

REPUBLIC BANCORP INC /KY/
Form 10-Q
August 09, 2018
Table of Contents

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 June 30, 2018

or

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

Commission File Number: 0-24649

REPUBLIC BANCORP, INC.

(Exact name of registrant as specified in its charter)

Kentucky

(State of other jurisdiction of incorporation or organization)

61-0862051

(I.R.S. Employer Identification No.)

601 West Market Street, Louisville, Kentucky

(Address of principal executive offices)

40202

(Zip Code)

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

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the registrant's Class A Common Stock and Class B Common Stock, as of July 31, 2018, was 18,676,957 and 2,214,427.

Table of Contents

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

<u>Item 1. Financial Statements.</u>	3
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	68
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk.</u>	111
<u>Item 4. Controls and Procedures.</u>	111

PART II — OTHER INFORMATION

<u>Item 1. Legal Proceedings.</u>	111
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u>	112
<u>Item 6. Exhibits.</u>	113
<u>SIGNATURES</u>	114

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands)

	June 30, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	\$ 386,956	\$ 299,351
Available-for-sale debt securities	416,053	524,303
Held-to-maturity debt securities (fair value of \$67,513 in 2018 and \$65,133 in 2017)	66,776	64,227
Equity securities with readily determinable fair value	2,793	2,928
Mortgage loans held for sale, at fair value	12,653	5,761
Consumer loans held for sale, at fair value	—	2,677
Consumer loans held for sale, at the lower of cost or fair value	13,684	8,551
Loans (includes \$2,237 of loans carried at fair value at June 30, 2018)	4,195,984	4,014,034
Allowance for loan and lease losses	(45,047)	(42,769)
Loans, net	4,150,937	3,971,265
Federal Home Loan Bank stock, at cost	32,067	32,067
Premises and equipment, net	43,734	42,588
Premises, held for sale	2,751	3,017
Goodwill	16,300	16,300
Other real estate owned	—	115
Bank owned life insurance	64,106	63,356
Other assets and accrued interest receivable	57,135	48,856
TOTAL ASSETS	\$ 5,265,945	\$ 5,085,362
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 1,061,182	\$ 1,022,042
Interest-bearing	2,412,187	2,411,116
Total deposits	3,473,369	3,433,158
Securities sold under agreements to repurchase and other short-term borrowings	175,291	204,021
Federal Home Loan Bank advances	860,000	737,500

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

Subordinated note	41,240	41,240
Other liabilities and accrued interest payable	52,037	37,019
Total liabilities	4,601,937	4,452,938
Commitments and contingent liabilities (Footnote 8)	—	—
STOCKHOLDERS' EQUITY		
Preferred stock, no par value	—	—
Class A Common Stock and Class B Common Stock, no par value	4,903	4,902
Additional paid in capital	140,114	139,406
Retained earnings	520,784	487,700
Accumulated other comprehensive (loss) income	(1,793)	416
Total stockholders' equity	664,008	632,424
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 5,265,945	\$ 5,085,362

See accompanying footnotes to consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
INTEREST INCOME:				
Loans, including fees	\$ 53,944	\$ 44,735	\$ 123,571	\$ 102,739
Taxable investment securities	2,708	2,391	5,342	4,546
Federal Home Loan Bank stock and other	1,704	695	3,276	1,419
Total interest income	58,356	47,821	132,189	108,704
INTEREST EXPENSE:				
Deposits	3,934	2,324	7,294	4,203
Securities sold under agreements to repurchase and other short-term borrowings	222	146	435	171
Federal Home Loan Bank advances	2,723	1,943	4,997	4,235
Subordinated note	393	271	714	520
Total interest expense	7,272	4,684	13,440	9,129
NET INTEREST INCOME	51,084	43,137	118,749	99,575
Provision for loan and lease losses	4,932	5,061	22,187	17,412
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	46,152	38,076	96,562	82,163
NONINTEREST INCOME:				
Service charges on deposit accounts	3,574	3,390	7,129	6,637
Net refund transfer fees	3,473	2,770	19,825	18,152
Mortgage banking income	1,316	1,445	2,336	2,605
Interchange fee income	2,891	2,547	5,558	4,873
Program fees	1,323	1,284	3,019	2,375
Increase in cash surrender value of bank owned life insurance	379	393	750	784
Net gains on other real estate owned	320	249	452	391
Other	1,020	849	2,772	2,033
Total noninterest income	14,296	12,927	41,841	37,850
NONINTEREST EXPENSE:				
Salaries and employee benefits	22,766	20,015	46,600	41,226
Occupancy and equipment, net	6,391	5,903	12,612	11,870

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

Communication and transportation	1,241	939	2,623	2,211
Marketing and development	1,283	1,409	2,199	2,413
FDIC insurance expense	345	300	870	750
Bank franchise tax expense	860	790	3,378	3,225
Data processing	2,443	1,695	4,829	3,347
Interchange related expense	1,098	1,071	2,105	2,129
Supplies	303	261	684	788
Other real estate owned expense	16	132	61	229
Legal and professional fees	728	596	1,771	1,348
Other	3,158	2,623	5,945	5,137
Total noninterest expense	40,632	35,734	83,677	74,673
INCOME BEFORE INCOME TAX EXPENSE	19,816	15,269	54,726	45,340
INCOME TAX EXPENSE	4,150	5,198	11,591	15,252
NET INCOME	\$ 15,666	\$ 10,071	\$ 43,135	\$ 30,088
BASIC EARNINGS PER SHARE:				
Class A Common Stock	\$ 0.75	\$ 0.48	\$ 2.08	\$ 1.45
Class B Common Stock	0.68	0.44	1.89	1.32
DILUTED EARNINGS PER SHARE:				
Class A Common Stock	\$ 0.74	\$ 0.48	\$ 2.06	\$ 1.45
Class B Common Stock	0.68	0.44	1.88	1.32
DIVIDENDS DECLARED PER COMMON SHARE:				
Class A Common Stock	\$ 0.242	\$ 0.220	\$ 0.484	\$ 0.429
Class B Common Stock	0.220	0.200	0.440	0.390

See accompanying footnotes to consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 15,666	\$ 10,071	\$ 43,135	\$ 30,088
OTHER COMPREHENSIVE INCOME				
Change in fair value of derivatives used for cash flow hedges	77	(104)	276	(76)
Reclassification amount for derivative losses realized in income	9	58	35	124
Change in unrealized (loss) gain on available-for-sale debt securities (2018), debt and equity securities (2017)	(546)	423	(2,663)	1,129
Adjustment for adoption of ASU 2016-01	—	—	(428)	—
Change in unrealized gain on available-for-sale debt security for which a portion of an other-than-temporary impairment has been recognized in earnings	(15)	101	(17)	154
Total other comprehensive (loss) income before income tax	(475)	478	(2,797)	1,331
Tax effect	99	(167)	588	(466)
Total other comprehensive (loss) income, net of tax	(376)	311	(2,209)	865
COMPREHENSIVE INCOME	\$ 15,290	\$ 10,382	\$ 40,926	\$ 30,953

See accompanying footnotes to consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)

SIX MONTHS ENDED JUNE 30, 2018

Common Stock		Additional	Accumulated Other	Total
Class A	Class B			