Company achieved in the first quarter of 2010, Republic made a \$5 million contribution to the new Republic Bank Foundation, which was formed to support charitable, educational, scientific and religious organizations throughout communities in Kentucky, Indiana, Ohio and Florida. The Company allocated the cost of this contribution to its operating segments using a formula based on gross profits.

#### Mortgage Banking segment

Non interest expenses increased \$975,000 for 2010 compared to the same period in 2009 primarily due to a change in the allocation of certain shared expenses during 2010.

## COMPARISON OF FINANCIAL CONDITION AT SEPTEMBER 30, 2010 AND DECEMBER 31, 2009

## Cash and Cash Equivalents

Cash and cash equivalents include cash, deposits with other financial institutions with original maturities less than 90 days and federal funds sold. Republic had \$171 million in cash and cash equivalents at September 30, 2010 compared to \$1.1 billion at December 31, 2009. During the fourth quarter of 2009, the Company accumulated cash via brokered certificates of deposits totaling \$921 million in preparation for the 2010 tax season. At September 30, 2010, the Company continued to have a significant sum of cash on hand from paydowns related to securities and portfolio loans. The Company has elected to remain conservative in its current investing and lending strategies for interest rate risk and credit risk reasons maintaining a substantial portion of these funds in cash held at the Federal Reserve Bank.

## Loan Portfolio

Net Traditional Banking segment loans, primarily consisting of secured real estate loans, decreased by \$113 million during 2010 to \$2.1 billion at September 30, 2010. The Company continued to experience a decline in most loan categories during 2010 due to several factors, including the current economic environment, stricter underwriting guidelines, decreased borrower demand for adjustable rate loan products and higher pricing requirements for portfolio level loans. The Company currently expects to maintain these pricing and underwriting strategies until it sees improvement in economic conditions. In addition, the Company continues to experience more borrowers opting for its long-term fixed rate secondary market loan over its portfolio adjustable rate mortgage products due to the historically low fixed rate environment.

## Allowance for Loan Losses

The Company's allowance for loan losses as a percent of total loans increased to 1.14% at September 30, 2010 compared to 1.01% at December 31, 2009. In general, the increase in the allowance for loan losses as a percentage of total loans was due primarily to a greater emphasis on qualitative factors, such as a general decline in home values, utilized by the Company in recognition of the current economic environment in addition to an increase in specific allocations for classified assets resulting from a continued decline in the market values of their underlying collateral, particularly in its Florida markets. More specifically, the Company increased its loan loss allowance by \$2.2 million during the year for specific loss allocations related to large commercial credits and \$646,000 for 90-day delinquent and non-accrual retail and small dollar commercial relationships not specifically evaluated as part of the Company's large-dollar commercial classified asset review process. In addition, the Company increased its overall allowance by approximately \$1 million during the first nine months of the year related to quantitative and qualitative adjustments to its historical loss percentages for its general reserves across all loan categories, but concentrated within the home equity portfolio.

During the third quarter of 2010, the Company's allowance for loan losses decreased approximately \$2.1 million. This decrease was primarily the result of the foreclosure and charge-off of a large impaired credit for which the Company had a specifically allocated allowance of \$1.9 million. The Company believes, based on information presently available, that it has adequately provided for loan losses at September 30, 2010.

The composition of loans classified within the allowance for loan losses follows:

## Table 7 – Classified Assets

(in thousands)	September 30, 2010	December 31, 2009
----------------	-----------------------	----------------------

Loss	\$ -	\$ -
Doubtful	-	-
Substandard	32,251	30,333
Special mention	53,154	57,036
Total	\$ 85,405	\$ 87,369

## Asset Quality

The Company maintains a “watch list” of commercial and commercial real estate loans and reviews those loans on a regular basis. Generally, assets are designated as “watch list” loans to ensure more frequent monitoring. Watch list loans are reviewed to ensure proper earning status and management strategy. If it is determined that there is serious doubt as to performance in accordance with original terms of the contract, then the loan is generally downgraded and often placed on non-accrual status.

Management evaluates the loan portfolio by reviewing the historical loss rate for each respective loan type and assigns risk multiples to certain categories to account for qualitative factors including current economic conditions. The average five year, two year and current year loss rates are reviewed in the analysis, as well as comparisons to peer group loss rates. Currently, management has assigned a greater emphasis on the two year and current year loss rates when determining its allowance for loan losses. Management makes allocations within the allowance for loan losses for specifically classified loans regardless of loan amount, collateral or loan type. In addition, historical loss rates for non-accrual loans and loans that are past due 90 days or more and that are not specifically classified are analyzed and applied based on respective balances and loan types.

Loan categories are evaluated utilizing subjective factors in addition to the historical loss calculations to determine a loss allocation for each of those types. As this analysis, or any similar analysis, is an imprecise measure of loss, the allowance is subject to ongoing adjustments. Therefore, management will often take into account other significant factors that may be necessary or prudent in order to reflect probable incurred losses in the total loan portfolio.

Loans, including impaired loans under FASB ASC topic 310-10-35, “Receivables,” but excluding consumer loans, are typically placed on non-accrual status when the loans become past due 80 days or more as to principal or interest, unless the loans are adequately secured and in the process of collection. Past due status is based on how recently payments have been received. When loans are placed on non-accrual status, all unpaid interest is reversed from interest income and accrued interest receivable. These loans remain on non-accrual status until the borrower demonstrates the ability to become and remain current or the loan or a portion of the loan is deemed uncollectible and is charged off.

Consumer loans are reviewed periodically and generally charged off when the loans reach 120 days past due or at any earlier point the loan is deemed uncollectible. RALs made by the Company are generally repaid by the IRS within two weeks. RALs outstanding 30 days or longer are charged off at the end of the first quarter each year with substantially all other RALs, except for those RALs management deems certain of collection, charged off by June 30th of each year. Subsequent collections of RALs are recorded as recoveries.

## Non-performing Loans

Non-performing loans include loans on non-accrual status and loans 90 days or more past due and still accruing. Impaired loans that are not placed on non-accrual status are not included in non-performing loans. The non-performing loan category includes impaired loans totaling approximately \$16 million.

Non-performing loans to total loans decreased to 1.69% at September 30, 2010, from 1.90% at December 31, 2009, as the total balance of non-performing loans decreased by nearly \$7 million for the period. The following table details the Company’s non-performing assets and select non-performing loan ratios:



Table 8 – Non-performing Loans and Non-performing Assets

(dollars in thousands)	September 30, 2010	December 31, 2009		
Loans on non-accrual status (1)	\$ 36,358	\$ 43,136		
Loans past due 90 days or more and still on accrual	-	8		
Total non-performing loans	36,358	43,144		
Other real estate owned	6,203	4,772		
Total non-performing assets	\$ 42,561	\$ 47,916		
Non-performing loans to total loans	1.69	%	1.90	%
Non-performing loans to total loans - Traditional Banking	1.69	%	1.90	%
Non-performing assets to total loans (including OREO)	1.97	%	2.11	%

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

Approximately \$17 million of Republic’s total non-performing loans are in the residential real estate category with the underlying collateral located in the Company’s primary market area of Kentucky. The Company does not consider any of these loans to be “sub-prime.” Residential real estate values in Kentucky have generally performed better than the national average, and as a result, losses from these loans have been minimal in relation to the size of the Company’s residential real estate portfolio despite the rise in delinquencies over the past twelve months.

