REPUBLIC BANCORP INC /KY/
Form 10-Q/A
May 16, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No.1)

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

For the quarterly period ended March 31, 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 | 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) |

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 April 30, 2018, was 18,658,706 and 2,229,091.

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Explanatory Note

The purpose of this Amendment No. 1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2018, filed with the Securities and Exchange Commission on May 10, 2018 (the "Form 10-Q"), is solely to correct signature dates on Exhibits 31.1, 31.2, and 32.

In accordance with applicable Securities and Exchange Commission ("SEC") rules and as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, Amendment No. 1 includes new certifications from the Company's Principal Executive Officer and Principal Financial Officer dated as of the date of filing of Amendment No. 1.

No other changes have been made to the Form 10-Q. This Amendment No. 1 to the Form 10-Q speaks as of the original filing date of the Form 10-Q, does not reflect events that may have occurred subsequent to the original filing date and does not modify or update in any way disclosures made in the original Form 10-Q.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands)

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 362,122 | $ 299,351 |
| Available-for-sale debt securities | 417,983 | 524,303 |
| Held-to-maturity debt securities (fair value of $63,515 in 2018 and $65,133 in 2017) | 62,844 | 64,227 |
| Equity securities with readily determinable fair value | 2,746 | 2,928 |
| Mortgage loans held for sale, at fair value | 4,496 | 5,761 |
| Consumer loans held for sale, at fair value | 2,419 | 2,677 |
| Consumer loans held for sale, at the lower of cost or fair value | 7,380 | 8,551 |
| Loans | 4,052,500 | 4,014,034 |
| Allowance for loan and lease losses | (52,341) | (42,769) |
| Loans, net | 4,000,159 | 3,971,265 |
| Federal Home Loan Bank stock, at cost | 32,067 | 32,067 |
| Premises and equipment, net | 43,896 | 42,588 |
| Premises, held for sale | 2,896 | 3,017 |
| Goodwill | 16,300 | 16,300 |
| Other real estate owned | 160 | 115 |
| Bank owned life insurance | 63,727 | 63,356 |
| Other assets and accrued interest receivable | 59,139 | 48,856 |
| TOTAL ASSETS | $ 5,078,334 | $ 5,085,362 |
| LIABILITIES | | |
| Deposits: | | |
| Noninterest-bearing | $ 1,241,127 | $ 1,022,042 |
| Interest-bearing | 2,476,496 | 2,411,116 |
| Total deposits | 3,717,623 | 3,433,158 |
| Securities sold under agreements to repurchase and other short-term borrowings | 175,682 | 204,021 |
| Federal Home Loan Bank advances | 440,000 | 737,500 |

| | | |
|---|---|---|
| Subordinated note | 41,240 | 41,240 |
| Other liabilities and accrued interest payable | 50,535 | 37,019 |
| Total liabilities | 4,425,080 | 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 | 4,902 | 4,902 |
| Additional paid in capital | 139,646 | 139,406 |
| Retained earnings | 510,123 | 487,700 |
| Accumulated other comprehensive (loss) income | (1,417) | 416 |
| Total stockholders' equity | 653,254 | 632,424 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 5,078,334 | $ 5,085,362 |

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share data)

| | Three Months Ended March 31, 2018 | 2017 |
|---|---|---|
| INTEREST INCOME: | | |
| Loans, including fees | $ 69,627 | $ 58,004 |
| Taxable investment securities | 2,634 | 2,155 |
| Federal Home Loan Bank stock and other | 1,572 | 724 |
| Total interest income | 73,833 | 60,883 |
| INTEREST EXPENSE: | | |
| Deposits | 3,360 | 1,879 |
| Securities sold under agreements to repurchase and other short-term borrowings | 213 | 25 |
| Federal Home Loan Bank advances | 2,274 | 2,292 |
| Subordinated note | 321 | 249 |
| Total interest expense | 6,168 | 4,445 |
| NET INTEREST INCOME | 67,665 | 56,438 |
| Provision for loan and lease losses | 17,255 | 12,351 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES | 50,410 | 44,087 |
| NONINTEREST INCOME: | | |
| Service charges on deposit accounts | 3,555 | 3,247 |
| Net refund transfer fees | 16,352 | 15,382 |
| Mortgage banking income | 1,020 | 1,160 |
| Interchange fee income | 2,667 | 2,326 |
| Program fees | 1,696 | 1,091 |
| Increase in cash surrender value of bank owned life insurance | 371 | 391 |
| Net gains on other real estate owned | 132 | 142 |
| Other | 1,752 | 1,184 |
| Total noninterest income | 27,545 | 24,923 |
| NONINTEREST EXPENSE: | | |
| Salaries and employee benefits | 23,834 | 21,211 |
| Occupancy and equipment, net | 6,221 | 5,967 |
| Communication and transportation | 1,382 | 1,272 |
| Marketing and development | 916 | 1,004 |