Approximately \$17 million of Republic’s total non-performing loans are in the commercial real estate and real estate construction loan portfolio as of September 30, 2010. These loans are secured primarily by commercial properties. In addition to the primary collateral, the Company also obtained in many cases, at the time of origination, personal guarantees from the principal borrowers and secured liens on the guarantors’ primary residences. The following table details the Company’s non-performing loan composition:

The composition of non-performing loans follows:

Table 9 – Non-performing Loan Composition

(in thousands)	September 30, 2010	December 31, 2009
Residential real estate	\$ 16,776	\$ 14,832
Commercial real estate	8,347	16,850
Real estate construction	8,476	9,500
Commercial	343	647
Consumer	80	71
Home equity	2,336	1,244

Total non-performing loans	\$	36,358	\$	43,144
----------------------------	----	--------	----	--------

Based on the Company's review of the large individual non-performing commercial credits, as well as its migration analysis for its single 1-4 family residential real estate non-performing portfolio, management believes that its reserves as of September 30, 2010, are adequate to absorb probable losses on these loans.

Approximately \$22 million in relationships classified as non-performing at December 31, 2009, were removed from the non-performing loan classification during 2010, as the Company increased resources to execute work out solutions. Approximately \$5 million, or 15%, of these loans were removed from the non-performing category because they were charged-off. Approximately \$8 million, or 37%, in loan balances were transferred to other real estate owned ("OREO") with \$3 million refinanced at other financial institutions. The remaining \$6 million returned to accrual status for performance reasons.

The following table details the activity of the Company's non-performing loans for the nine months ended September 30, 2010.

Table 10 – Rollforward of 2010 Non-performing Loan Activity

(in thousands)

Non-performing loans at January 1, 2010	\$ 43,144
Loans added to non-performing status	16,671
Loans removed from non-performing status	(22,413)
Principal paydowns	(1,044 )
Non-performing loans at September 30, 2010	\$ 36,358

#### Delinquent Loans

As detailed in the table below, at September 30, 2010 the heaviest concentration of past due loans was in the real estate construction category which was primarily comprised of four commercial land development relationships.

Table 11 – Past Due Loans to Total Loans by Loan Type (1)

	September 30, 2010		December 31, 2009	
Residential real estate	1.78	%	2.06	%
Commercial real estate	1.22	%	2.19	%
Real estate construction	9.80	%	4.91	%
Commercial	0.08	%	0.43	%
Consumer	2.04	%	2.17	%
Home equity	0.86	%	0.99	%
Total portfolio	1.69	%	1.98	%

(1) – Represents total loans over 30 days past due divided by total loans.

#### Impaired Loans and TDRs

Republic's policy is to charge off all or that portion of its investment in an impaired loan upon a determination that it is probable the full amount will not be collected. Impaired loans totaled \$51 million at September 30, 2010 compared to \$49 million at December 31, 2009.

A TDR is the situation where, due to a borrower's financial difficulties, the Bank grants a concession to the borrower that the Bank would not otherwise have considered. The majority of the Bank's TDRs involve a restructuring of loan terms such as a temporary reduction in the payment amount to require only interest and escrow (if required) and/or extending the maturity date of the loan. Non-accrual loans modified as TDRs remain on non-accrual status and continue to be reported as non-performing loans. Accruing loans modified as TDRs are evaluated for non-accrual status based on a current evaluation of the borrower's financial condition and ability and willingness to service the

modified debt. As of September 30, 2010, the Company had \$37 million in TDRs, of which \$12 million were on non accrual status.

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

#### Deposits

Total deposits decreased \$865 million from December 31, 2009 to \$1.7 billion at September 30, 2010. Interest-bearing deposits decreased \$875 million, or 38%, while non-interest bearing deposits increased \$10 million, or 3%, from December 31, 2009 to September 30, 2010.

The increase in non-interest bearing deposits was substantially related to an increase in escrow balances and non interest bearing funds from the Company's large Treasury Management clients. The Company still has a relatively large amount of non interest-bearing deposits related to its large commercial Treasury Management accounts, which shifted their funds into non interest-bearing products for the unlimited FDIC insurance currently available on those accounts.

The decrease in interest-bearing accounts was heavily concentrated in the brokered deposit category. Brokered deposits decreased \$890 million during 2010 to \$115 million. During the fourth quarter of 2009, the Company acquired approximately \$921 million in brokered certificates of deposits to be utilized in the first quarter of 2010 to fund RALs. These deposits had a weighted average cost of 0.51% with an average life of three months. Also, during January of 2010, the Company obtained an additional \$542 million in brokered certificates of deposits to fund additional RAL demand. These brokered certificates of deposits acquired in January had a weighted average life of 55 days and a weighted average interest rate of 0.56%.

During the first nine months of 2010, the Company obtained \$34 million in brokered deposits to be utilized by the Traditional Bank for on-going funding needs. These deposits had a weighted average maturity of five years and a weighted average cost of 2.86%. Management chose to utilize long term brokered deposits for Traditional Bank funding needs for interest rate risk mitigation and because the cost of these deposits was cheaper than equivalent term FHLB borrowings and retail certificates of deposit.

As discussed in the net interest income sections of this document, the Company exited a brokered money market relationship during September 2010. This relationship had a period end balance of \$65 million at December 31, 2009. The withdrawal of funds was facilitated by Republic through a reduction in cash at the Federal Reserve which was earning 0.25% for the Company.

See section titled "TRS Funding – First Quarter 2011 Tax Season" for discussion of the Company's funding plans for the upcoming first quarter 2011 tax season.

#### Federal Home Loan Bank Advances

FHLB advances decreased \$72 million during 2010 to \$565 million. During the first quarter of 2010, the Company prepaid \$87 million in FHLB advances that were originally scheduled to mature between April 2010 and January 2011 and had a weighted average rate of 3.48%. The Company incurred a \$1.5 million prepayment penalty in connection with this transaction. The Company utilized excess cash to pay off these advances. Management estimates that this strategy saved the Company approximately \$1.4 million in interest expense during the first nine months of 2010. If short-term interest rates remain stable over the next six months, management anticipates this strategy will save the Company an additional \$270,000 in interest expense on its FHLB borrowings during that time period, netting the Company a combined overall savings of approximately \$100,000 as a result of the transaction.