| | | |
|---|---|---|
| FDIC insurance expense | 525 | 450 |
| Bank franchise tax expense | 2,518 | 2,435 |
| Data processing | 2,386 | 1,652 |
| Interchange related expense | 1,007 | 1,058 |
| Supplies | 381 | 527 |
| Other real estate owned expense | 45 | 97 |
| Legal and professional fees | 1,043 | 752 |
| Other | 2,787 | 2,514 |
| Total noninterest expense | 43,045 | 38,939 |
| | | |
| INCOME BEFORE INCOME TAX EXPENSE | 34,910 | 30,071 |
| INCOME TAX EXPENSE | 7,441 | 10,054 |
| | | |
| NET INCOME | $ 27,469 | $ 20,017 |
| | | |
| BASIC EARNINGS PER SHARE: | | |
| Class A Common Stock | $ 1.32 | $ 0.97 |
| Class B Common Stock | 1.21 | 0.88 |
| | | |
| DILUTED EARNINGS PER SHARE: | | |
| Class A Common Stock | $ 1.32 | $ 0.96 |
| Class B Common Stock | 1.20 | 0.88 |
| | | |
| DIVIDENDS DECLARED PER COMMON SHARE: | | |
| Class A Common Stock | $ 0.242 | $ 0.209 |
| Class B Common Stock | 0.220 | 0.190 |

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Net income | $ 27,469 | $ 20,017 |
| OTHER COMPREHENSIVE INCOME | | |
| Change in fair value of derivatives used for cash flow hedges | 199 | 28 |
| Reclassification amount for derivative losses realized in income | 26 | 66 |
| Change in unrealized gain (loss) on available-for-sale debt securities (2018), debt and equity securities (2017) | (2,117) | 706 |
| 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 | (2) | 53 |
| Total other comprehensive (loss) income before income tax | (2,322) | 853 |
| Tax effect | 489 | (299) |
| Total other comprehensive (loss) income, net of tax | (1,833) | 554 |
| COMPREHENSIVE INCOME | $ 25,636 | $ 20,571 |

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)

THREE MONTHS ENDED MARCH 31, 2018

| (in thousands) | Common Stock Class A Shares Outstanding | Class B Shares Outstanding | Amount | Additional Paid In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| Balance, January 1, 2018 | 18,607 | 2,243 | $ 4,902 | $ 139,406 | $ 487,700 | $ 416 | $ 632,424 |
| Adjustment for adoption of ASU 2016-01 | — | — | — | — | (35) | (338) | (373) |
| Balance, January 1, 2018, as adjusted | 18,607 | 2,243 | $ 4,902 | $ 139,406 | $ 487,665 | $ 78 | $ 632,051 |
| Net income | — | — | — | — | 27,469 | — | 27,469 |
| Net change in accumulated other comprehensive income | — | — | — | — | — | (1,495) | (1,495) |
| Dividends declared Common Stock: | | | | | | | |
| Class A Shares | — | — | — | — | (4,517) | — | (4,517) |
| Class B Shares | — | — | — | — | (494) | — | (494) |
| Net change in notes receivable on Class A Common Stock | — | — | — | 33 | — | — | 33 |
| Deferred director compensation - Class A Common Stock | 2 | — | — | 55 | — | — | 55 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Stock based compensation - performance stock units | — | — | — | 26 | — | — | 26 |
| Stock based compensation - restricted stock | 36 | — | — | 64 | — | — | 64 |
| Stock based compensation - stock options | — | — | — | 62 | — | — | 62 |
| Balance, March 31, 2018 | 18,645 | 2,243 | $ 4,902 | $ 139,646 | $ 510,123 | $ (1,417) | $ 653,254 |

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

| | Three Months Ended March 31, 2018 | 2017 |
|---|---|---|
| OPERATING ACTIVITIES: | | |
| Net income | $ 27,469 | $ 20,017 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Amortization (accretion) on investment securities, net | (106) | 138 |
| Accretion on loans and amortization of core deposit intangible, net | (702) | (583) |
| Unrealized losses on equity securities with readily determinable fair value | 182 | — |
| Depreciation of premises and equipment | 2,447 | 2,042 |
| Amortization of mortgage servicing rights | 362 | 353 |
| Provision for loan and lease losses | 17,255 | 12,351 |
| Net gain on sale of mortgage loans held for sale | (777) | (977) |
| Origination of mortgage loans held for sale | (29,410) | (33,245) |
| Proceeds from sale of mortgage loans held for sale | 31,452 | 40,691 |
| Net gain on sale of consumer loans held for sale | (1,637) | (1,108) |
| Origination of consumer loans held for sale | (164,496) | (126,924) |
| Proceeds from sale of consumer loans held for sale | 167,562 | 126,441 |
| Net gain realized on sale of other real estate owned | (132) | (212) |
| Writedowns of other real estate owned | — | 70 |
| Impairment of premises held for sale | 104 | 58 |
| Deferred director compensation expense - Class A Common Stock | 55 | 55 |
| Stock based compensation expense | 152 | 410 |
| Increase in cash surrender value of bank owned life insurance | (371) | (391) |
| Net change in other assets and liabilities: | | |
| Accrued interest receivable | 310 | 209 |
| Accrued interest payable | (59) | (90) |
| Other assets | (97) | (2,096) |
| Other liabilities | 2,439 | 8,700 |
| Net cash provided by operating activities | 52,002 | 45,909 |
| | | |
| INVESTING ACTIVITIES: | | |
| Purchases of available-for-sale debt securities | (69,940) | (54,390) |
| Proceeds from calls, maturities and paydowns of available-for-sale debt securities | 174,255 | 10,017 |
| Proceeds from calls, maturities and paydowns of held-to-maturity debt securities | 1,375 | 1,002 |
| Net change in outstanding warehouse lines of credit | (8,387) | 90,274 |
| Purchase of non-business-acquisition loans, including premiums paid | — | (1,224) |
| Net change in other loans | (37,155) | 8,800 |
| Proceeds from sales of other real estate owned | 266 | 501 |
| Net purchases of premises and equipment | (3,738) | (3,193) |
| Net cash provided by investing activities | 56,676 | 51,787 |

| | | |
|---|---|---|
| FINANCING ACTIVITIES: | | |
| Net change in deposits | 284,465 | 188,092 |
| Net change in securities sold under agreements to repurchase and other short-term borrowings | (28,339) | (29,098) |
| Payments of Federal Home Loan Bank advances | (347,500) | (435,000) |
| Proceeds from Federal Home Loan Bank advances | 50,000 | 100,000 |
| Repurchase of Class A Common Stock | — | (544) |
| Net proceeds from Class A Common Stock options exercised | — | 33 |
| Cash dividends paid | (4,533) | (4,301) |
| Net cash used in financing activities | (45,907) | (180,818) |
| | | |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 62,771 | (83,122) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 299,351 | 289,309 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 362,122 | $ 206,187 |
| | | |
| SUPPLEMENTAL DISCLOSURES OF CASHFLOW INFORMATION: | | |
| Cash paid during the period for: | | |
| Interest | $ 6,227 | $ 4,535 |
| Income taxes | 365 | 331 |
| | | |
| SUPPLEMENTAL NONCASH DISCLOSURES: | | |
| Transfers from loans to real estate acquired in settlement of loans | $ 179 | $ 330 |

See accompanying footnotes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2018 and 2017 AND DECEMBER 31, 2017 (UNAUDITED)

## 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” or the “Bank”) and Republic Insurance Services, Inc. (the “Captive”). All significant intercompany balances and transactions are eliminated in consolidation. All companies are collectively referred to as (“Republic” or the “Company”).

The Bank is a Kentucky-based, state chartered non-member financial institution that provides both traditional and non-traditional banking products through five reportable segments using a multitude of delivery channels. While the Bank operates primarily in its market footprint, its non-brick-and-mortar delivery channels allow it to reach clients across the United States.

The Captive is a Nevada-based, wholly-owned insurance subsidiary of the Company. The Captive provides property and casualty insurance coverage to the Company and the Bank as well as a group of third-party insurance captives for which insurance may not be available or economically feasible.

Republic Bancorp Capital Trust (“RBCT”) is a Delaware statutory business trust that is a wholly-owned unconsolidated finance subsidiary of Republic Bancorp, Inc.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) 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. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three months ended March 31, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. 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, 2017.