Approximately \$150 million of the FHLB advances at September 30, 2010 and December 31, 2009 were putable advances with original fixed rate periods ranging from one to five years and original maturities ranging from three to ten years if not put back to the Company 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 Company at no penalty. The weighted average coupon on all of the Company's putable advances at September 30, 2010 was 4.51%. Based on market conditions at this time, the Company does not believe that any of its putable advances are likely to be "put back" to the Company in the short-term by the FHLB.

## Liquidity

The Company is significantly leveraged with a loan to deposit ratio (excluding brokered deposits) of 133% at September 30, 2010 and 148% at December 31, 2009. Historically, the Company has utilized secured and unsecured borrowing lines to supplement its funding requirements. At September 30, 2010 and December 31, 2009, Republic had available collateral to borrow an additional \$185 million and \$215 million, respectively from the FHLB. In addition to its borrowing line with the FHLB, Republic also had unsecured lines of credit totaling \$216 million available through various other financial institutions as of December 31, 2009. If the Company were to lose a significant funding source, such as a few major depositors, or if any of its lines of credit were canceled, or if the Company cannot obtain brokered deposits, the Company would be forced to offer market leading deposit interest rates to meet its funding and liquidity needs.

Republic maintains sufficient liquidity to fund routine loan demand and routine deposit withdrawal activity. Liquidity is managed by maintaining sufficient liquid assets in the form of investment securities. Funding and cash flows can also be realized by the sale of securities available for sale, principal paydowns on loans and MBSs and proceeds realized from loans held for sale. The Company's liquidity is impacted by its ability to sell certain investment securities, which is limited due to the level of investment securities that are needed to secure public deposits, securities sold under agreements to repurchase and for other purposes, as required by law. At September 30, 2010 and December 31, 2009, these pledged investment securities had a fair value of \$407 million and \$427 million, respectively. Republic's banking centers and its website, [www.republicbank.com](http://www.republicbank.com), provide access to retail deposit markets. These retail deposit products, if offered at attractive rates, have historically been a source of additional funding when needed.

At September 30, 2010, the Company had approximately \$229 million in Premier First money market accounts, which is the Bank's primary deposit product offering for medium to large business customers. These accounts do not require collateral; therefore, cash from these accounts can generally be utilized to fund the loan portfolio. The ten largest Premier First relationships represent approximately \$107 million of the total balance. If any of these balances are moved from the Bank, the Company would likely utilize overnight FHLB advances in the short-term to replace the balances. On a longer-term basis, the Company would likely utilize brokered deposits to replace withdrawn balances. Based on past experience utilizing brokered deposits, the Company believes it can quickly obtain brokered deposits if needed. The overall cost of gathering brokered deposits, however, could be substantially higher than the Traditional Bank deposits they replace, potentially decreasing the Company's earnings.

The Company's liquidity risk increases significantly during the first quarter of each year due to the RAL program. The Company has committed to its electronic filer and tax-preparer base that it will make RALs available to their customers under the terms of its contracts with them. This requires the Company to estimate liquidity, or funding needs for the RAL program, well in advance of the tax season. If management materially overestimates the need for funding during the tax season, a significant expense could be incurred without an offsetting revenue stream. If management materially underestimates its funding needs during the tax season, the Company could experience a significant shortfall of capital needed to fund RALs and could potentially be required to stop or reduce its RAL originations.

For additional discussion regarding TRS, see the following sections:

	Part I Item 1 "Financial Statements:"
o	Footnote 1 "Summary of Significant Accounting Policies"
o	Footnote 3 "Loans and Allowance for Loan Losses"
o	Footnote 10 "Segment Information"
o	Footnote 11 "Regulatory Matters"
Part I Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations:"	
o	"Recent Developments"
o	"Business Segment Composition"
o	"Overview"
o	"Results of Operations"
	Part II Item 1A "Risk Factors"

For additional discussion regarding RAL Provision for Loan Losses see Footnote 3 "Loans and Allowance for Loans Losses."

The Parent Company's principal source of funds for dividend payments are dividends received from RB&T. Banking regulations limit the amount of dividends that may be paid to the Parent Company by the Bank without prior approval

of the respective states' banking regulators. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years. At September 30, 2010 RB&T could, without prior approval, declare dividends of approximately \$77 million. The Company does not plan to pay dividends from its Florida subsidiary, Republic Bank, in the foreseeable future.

#### Capital

Total stockholders' equity increased from \$316 million at December 31, 2009 to \$371 million at September 30, 2010. The increase in stockholders' equity was primarily attributable to net income earned during 2010 reduced by cash dividends declared. In addition, stockholders' equity also increased to a lesser extent from stock option exercises during 2010.

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

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

Prompt corrective action regulations provide five classifications: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At September 30, 2010 and December 31, 2009, the most recent regulatory notifications categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution’s category.

Banking regulators have categorized the Bank as well-capitalized. To be categorized as well-capitalized, the Bank must maintain minimum Total Risk Based, Tier I Capital and Tier I Leverage Capital ratios. Regulatory agencies measure capital adequacy within a framework that makes capital requirements, in part, dependent on the individual risk profiles of financial institutions. Republic continues to exceed the regulatory requirements for Total Risk Based Capital, Tier I Capital and Tier I Leverage Capital. Republic and the Bank intend to maintain a capital position that meets or exceeds the “well-capitalized” requirements as defined by the FRB, FDIC and the OTS. Republic’s average capital to average assets ratio was 9.99% at September 30, 2010 compared to 8.95% at December 31, 2009. Formal measurements of the capital ratios for Republic and the Bank are performed by the Company at each quarter end.

In 2004, the Company executed an intragroup trust preferred transaction, with the purpose of providing RB&T access to additional capital markets, if needed, in the future. On a consolidated basis, this transaction has had no impact on the capital levels and ratios of the Company. The subordinated debentures held by RB&T, as a result of this transaction, however, are treated as Tier 2 Capital based on requirements administered by the Bank’s federal banking agency. If RB&T’s Tier I Capital ratios should not meet the minimum requirement to be well-capitalized, the Company could immediately modify the transaction in order to maintain its well-capitalized status.

In 2005, Republic Bancorp Capital Trust (“RBCT”), an unconsolidated trust subsidiary of Republic Bancorp, Inc., was formed and issued \$40 million in Trust Preferred Securities (“TPS”). The TPS pay a fixed interest rate for ten years and adjust with LIBOR + 1.42% thereafter. The TPS mature on September 30, 2035 and are redeemable at the Company’s option after ten years. The subordinated debentures are treated as Tier I Capital for regulatory purposes. The sole asset of RBCT represents the proceeds of the offering loaned to Republic Bancorp, Inc. in exchange for subordinated debentures which have terms that are similar to the TPS. The subordinated debentures and the related interest expense, which are payable quarterly at the annual rate of 6.015%, are included in the consolidated financial statements. The proceeds obtained from the TPS offering have been utilized to fund loan growth (in prior years), support an existing stock repurchase program and for other general business purposes such as the acquisition of GulfStream Community Bank in 2006.



The following table sets forth the Company's risk based capital amounts and ratios as of September 30, 2010 and December 31, 2009:

Table 12 – Capital Ratios

(dollars in thousands)	As of September 30, 2010		As of December 31, 2009	
	Actual Amount	Ratio	Actual Amount	Ratio
<b>Total Risk Based Capital (to Risk Weighted Assets)</b>				
Republic Bancorp, Inc.	\$ 412,625	22.15 %	\$ 360,997	18.37 %
Republic Bank & Trust Co.	347,117	21.22	312,200	16.42
Republic Bank	26,269	23.79	19,066	30.94
<b>Tier I Capital (to Risk Weighted Assets)</b>				
Republic Bancorp, Inc.	\$ 394,632	20.91 %	\$ 339,030	17.25 %
Republic Bank & Trust Co.	339,954	18.69	267,553	14.07
Republic Bank	15,439	22.54	18,296	29.70
<b>Tier I Leverage Capital (to Average Assets)</b>				
Republic Bancorp, Inc.	\$ 394,632	12.57 %	\$ 339,030	10.52 %
Republic Bank & Trust Co.	339,954	11.15	267,553	8.55
Republic Bank	15,439	13.91	18,296	16.07

#### Asset/Liability Management and Market Risk

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

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

Republic utilized an earnings simulation model to analyze net interest income sensitivity. Potential changes in market interest rates and their subsequent effects on net interest income were evaluated with the model. The model projects the effect of instantaneous movements in interest rates of both 100 and 200 basis point increments equally across all points on the yield curve. These projections are computed based on various assumptions, which are used to determine

the 100 and 200 basis point increments, as well as the base case (which is a twelve month projected amount) scenario. Assumptions based on growth expectations and on the historical behavior of Republic's deposit and loan rates and their related balances in relation to changes in interest rates are also incorporated into the model. These assumptions are inherently uncertain and, as a result, the model cannot precisely measure future net interest income or precisely predict the impact of fluctuations in market interest rates on net interest income. Actual results will differ from the model's simulated results due to timing, magnitude and frequency of interest rate changes, as well as changes in market conditions and the application and timing of various management strategies. Additionally, actual results could differ materially from the model if interest rates do not move equally across all points on the yield curve.

The Company did not run a model simulation for declining interest rates as of September 30, 2010 and December 31, 2009, because the FOMC effectively lowered the FFTR between 0.00% to 0.25% in December 2008 and therefore, no further short-term rate reductions can occur. Overall, the indicated change in net interest income as of September 30, 2010 was substantially comparable to indicated change as of December 31, 2009 in an "up" interest rate scenario.

The following tables illustrate Republic's projected net interest income sensitivity profile based on the asset/liability model as of September 30, 2010. The Company's interest rate sensitivity model does not include loan fees within interest income. During the nine months ended September 30, 2010 and 2009, loan fees included in interest income were \$54.2 million and \$59.8 million, respectively.

Table 13 – Interest Rate Sensitivity for 2010

(dollars in thousands)	Base	Increase in Rates	
		100 Basis Points	200 Basis Points
Projected interest income:			
Short-term investments	\$ 599	\$ 2,952	\$ 5,252
Investment securities	13,062	16,513	19,385
Loans, excluding loan fees(1)	107,771	113,781	120,098
Total interest income, excluding loan fees	121,432	133,246	144,735
Projected interest expense:			
Deposits	9,811	18,332	25,695
Securities sold under agreements to repurchase	781	3,905	7,029
Federal Home Loan Bank advances and other long-term borrowings	20,494	20,494	20,446
Total interest expense	31,086	42,731	53,170
Net interest income, excluding loan fees	\$ 90,346	\$ 90,515	\$ 91,565
Change from base		\$ 169	\$ 1,219
% Change from base		0.19	% 1.35

(1) – Consideration was not given to the impact of increasing and decreasing interest rates on RALs, which are fee based and occur substantially all in the first quarter of the year.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

Item 4. Controls and Procedures.

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

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

FACTORS THAT MAY AFFECT FUTURE RESULTS

There are factors, many beyond the Company’s control, which may significantly change the results or expectations of the Company. Some of these factors are described below in the sections titled “Company Factors” and “Industry Factors,” however, many are described in the other sections of the Company’s Annual Report on Form 10-K for the year ending December 31, 2009.

Company Factors

The Company’s accounting policies and estimates are critical components of the Company’s presentation of its financial statements. Management must exercise judgment in selecting and adopting various accounting policies and in applying estimates. Actual outcomes may be materially different than amounts previously estimated. Management has identified several accounting policies and estimates as being critical to the presentation of the Company’s financial statements. These policies relate to the following:

Banking segment allowance for loan losses  
Mortgage servicing rights  
Income tax accounting  
Goodwill and other intangible assets  
Impairment of investment securities  
TRS provision for loan losses  
TRS rebate accruals

The Company's lines of business and products not typically associated with Traditional Banking expose the Company's earnings to additional risks and uncertainties. In addition to Traditional Banking and Mortgage Banking products, the Company provides Refund Anticipation Loans ("RALs"). The following details specific risk factors related to these lines of business:

RALs represent a significant business risk, and if the Company terminated the business, it would materially impact the earnings of the Company. Tax Refund Solutions ("TRS") offers bank products to facilitate the payment of tax refunds for customers that electronically file their tax returns. The Company is one of only a few financial institutions in the U.S. that provides this service to taxpayers. Under this program, the taxpayer may receive a RAL or an Electronic Refund Check or Electronic Refund Deposit ("ERC/ERD"). In return, the Company charges a fee for the service.

During the nine months ended September 30, 2010, net income from the Company's TRS business operating segment accounted for approximately 78% of the Company's total net income. Various governmental and consumer groups have, from time to time, questioned the fairness of the RAL program and have accused this industry of charging excessive/usurious rates of interest, via the fee, and engaging in predatory lending practices.

Consumer groups have also claimed that customers are not adequately advised that a RAL is a loan product and that alternative, less expensive means of obtaining tax refund proceeds may be available. Actions of these groups and others could result in regulatory, governmental or legislative action or material litigation against the Company.

Exiting this line of business, either voluntarily or involuntarily, would significantly reduce the Company's earnings.

The TRS business operating segment represents a significant operational risk, and if the Company were unable to properly service the business, or grow the business, it could materially impact the earnings of the Company. Continued growth in this business operating segment requires continued increases in technology and employees to service the new business. In order to process the new business, the Company must implement and test new systems, as well as train new employees. Significant operational problems could cause the Company to incur higher than normal credit losses. Significant operational problems could also cause a material portion of the Company's tax-preparer base to switch to a competitor bank to process their bank product transactions, significantly reducing the Company's projected revenue without a corresponding decrease in expenses.