As of March 31, 2018, the Company was divided into five reportable segments: Traditional Banking, Warehouse Lending (“Warehouse”), Mortgage Banking, Tax Refund Solutions (“TRS”) and Republic Credit Solutions (“RCS”). Management considers the first three segments to collectively constitute “Core Bank” or “Core Banking” operations, while the last two segments collectively constitute Republic Processing Group (“RPG”) operations. The Bank’s Correspondent

Lending channel and the Company’s national branchless banking platform, MemoryBank®, are considered part of the Traditional Banking segment.

Prior to the third quarter of 2017, management reported RPG as a segment consisting of its largest division, TRS, along with its relatively smaller divisions, Republic Payment Solutions (“RPS”) and RCS. During the third quarter of 2017, due to RCS’s growth in revenue relative to the total Company’s revenue, management identified TRS and RCS as separate reportable segments under the newly classified RPG operations. Also, as part of the updated segmentation, management is reporting the RPS division, which remained below thresholds to be classified a separate reportable segment, within the newly classified TRS segment. The reportable segments within RPG operations and divisions within those segments operate through the Bank. All prior periods have been reclassified to conform to the current presentation.

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Core Bank

Traditional Banking segment — The Traditional Banking segment provides traditional banking products primarily to customers in the Company's market footprint. As of March 31, 2018, Republic had 45 full-service banking centers and one loan production office ("LPO") with locations as follows:

Kentucky — 33

Metropolitan Louisville — 18

Central Kentucky — 9

Elizabethtown — 1

Frankfort — 1

Georgetown — 1

Lexington — 5

Shelbyville — 1

Western Kentucky — 2

Owensboro — 2

Northern Kentucky — 3

Covington — 1

Crestview Hills — 1

Florence — 1

Independence — 1 (closed April 3, 2018)

Southern Indiana — 3

Floyds Knobs — 1

Jeffersonville — 1

New Albany — 1

Metropolitan Tampa, Florida — 6

Metropolitan Cincinnati, Ohio — 1

Metropolitan Nashville, Tennessee — 3*

*Includes one LPO

Republic's headquarters are located in Louisville, which is the largest city in Kentucky based on population.

Traditional Banking results of operations are primarily dependent upon net interest income, which represents the difference between the interest income and fees on interest-earning assets and the interest expense on interest-bearing liabilities. Principal interest-earning Traditional Banking assets represent investment securities and commercial and consumer loans primarily secured by real estate and/or personal property. 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. Federal Home Loan Bank ("FHLB") advances have traditionally been a significant borrowing source for the Bank.

Other sources of Traditional Banking income include service charges on deposit accounts, debit and credit card interchange fee income, title insurance commissions, fees charged to clients for trust services, and increases in the cash surrender value of Bank Owned Life Insurance ("BOLI").

Traditional Banking operating expenses consist primarily of salaries and employee benefits, occupancy and equipment expenses, communication and transportation costs, data processing, interchange related expenses, marketing and development expenses, Federal Deposit Insurance Corporation ("FDIC") insurance expense, franchise tax expense and various other general and administrative costs. Traditional Banking results of operations are significantly impacted by general economic and competitive conditions, particularly changes in market interest rates, government laws and policies and actions of regulatory agencies.

Primarily from its Warehouse clients, the Traditional Bank acquires for investment single family, first lien mortgage loans that meet the Traditional Bank's specifications through its Correspondent Lending channel. Substantially all loans purchased through the Correspondent Lending channel are purchased at a premium.

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Warehouse Lending segment — Through its Warehouse Lending segment, the Core Bank provides short-term, revolving credit facilities to mortgage bankers across the United States through mortgage warehouse lines of credit. These credit facilities are primarily secured by single family, first lien residential real estate loans. The credit facility enables the mortgage banking clients to close single family, first lien residential real estate loans in their own name and temporarily fund their inventory of these closed loans until the loans are sold to investors approved by the Bank or purchased by the Bank through its Correspondent Lending channel. Individual loans are expected to remain on the warehouse line for an average of 15 to 30 days. Reverse mortgage loans typically remain on the line longer than conventional mortgage loans. Interest income and loan fees are accrued for each individual loan during the time the loan remains on the warehouse line and collected when the loan is sold. The Core Bank receives the sale proceeds of each loan directly from the investor and applies the funds to pay off the warehouse advance and related accrued interest and fees. The remaining proceeds are credited to the mortgage-banking client.

Mortgage Banking segment — Mortgage Banking activities primarily include 15-, 20- and 30-year fixed-term single family, first lien residential real estate loans that are originated and sold into the secondary market, primarily to the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") and the Federal National Mortgage Association ("FNMA" or "Fannie Mae"). The Bank typically retains servicing on loans sold into the secondary market. Administration of loans with servicing retained by the Bank includes collecting principal and interest payments, escrowing funds for property taxes and property insurance, and remitting payments to secondary market investors. A fee is received by the Bank for performing these standard servicing functions.