RALs represent a significant compliance and regulatory risk, and if the Company fails to comply with all statutory and regulatory requirements, it could have a material negative impact on the Company's earnings. Federal and state laws and regulations govern numerous matters relating to the offering of RALs. Failure to comply with disclosure requirements such as Regulation B (Fair Lending) and Regulation Z (Truth in Lending) or with laws relating to the permissibility of interest rates and fees charged, could have a material negative impact on the Company's earnings. In addition, failure to comply with applicable laws and regulations could also expose the Company to additional litigation risk and civil monetary penalties.

RALs represent a significant liquidity, or funding, risk. Significantly overestimating or underestimating the Company's liquidity or funding needs for the upcoming tax season could have a material negative impact on the Company's overall earnings. Funding for RAL liquidity requirements may also cost more than the Company's current estimates and/or historical experience. The Company's liquidity risk increases significantly during the first quarter of each year due to the RAL program. The Company has committed to its electronic filer and tax-preparer base that it will make RALs available to their customers under the terms of its contracts with them. This requires the Company to estimate liquidity, or funding needs for the RAL program, well in advance of the tax season. If management materially overestimates the need for funding during the tax season, a significant expense could be incurred without an offsetting revenue stream. If management materially underestimates its funding needs during the tax season, the Company could experience a significant shortfall of cash needed to fund RALs and could potentially be required to stop or reduce its RAL originations.

RALs represent a significant credit risk, and if the Company is unable to collect a significant portion of its RALs it would materially, negatively impact the earnings of the Company. There is credit risk associated with a RAL because the funds are disbursed to the customer prior to the Company receiving the customer's refund from the IRS. The Company collects substantially all of its payments related to RALs from the IRS. Losses generally occur on RALs when the Company does not receive payment from the IRS due to a number of reasons, including errors in the tax return, tax return fraud and tax debts not previously disclosed to the Company during its underwriting process. The provision for loan losses is the TRS segment's most influential component to its overall earnings.



Historically at TRS, net credit losses related to RALs within a given calendar year have ranged from a low of 0.04% to a high of 1.17% of total RALs originated (including retained and securitized RALs). During the first nine months of 2010, the Company incurred \$8.5 million in net credit losses associated with RALs retained on balance sheet by the Company. Gross losses as a percent of total RALs originated during the first nine months of 2010 were 0.37%.

On August 5, 2010, the IRS issued a news release stating that it will no longer provide tax preparers and associated financial institutions with the Debt Indicator (“DI”) beginning with the first quarter 2011 tax season. The DI 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 delinquent federally funded student loans.

Republic has historically used the DI as a material underwriting component of its RAL product within its TRS business segment. Without the DI, the Company will experience a higher provision for loan losses related to its RAL portfolio during 2011. If the Company is unable to compensate for these higher expected losses, RAL losses could exceed overall segment revenue, thus rendering the TRS business segment unprofitable and materially adversely affecting the Company’s overall profitability for 2011. An overall loss in the TRS segment profitability could also cause the Company to exit this line of business.

A significant portion of the Company’s RAL, ERC and ERD volume and revenue is derived from two third party relationships. The loss of either of these relationships without replacing their volume, or a significant unplanned reduction in demand for their tax services, would materially, negatively impact the Company’s operations. Approximately 34% of the Company’s 2010 TRS revenue is derived from JH with another 29% from Liberty. In December 2009, the Company signed three year agreements with each of these tax service providers. Under certain specific circumstances, however, each provider could exit their contract with the Company. In addition, the tax preparation industry is highly competitive and the potential exists that these firms could lose clients to competitors which do not offer TRS products. A loss of business by Republic under either of these circumstances would have a material adverse effect on the Company’s earnings.

The IRS plans to explore the possibility of providing a new tool for the first quarter 2012 tax filing season to give taxpayers a mechanism to use a portion of their tax refund to pay for the services of a professional tax preparer. This product would likely present direct competition for the Bank’s ERC and ERD products, which could significantly negatively impact the Company’s earnings from these products. Approximately 53% of the TRS segment’s gross revenue is derived from ERC and ERD products. Competition to these products from the IRS could substantially reduce demand for Republic’s product offering resulting in a substantial negative impact to the TRS segment’s earnings.

RB&T is subject to a Cease and Desist Order (the “Order”) from the FDIC. The failure to comply with this Order, or additional corrective actions, could result in significant penalties and/or additional sanctions. RB&T and the FDIC agreed to an Order dated February 27, 2009, which cites insufficient oversight of RB&T’s consumer compliance programs, most notably in RB&T’s RAL program. The Order requires increased compliance oversight of the RAL program by RB&T’s management and board of directors that is subject to review and approval by the FDIC. Under the Order, RB&T must increase its training and audits of its electronic refund originator (“ERO”) partners, who make RB&T’s tax products available to taxpayers across the nation. In addition, various components of the Order require RB&T to meet certain implementation, completion and reporting timelines, including the establishment of a compliance management system to appropriately assess, measure, monitor and control third party risk and ensure compliance with consumer laws.

During the fourth quarter of 2009, the FDIC began the process for the 2009 Community Reinvestment Act Performance Evaluation (the “2009 CRA Evaluation”). During the third quarter of 2010, the FDIC notified RB&T of its

2009 CRA Evaluation performance rating. RB&T received “High Satisfactory” ratings on the Investment Test component and the Service Test component evaluated as part of the 2009 CRA Evaluation. Based on alleged Reg B violations regarding documentation of spousal obligations on a limited number of loans identified within RB&T’s commercial lending area, RB&T received a “Needs to Improve” rating on the Lending Test component, and as a result, a “Needs to Improve” rating on its overall rating.

Prior to the FDIC’s notification to RB&T of the 2009 CRA Evaluation results, RB&T changed certain procedures and processes to better document its commercial loan origination process as it relates to the intent of both spouses to apply for and become obligated to repay certain commercial loans. The FDIC has notified RB&T of certain additional corrective actions to be undertaken in response to the alleged Reg B violations. Management expects RB&T to be subject to further corrective actions from the FDIC via a supervisory order or agreement. At this time, the Company is uncertain of the extent of the possible further corrective actions.

If the FDIC determines that RB&T is not in compliance with the Order, it has the authority to issue more restrictive enforcement actions. These enforcement actions could include significant penalties and/or requirements regarding the tax business which could significantly, negatively impact this segment's profitability. See Exhibit 10.62 under Part IV of the Company's December 31, 2008 Annual Report on Form 10-K for additional information regarding the Order.

Further deterioration in the quality of the Company portfolio may result in additional charge-offs which will adversely impact the Company's operating results. During the last three years, the Company suffered deterioration in the quality of its loan portfolio. Traditional banking net charge-offs to average loans outstanding was 0.46% for the nine months ended September 30, 2010 compared to 0.34%, 0.26%, and 0.10% for the years ended December 31, 2009, 2008 and 2007, respectively. Non-performing loans to total loans outstanding were 1.69% at September 30, 2010 compared to 1.90%, 0.58% and 0.40% at December 31, 2009, 2008 and 2007. Delinquent loans to total loans outstanding were 1.69% at September 30, 2010 compared to 1.98%, 1.07% and 0.69% at December 31, 2009, 2008 and 2007. Despite the various measures implemented by Republic to address the current economic situation, there may be further deterioration in the Company's loan portfolio which will require additional charge-offs. Additional charge-offs will adversely affect the Company's operating results and financial condition.

The Company owns four investment securities which the Company believes have an elevated level of credit risk and are extremely illiquid. 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. The Company owned and continues to own four private label mortgage backed and other private label mortgage-related security with an amortized cost of \$6.8 million at September 30, 2010. For one of these securities, the Company has fully reserved for its projected losses through OTTI charges. The Company has partially written off the principal associated with this security, as a portion of its losses were passed through by the servicer/trustee. The Company expects additional pass-through losses for this security of \$3.7 million, the security's current OTTI valuation allowance.

Further deterioration in economic conditions and/or new or additional downgrades from applicable rating agencies could cause the Company to record additional impairment charges up to \$6.8 million in the future. See additional discussion regarding these impairment charges under Footnote 2 "Investment Securities" of Part I Item 1 "Financial Statements."

Fluctuations in interest rates could reduce profitability. The Company's primary source of income is from the difference between interest earned on loans and investments and the interest paid on deposits and borrowings. The Company expects to periodically experience "gaps" in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. In either event, if market interest rates should move contrary to the Company's position, earnings may be negatively affected.

Many factors affect the fluctuation of market interest rates, including, but not limited to the following:

- Inflation,
- Recession,
- A rise in unemployment,
- Tightening money supply,
- International disorder and instability in domestic and foreign financial markets,
- FRB rate changes, and

Competition.

The Company's asset-liability management strategy, which is designed to mitigate risk from changes in market interest rates, may not be able to prevent changes in interest rates from having a material adverse effect on results of operations and financial condition. Overall, interest rates generally have decreased since fiscal year 2008. When interest rates begin to rise again, the Company's interest income could rise at a slower pace than the Company's interest expense and the fair value of the Company's assets could fluctuate at a faster pace than the increase in the fair value of interest-bearing liabilities. These circumstances would cause a decline in the Company's net interest income and a reduction in the economic value of the Company's shareholders' equity.

Mortgage Banking activities could be adversely impacted by increasing long-term interest rates. The Company is unable to predict changes in market interest rates. Changes in interest rates can impact the gain on sale of loans, loan origination fees and loan servicing fees, which account for a significant portion of Mortgage Banking income. A decline in interest rates generally results in higher demand for mortgage products, while an increase in rates generally results in reduced demand. Generally, if demand increases, Mortgage Banking income will be positively impacted by more gains on sale; however, the valuation of existing mortgage servicing rights will decrease and may result in a significant impairment. Moreover, a decline in demand for Mortgage Banking products could also adversely impact other programs/products such as home equity lending, title insurance commissions and service charges on deposit accounts.

The Company's stock generally has a low average daily trading volume, which limits a stockholder's ability to quickly accumulate or quickly sell large numbers of shares of Republic's stock without causing wide price fluctuations. Republic's stock price can fluctuate widely in response to a variety of factors, such as actual or anticipated variations in the Company's operating results, recommendations by securities analysts, operating and stock price performance of other companies, news reports, results of litigation, regulatory actions or changes in government regulations, among other factors. A low average daily stock trading volume can lead to significant price swings even when a relatively small number of shares are being traded.

The market price for the Company's common stock may be volatile. The market price of the Company's common stock could fluctuate substantially in the future in response to a number of factors, including those discussed below. The market price of the Company's common stock has in the past fluctuated significantly and is likely to continue to fluctuate significantly. Some of the factors that may cause the price of our common stock to fluctuate include:

- Variations in the Company's and its competitors' operating results;
- Changes in securities analysts' estimates of the Company's future performance and the future performance of our competitors;
- Announcements by the Company or its competitors of mergers, acquisitions and strategic partnerships;
- Additions or departure of key personnel;
- The announced exiting of or significant reductions in material lines of business within the Company;
- Changes or proposed changes in banking laws or regulations or enforcement of these laws and regulations
- Events affecting other companies that the market deems comparable to the Company;
- Developments relating to regulatory examinations
- General conditions in the financial markets and real estate markets;
- General conditions in the U.S.;
- The presence or absence of short selling of our common stock; and
- Future sales of our common stock or debt securities.

An investment in the Company's Common Stock is not an insured deposit. The Company's common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in the Company's common stock is inherently risky for the reasons described in this section and elsewhere in this report and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire the Company's common stock, you could lose some or all of your investment.

The Company's insiders hold voting rights that give them significant control over matters requiring stockholder approval. The Company's Chairman, President, and Vice Chairman hold substantial amounts of the Company's Class A Common Stock and Class B Common Stock. Each share of Class A Common Stock is entitled to one vote and each share of Class B Common Stock is entitled to ten votes. This group generally votes together on matters presented to stockholders for approval. Consequently, other stockholders' ability to influence Company actions through their vote

may be limited and the non-insider stockholders may not have sufficient voting power to approve a change in control even if a significant premium is being offered for their shares. The Company cannot assure you that the majority stockholders will vote their shares in accordance with minority stockholder interests.

The Company may need additional capital resources in the future and these capital resources may not be available when needed or at all. The Company may need to incur additional debt or equity financing in the future for growth, investment or strategic acquisitions. The Company cannot assure you that such financing will be available on acceptable terms or at all. If the Company is unable to obtain additional financing, it may not be able to grow or make strategic acquisitions or investments.

The Company's funding sources may prove insufficient to replace deposits and support future growth. The Company relies on customer deposits, brokered deposits and advances from the FHLB to fund operations. Although the Company has historically been able to replace maturing deposits and advances if desired, no assurance can be given that the Company would be able to replace such funds in the future if the Company's financial condition or the financial condition of the FHLB or general market conditions were to change. The Company's financial flexibility will be severely constrained if it is unable to maintain its access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. Finally, if the Company is required to rely more heavily on more expensive funding sources to support future growth, revenues may not increase proportionately to cover costs. In this case, profitability would be adversely affected.

Although the Company considers such sources of funds adequate for its liquidity needs, the Company may seek additional debt in the future to achieve long-term business objectives. There can be no assurance additional borrowings, if sought, would be available to the Company or, if available, would be on favorable terms. If additional financing sources are unavailable or are not available on reasonable terms, growth and future prospects could be adversely affected.