Republic Processing Group

Tax Refund Solutions segment — Through the TRS segment, the Bank is one of a limited number of financial institutions that facilitates the receipt and payment of federal and state tax refund products and offers a credit product through third-party tax preparers located throughout the United States, as well as tax-preparation software providers (collectively, the "Tax Providers"). Substantially all of the business generated by the TRS segment occurs in the first half of the year. The TRS segment traditionally operates at a loss during the second half of the year, during which time the segment incurs costs preparing for the upcoming year's tax season.

Refund Transfers ("RTs") are fee-based products whereby a tax refund is issued to the taxpayer after the Bank has received the refund from the federal or state government. There is no credit risk or borrowing cost associated with these products because they are only delivered to the taxpayer upon receipt of the tax refund directly from the governmental paying authority. Fees earned on RTs, net of revenue share, are reported as noninterest income under the line item "Net refund transfer fees."

The Easy Advance ("EA") tax credit product is a loan that allows a taxpayer to receive an advance of a portion of their refund, with the taxpayer's Tax Provider paying all fees to RB&T for the advance. First offered by TRS in 2016, the EA has the following features:

- Offered only during the first two months of each year;
- No EA fee is charged to the taxpayer customer;
- All fees for the EA are paid by the Tax Providers with a restriction prohibiting the Tax Providers from passing along the fees to the taxpayer customer;
- No requirement that the taxpayer customer pays for another bank product, such as an RT;
-

Multiple funds disbursement methods, including direct deposit, prepaid card, check, or Walmart Direct2Cash®, based on the taxpayer-customer's election;

- Repayment of the EA to the Bank is deducted from the taxpayer customer's tax refund proceeds; and
- If an insufficient refund to repay the EA occurs:
  - there is no recourse to the taxpayer customer,
  - no negative credit reporting on the taxpayer customer, and
  - no collection efforts against the taxpayer customer.

Fees paid by the Tax Providers to the Company for the EA product are reported as interest income on loans. EAs are generally repaid within three weeks after the taxpayer customer's tax return is submitted to the applicable taxing authority. EAs do not have a contractual due date but the Company considers an EA delinquent if it remains unpaid three weeks after the taxpayer customer's tax return is submitted to the applicable taxing authority. Provisions for loan losses on EAs are estimated when advances are made, with provisions for all probable EA losses made in the first quarter of each year. Unpaid EAs are charged-off within 111 days after the taxpayer customer's tax return is submitted to the applicable taxing authority, with the majority of charge-offs typically recorded during the second quarter of the year.

Related to the overall credit losses on EAs, the Bank's ability to control losses is highly dependent upon its ability to predict the taxpayer's likelihood to receive the tax refund as claimed on the taxpayer's tax return. Each year, the Bank's EA approval model is based primarily on the prior-year's tax refund funding patterns. Because much of the loan volume occurs each year before that year's tax refund funding patterns can be analyzed and subsequent underwriting changes made, credit losses during a current year could be higher than management's predictions if tax refund funding patterns change materially between years.

Republic Payment Solutions division — RPS is managed and operated within the TRS segment. The RPS division is an issuing bank offering general-purpose reloadable prepaid cards through third-party service providers. For the projected near-term, as the prepaid card program matures, the operating results of the RPS division are expected to be immaterial to the Company's overall results of operations and will be reported as part of the TRS segment. The RPS division will not be considered a separate reportable segment until such time, if any, that it meets quantitative reporting thresholds.

The Company reports fees related to RPS programs under Program fees. Additionally, the Company's portion of interchange revenue generated by prepaid card transactions is reported as noninterest income under "Interchange fee income."

Republic Credit Solutions segment — Through the RCS segment, the Bank offers consumer credit products. In general, the credit products are unsecured, small dollar consumer loans with maturities of 30-days-or-more, and are dependent on various factors including the consumer's ability to repay. RCS loans typically earn a higher yield but also have higher credit risk compared to loans originated through the Traditional Banking segment, with a significant portion of RCS clients considered subprime or near-prime borrowers. Additional information regarding consumer loan products offered through RCS follows:

· Line of credit – The Bank originates a line-of-credit product to generally subprime borrowers across the United States through one third-party service provider. RCS sells 90% of the balances generated within two business days of loan origination to its third-party service provider and retains the remaining 10% interest. The line-of-credit product represents the substantial majority of RCS activity. Loan balances held for sale are carried at the lower of cost or fair value.