Negative public opinion could damage the Company's reputation and adversely affect earnings. Reputational risk is the risk to Company operations from negative public opinion. Negative public opinion can result from the actual or perceived manner in which the Company conducts its business activities, including sales practices, practices used in origination and servicing operations, the management of actual or potential conflicts of interest and ethical issues, and the Company's protection of confidential customer information. Negative public opinion can adversely affect the Company's ability to keep and attract customers and can expose the Company to litigation.

The Company is dependent upon the services of its management team and qualified personnel. The Company is dependent upon the ability and experience of a number of its key management personnel who have substantial experience with Company operations, the financial services industry and the markets in which the Company offers services. It is possible that the loss of the services of one or more of its senior executives or key managers would have an adverse effect on operations, moreover, the Company depends on its account executives and loan officers to attract bank customers by, among other things, developing relationships with commercial and consumer clients, mortgage companies, real estate agents, brokers and others. The Company believes that these relationships lead to repeat and referral business. The market for skilled account executives and loan officers is highly competitive and historically has experienced a high rate of turnover. In addition, if a manager leaves the Company, other members of the manager's team may follow. Competition for qualified account executives and loan officers may lead to increased hiring and retention costs. The Company's success also depends on its ability to continue to attract, manage and retain other qualified personnel as the Company grows. The Company cannot assure you that it will continue to attract or retain such personnel.

The Company's information systems may experience an interruption or breach in security that could impact the Company's operational capabilities. The Company relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in customer relationship management, general ledger, deposit, loan and other systems. While the Company has policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrences of any failures, interruptions or security breaches of the Company's information systems could damage the Company's reputation, result in a loss of customer business, subject the Company to additional regulatory scrutiny, or expose the Company to civil litigation and possible financial liability, any of which could have a material adverse effect on the Company's financial condition and results of operations.

The Company relies heavily on the proper functioning of its technology. The Company relies on its computer systems and outside servicers providing technology for much of its business. If computer systems or outside technology sources fail, are not reliable, or suffer a breach of security, the Company's ability to maintain accurate financial records may be impaired, which could materially affect operations and financial condition.

The Company may be subject to examinations by taxing authorities which could adversely affect results of operations. In the normal course of business, the Company may be subject to examinations from federal and state taxing authorities regarding the amount of taxes due in connection with investments it has made and the businesses in which the Company is engaged. Recently, federal and state taxing authorities have become increasingly aggressive in challenging tax positions taken by financial institutions. The challenges made by taxing authorities may result in adjustments to the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions. If any such challenges are made and are not resolved in the Company's favor, they could have an adverse effect on the Company's financial condition and results of operations.

If the Company does not maintain strong internal controls and procedures, it may impact profitability. Management diligently reviews and updates its internal controls, disclosure controls and procedures, and corporate governance policies and procedures. This system is designed to provide reasonable, not absolute, assurances that the internal controls comply with appropriate regulatory guidance. Any undetected circumvention of these controls could have a material adverse impact on the Company's financial condition and results of operations.

#### Industry Factors

The Company's "Overdraft Honor" program represents a significant business risk, and if the Company terminated the program it would materially impact the earnings of the Company. There can be no assurance that Congress, the Company's regulators, or others, will not impose additional limitations on this program or prohibit the Company from offering the program. The Company's "Overdraft Honor" program permits eligible customers to overdraft their checking accounts up to a predetermined dollar amount for the Bank's customary overdraft fee(s). Generally, to be eligible for the Overdraft Honor program, customers must qualify for one of the Company's traditional checking products when the account is opened and remain in that product for 30 days; have deposits of at least \$600; and have had no overdrafts or returned deposited items. Once the eligibility requirements have been met, the client is eligible to participate in the Overdraft Honor program. If an overdraft occurs, the Company may pay the overdraft, at its discretion, up to \$600 (an account in good standing after two years is eligible for up to \$1,000). Under regulatory guidelines, customers utilizing the Overdraft Honor program may remain in overdraft status for no more than 45 days. Generally, an account that is overdrawn for 60 consecutive days is closed and the balance is charged off.

Overdraft balances from deposit accounts, including those overdraft balances resulting from the Company's Overdraft Honor program, are recorded as a component of loans on the Company's balance sheet.

The Company assesses two types of fees related to overdrawn accounts, a fixed per item fee and a fixed daily charge for being in overdraft status. The per item fee for this service is not considered an extension of credit, but rather is considered a fee for paying checks when sufficient funds are not otherwise available. As such, it is classified on the income statement in "service charges on deposits" as a component of non interest income along with per item fees assessed to customers not in the Overdraft Honor program. A substantial majority of the per item fees in service charges on deposits relates to customers in the Overdraft Honor program. The daily fee assessed to the client for being in overdraft status is considered a loan fee and is thus included in interest income under the line item "loans, including fees."

In November 2009, the FRB announced its amendment of Regulation E, which implements the Electronic Funds Transfer Act ("EFTA"). The EFTA prohibits financial institutions from charging consumers fees for paying overdrafts on automated teller machine and one-time debit card transactions, unless a consumer affirmatively consents, or opts in, to the overdraft service for those types of transactions. Before opting in, the consumer must be provided a notice that explains the financial institution's overdraft services, including the fees associated with the service, and the consumer's choices. The final rules, along with a model opt-in notice, are issued under Regulation E, which implements the EFTA. The final rules require institutions to provide consumers who do not opt in with the same

account terms, conditions, and features (including pricing) that they provide to consumers who do opt in. For consumers who do not opt in, the institution would be prohibited from charging overdraft fees for any overdrafts it pays on ATM and one-time debit card transactions.

The Company earns a substantial majority of its fee income related to this program from the per item fee it assesses its customers for each insufficient funds check or electronic debit presented for payment. In addition, the Company estimates that it has historically earned more than 60% of its fees on the electronic debits presented for payment. Both the per item fee and the daily fee assessed to the account resulting from its overdraft status, if computed as a percentage of the amount overdrawn, results in a high rate of interest when annualized and are thus considered excessive by some consumer groups. The total net per item fees included in service charges on deposits for the nine months ended September 30, 2010 and 2009 were \$8.3 million and \$9.2 million. The total net daily overdraft charges included in interest income for the nine months ended September 30, 2010 and 2009 were \$1.5 million and \$1.7 million. Additional limitations or elimination, or adverse modifications to this program, either voluntary or involuntary, would significantly reduce Company earnings.

The Company is significantly impacted by the regulatory, fiscal and monetary policies of federal and state governments which could negatively impact the Company's liquidity position and earnings. These policies can materially affect the value of the Company's financial instruments and can also adversely affect the Company's customers and their ability to repay their outstanding loans. Also, failure to comply with laws, regulations or policies, or adverse examination findings, could result in significant penalties, negatively impact operations, or result in other sanctions against the Company.