· Credit card – The Bank originates a credit card product to generally subprime borrowers across the United States through one third-party service provider. RCS sells 90% of the balances generated within two business days of each transaction occurrence to its third-party service provider and retains the remaining 10% interest. Loan balances held for sale are carried at the lower of cost or fair value.

· Healthcare receivables – The Bank originates a healthcare-receivables product across the United States through two different third-party service providers. For one third-party service provider the Bank retains 100% of the receivables originated. For the other third-party service provider, the Bank retains 100% of the receivables originated in some instances and sells 100% of the receivables in other instances within one month of origination. Loan balances held for sale are carried at the lower of cost or fair value.

- Installment loan – The Bank originates an installment-loan product across the United States through a third-party service provider and sells 100% of the balances generated approximately 21 days after origination back to this third-party. Unlike RCS's other products, the Company carries these installment loans held for sale at fair value, with this portfolio marked to market on a monthly basis.

The Company reports interest income and loan origination fees earned on RCS loans under "Loans, including fees," while any gains or losses on sale and mark-to-market adjustments of RCS loans are reported as noninterest income under "Program fees."

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Accounting Standards Updates ("ASUs")

The following ASUs were issued prior to March 31, 2018 and are considered relevant to the Company's financial statements. Generally, if an issued-but-not-yet-effective ASU with an expected immaterial impact to the Company has been disclosed in prior Company financial statements, it will not be re-disclosed below.

| ASU. No. | Topic | Nature of Update | Date Adoption Required | Method of Adoption | Expected Financial Statement Impact |
|---|---|---|---|---|---|
| 2016-02 | Leases (Topic 842) | Most leases are considered operating leases, which are not accounted for on the lessees' balance sheets. The significant change under this ASU is that those operating leases will be recorded on the balance sheet. | January 1, 2019 | Modified-retrospective approach, which includes a number of optional practical expedients. | During 2018, the Company completed another iteration of a pro forma impact analysis on the Company's financial statements of implementing this standard. Based on this analysis, the Company believes approximately $30 million of leases will be placed on its balance sheet, with this amount increasing both total assets and total liabilities. Additionally, the Company's analysis reflected that this ASU would have minimal impact on the Company's performance metrics, including regulatory capital ratios and return on average assets. From a client perspective, the Company is currently reviewing the impact of this ASU on any debt covenants. |
| 2016-13 | Financial Instruments – Credit Losses (Topic 326) | Amends guidance on reporting credit losses for assets held at | January 1, 2020 | Modified-retrospective approach. | As a result of this ASU, the Company expects a substantial, yet fully undetermined, increase |

| | | | | | |
|---|---|---|---|---|---|
| | | amortized-cost basis and available-for-sale debt securities. | | | in its allowance for credit losses. A committee formed by the Company to oversee its transition to a current expected credit losses ("CECL") methodology has analyzed the Company's loan-level data and preliminarily concluded that no additional loan level segmentation beyond its current methodology segmentation would be warranted under CECL. The Company is also currently performing iterations of its allowance calculation under a "beta" CECL model provided by the same third-party software solution currently-employed to calculate the Company's allowance for loan and lease losses. |
| 2018-02 | Income Statement — Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("AOCI") | This ASU provides the Company with an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. | January 1, 2019 | Period of adoption or retrospectively. | Immaterial. |

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The following ASUs were adopted by the Company during the three months ended March 31, 2018:

| ASU. No. | Topic | Nature of Update | Date Adopted | Method of Adoption | Financial Statement Impact |
|---|---|---|---|---|---|
| 2014-09 | Revenue from Contracts with Customers (Topic 606) | Requires that revenue from contracts with clients be recognized upon transfer of control of a good or service in the amount of consideration expected to be received. Changes the accounting for certain contract costs, including whether they may be offset against revenue in the statements of income, and requires additional disclosures about revenue and contract costs. | January 1, 2018 | Retrospective transition. | Because most financial instruments are not subject to this ASU, a substantial portion of the Company's revenue was not impacted by this standard. Furthermore, this new standard did not have a material impact on the timing of revenue recognition for any of the Company's revenue during the first quarter of 2018 nor is it expected to going forward. Additionally, the Company took the following actions in association with the adoption of this ASU: 1) amended its accounting policies and procedures to assure proper revenue recognition in conformity with this ASU; and 2) updated its revenue-recognition financial statement disclosures (see footnote 16 in this section of the filing). |
| 2016-01 | Financial Instruments – Overall (Topic 825-10) | Among other things: Requires equity investments (except those accounted for under the equity method of | January 1, 2018 | Modified-retrospective approach. | The Company has updated its policies, procedures, and financial statement presentation and disclosures for this |

| | | | | | |
|---|---|---|---|---|---|
| | | accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. Requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables). Eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. | | | ASU. As provided by this ASU, the Company now reports its financial instruments at exit price (see footnote 9 in this section of the filing) and recognizes changes in the fair value of applicable equity investments in net income (see footnote 2 in this section of the filing). |
| 2016-15 | Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments | This ASU provides cash flow statement classification guidance on eight reportable topics. | January 1, 2018 | Retrospective transition. | Immaterial. |

| | | | | | |
|---|---|---|---|---|---|
| 2016-18 | Statement of Cash Flows (Topic 230) | Requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments do not provide a definition of restricted cash or restricted cash equivalents. | January 1, 2018 | Retrospective transition. | Immaterial. |
| 2017-09 | Compensation - Stock Compensation (Topic 718) | The amendments provide guidance on determining which changes to the terms and conditions of share-based payment awards require the Company to apply modification accounting under Topic 718. | January 1, 2018 | Prospectively. | Immaterial. |
| 2018-05 | Income Taxes (Topic 740): Amendments to SEC Paragraphs | This ASU updates the Financial Accounting Standards Board ("FASB") | Upon addition to the ASC | Not Applicable. | For the Company's financial statement disclosures in accordance with SAB 118, see footnote 19 of |

| | | | |
|---|---|---|---|
| Pursuant to SEC Staff Accounting Bulletin No. 118 ("SAB 118") | Accounting Standards Codification ("ASC") for guidance issued by the SEC in SAB 118. Among other things, SAB 118 allows companies a one-year measurement period to complete their accounting for the impact of the 2017 Tax Cuts and Jobs Act. | | the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and footnote 14 in this section of the filing. |

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2. INVESTMENT SECURITIES

Available-for-Sale Debt Securities

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

| March 31, 2018 (in thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| U.S. Treasury securities and U.S. Government agencies | $ 219,157 | $ — | $ (2,156) | $ 217,001 |
| Private label mortgage backed security | 2,738 | 1,382 | — | 4,120 |
| Mortgage backed securities - residential | 100,439 | 1,370 | (1,571) | 100,238 |
| Collateralized mortgage obligations | 84,074 | 279 | (1,608) | 82,745 |
| Corporate bonds | 10,000 | — | (21) | 9,979 |
| Trust preferred security | 3,503 | 397 | — | 3,900 |
| Total available-for-sale debt securities | $ 419,911 | $ 3,428 | $ (5,356) | $ 417,983 |

| December 31, 2017 (in thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| U.S. Treasury securities and U.S. Government agencies | $ 309,042 | $ 1 | $ (1,451) | $ 307,592 |
| Private label mortgage backed security | 3,065 | 1,384 | — | 4,449 |
| Mortgage backed securities - residential | 105,644 | 1,603 | (873) | 106,374 |
| Collateralized mortgage obligations | 87,867 | 371 | (1,075) | 87,163 |
| Corporate bonds | 15,001 | 124 | — | 15,125 |
| Trust preferred security | 3,493 | 107 | — | 3,600 |
| Total available-for-sale debt securities | $ 524,112 | $ 3,590 | $ (3,399) | $ 524,303 |

Held-to-Maturity Debt Securities

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

| March 31, 2018 (in thousands) | Carrying Value | Gross Unrecognized Gains | Gross Unrecognized Losses | Fair Value |
|---|---|---|---|---|
| Mortgage backed securities - residential | $ 150 | $ 10 | $ — | $ 160 |
| Collateralized mortgage obligations | 22,062 | 285 | (16) | 22,331 |
| Corporate bonds | 40,168 | 405 | — | 40,573 |
| Obligations of state and political subdivisions | 464 | — | (13) | 451 |
| Total held-to-maturity debt securities | $ 62,844 | $ 700 | $ (29) | $ 63,515 |

| December 31, 2017 (in thousands) | Carrying Value | Gross Unrecognized Gains | Gross Unrecognized Losses | Fair Value |
|---|---|---|---|---|
| Mortgage backed securities - residential | $ 151 | $ 10 | $ — | $ 161 |
| Collateralized mortgage obligations | 23,437 | 236 | (17) | 23,656 |
| Corporate bonds | 40,175 | 686 | (3) | 40,858 |
| Obligations of state and political subdivisions | 464 | — | (6) | 458 |
| Total held-to-maturity debt securities | $ 64,227 | $ 932 | $ (26) | $ 65,133 |

At March 31, 2018 and December 31, 2017, there were no holdings of debt securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of stockholders' equity.