The Board of Governors of the FRB regulates the supply of money and credit in the U.S. Its policies determine, in large part, the Company's cost of funds for lending and investing and the return the Company earns on these loans and investments, all of which impact net interest margin.

The Company and the Bank are heavily regulated at both the federal and state levels and are subject to various routine and non-routine examinations by federal and state regulators. This regulatory oversight is primarily intended to protect depositors, the Deposit Insurance Fund and the banking system as a whole, not the stockholders of the Company. Changes in policies, regulations and statutes, or the interpretation thereof, could significantly impact the product offerings of Republic causing the Company to terminate or modify its product offerings in a manner that could materially adversely affect the earnings of the Company.

Federal and state laws and regulations govern numerous matters including changes in the ownership or control of banks and bank holding companies, maintenance of adequate capital and the financial condition of a financial institution, permissible types, amounts and terms of extensions of credit and investments, permissible non-banking activities, the level of reserves against deposits and restrictions on dividend payments. Various federal and state regulatory agencies possess cease and desist powers, and other authority to prevent or remedy unsafe or unsound practices or violations of law by banks subject to their regulations. The FRB possesses similar powers with respect to bank holding companies. These, and other restrictions, can limit in varying degrees, the manner in which Republic conducts its business.

Republic is subject to regulatory capital adequacy guidelines, and if the Company fails to meet these guidelines the Company's financial condition may be adversely affected. Under regulatory capital adequacy guidelines, and other regulatory requirements, Republic and the Bank must meet guidelines that include quantitative measures of assets, liabilities and certain off balance sheet items, subject to qualitative judgments by regulators regarding components, risk weightings and other factors. If Republic fails to meet these minimum capital guidelines and other regulatory requirements, Republic's financial condition will be materially and adversely affected. If Republic's fails to maintain well-capitalized status under its regulatory framework, or deemed not well-managed under regulatory exam procedures, or if it should experience certain regulatory violations, Republic's status as a Financial Holding Company and its related eligibility for a streamlined review process for acquisition proposals, and its ability to offer certain financial products could be compromised.

The Company's financial condition and earnings could be negatively impacted to the extent the Company relies on information that is false, misleading or inaccurate. The Company relies on the accuracy and completeness of information provided by vendors, customers and other parties. In deciding whether to extend credit, including RALs, or enter into transactions with other parties, the Company relies on information furnished by, or on behalf of, customers or entities related to those customers or other parties.

Defaults in the repayment of loans may negatively impact the Company. When borrowers default on obligations of one or more of their loans, it may result in lost principal and interest income and increased operating expenses, as a result of the increased allocation of management time and resources to the subsequent collection efforts. In certain situations where collection efforts are unsuccessful or acceptable "work out" arrangements cannot be reached or performed, the Company may have to charge off loans, either in part or in whole.

Prepayment of loans may negatively impact Republic's business. The Company's customers may prepay the principal amount of their outstanding loans at any time. The speeds at which such prepayments occur, as well as the size of such prepayments, are within the Company's customers' discretion. If customers prepay the principal amount of their loans, and the Company is unable to lend those funds to other customers or invest the funds at the same or higher interest rates, Republic's interest income will be reduced. A significant reduction in interest income would have a negative impact on Republic's results of operations and financial condition.

Difficult national and local market conditions have adversely affected the financial services industry. Declines in the housing market over the past few years, falling home prices and increasing foreclosures, unemployment and under-employment have negatively impacted the credit performance of real estate related loans and have resulted in significant write-downs of asset values by many financial institutions. These write-downs have caused many financial institutions to seek additional capital, to reduce or eliminate dividends, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of general business activity. To date, the impact of these adverse conditions has not been as severe in the primary markets the Company serves. If current levels of market disruption and volatility continue or worsen, there can be no assurance that the Company will not experience an adverse effect, which may be material, on the Company's ability to access capital and on its business, financial condition and results of operations.

There can be no assurance as to the actual impact that the Emergency Economic Stabilization Act ("EESA") and its implementing regulations, the FDIC programs, or any other governmental program will have on the financial markets. The failure of the EESA, the FDIC, or the U.S. government to stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect the Company's financial condition, results of operations, or access to credit.

The Company may be adversely affected by the soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. The Company has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose the Company to credit risk in the event of a default by a counterparty or client. In addition, the Company's credit risk may be exacerbated when the collateral held by the Company cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to the Company. Any such losses could have a material adverse effect on the Company's financial condition and results of operations.

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

Details of Republic's Class A Common Stock purchases during the third quarter of 2010 are included in the following table:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plan or Programs
July 1 - July 31	21,698	\$ 24.79	-	
August 1 - August 31	2,893	20.70	-	
September 1 - September 30	4,339	21.32	2,024	
Total	28,930	* \$ 23.86	2,024	327,093

\* - Represents 43,177 shares received by the Company in connection with stock option exercises.

During 2010, the Company repurchased 17,152 shares and there were 72,976 shares exchanged for stock option exercises. During the fourth quarter of 2009, the Company's Board of Directors amended its existing share repurchase program by approving the repurchase of 300,000 shares from time to time, as market conditions are deemed attractive to the Company. The repurchase program will remain effective until the total number of shares authorized is repurchased or until Republic's Board of Directors terminates the program. As of September 30, 2010, the Company had 327,093 shares which could be repurchased under the current share repurchase programs.

During 2010, there were approximately 1,000 shares of Class A Common Stock issued upon conversion of shares of Class B Common Stock by stockholders of Republic in accordance with the share-for-share conversion provision option of the Class B Common Stock. The exemption from registration of the newly issued Class A Common Stock relied upon was Section (3)(a)(9) of the Securities Act of 1933.

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

## Item 4. (Removed and Reserved)

## Item 6. Exhibits.

## (a) Exhibits

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

Exhibit Number	Description of Exhibit
----------------	------------------------

10.1 Program Agreement Fifth Amendment dated September 30, 2010 between Republic Bank & Trust Company and Jackson Hewitt Inc. (Incorporated by reference to exhibit 10.1 of Registrants Form 8-K filed July 2, 2010 (Commission File Number: 0-24649))

10.2 Mutual Termination of Technology Services Agreement dated September 30, 2010 between Republic Bank & Trust Company and Jackson Hewitt Technology Services LLC

31.1 Certification of Principal Executive Officer pursuant to the Sarbanes-Oxley Act of 2002.

31.2 Certification of Principal Financial Officer pursuant to the Sarbanes-Oxley Act of 2002.

32\* Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

SIGNATURES

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

REPUBLIC BANCORP, INC.  
(Registrant)

Principal Executive Officer:

October 27, 2010

By: Steven E. Trager  
President and Chief Executive Officer

Principal Financial Officer:

October 27, 2010

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