Sales of Available-for-Sale Debt Securities

During the three months ended March 31, 2018 and 2017, there were no gains or losses on sales or calls of available-for-sale debt securities.

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Debt Securities by Contractual Maturity

The amortized cost and fair value of debt securities by contractual maturity at March 31, 2018 follow. 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.

| | Available-for-Sale Debt Securities | | Held-to-Maturity Debt Securities | |
|---|---|---|---|---|
| March 31, 2018 (in thousands) | Amortized Cost | Fair Value | Carrying Value | Fair Value |
| Due in one year or less | $ 80,069 | $ 79,732 | $ — | $ — |
| Due from one year to five years | 139,088 | 137,270 | 10,441 | 10,473 |
| Due from five years to ten years | 10,000 | 9,978 | 30,191 | 30,551 |
| Due beyond ten years | 3,503 | 3,900 | — | — |
| Private label mortgage backed security | 2,738 | 4,120 | — | — |
| Mortgage backed securities - residential | 100,439 | 100,238 | 150 | 160 |
| Collateralized mortgage obligations | 84,074 | 82,745 | 22,062 | 22,331 |
| Total debt securities | $ 419,911 | $ 417,983 | $ 62,844 | $ 63,515 |

Corporate Bonds

The Bank’s floating rate corporate bonds were rated “investment grade” by accredited rating agencies as of their respective purchase dates. The total fair value of the Bank’s corporate bonds represented 10% and 9% of the Bank’s investment portfolio as of March 31, 2018 and December 31, 2017.

Mortgage Backed Securities and Collateralized Mortgage Obligations

At March 31, 2018, with the exception of the $4.1 million private label mortgage backed security, all other mortgage backed securities and collateralized mortgage obligations (“CMOs”) held by the Bank were issued by U.S. government-sponsored entities and agencies, primarily Freddie Mac and the Fannie Mae. At March 31, 2018 and December 31, 2017, there were gross unrealized losses of $3.2 million and $1.9 million related to available for sale mortgage backed securities and CMOs. Because these unrealized losses are attributable to changes in interest rates and illiquidity, and not credit quality, and because the Bank does not have the intent to sell these securities, and it is likely that it will not be required to sell the securities before their anticipated recovery, management does not consider these securities to have other-than-temporary impairment (“OTTI”).

Trust Preferred Security

During 2015, the Parent Company purchased a $3 million floating rate trust preferred security (“TRUP”) at a price of 68% of par. The coupon on this security is based on the 3-month London Interbank Borrowing Rate (“LIBOR”) rate plus 159 basis points. The Company performed an initial analysis prior to acquisition and performs ongoing analysis of the credit risk of the underlying borrower in relation to its TRUP.

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Unrealized-Loss Analysis on Debt Securities

Debt securities with unrealized losses at March 31, 2018 and December 31, 2017, aggregated by investment category and length of time that individual debt securities have been in a continuous unrealized loss position, were as follows:

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| March 31, 2018 (in thousands) | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Available-for-sale debt securities: | | | | | | |
| U.S. Treasury securities and U.S. Government agencies | $ 98,699 | $ (1,011) | $ 88,303 | $ (1,145) | $ 187,002 | $ (2,156) |
| Mortgage backed securities - residential | 58,202 | (1,238) | 9,377 | (333) | 67,579 | (1,571) |
| Collateralized mortgage obligations | 30,426 | (864) | 23,081 | (744) | 53,507 | (1,608) |
| Corporate bonds | 9,979 | (21) | — | — | 9,979 | (21) |
| Total available-for-sale debt securities | $ 197,306 | $ (3,134) | $ 120,761 | $ (2,222) | $ 318,067 | $ (5,356) |

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| December 31, 2017 (in thousands) | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Available-for-sale debt securities: | | | | | | |
| U.S. Treasury securities and U.S. Government agencies | $ 209,165 | $ (499) | $ 88,415 | $ (952) | $ 297,580 | $ (1,451) |
| Mortgage backed securities - residential | 61,348 | (617) | 10,192 | (256) | 71,540 | (873) |
| Collateralized mortgage obligations | 30,963 | (642) | 18,603 | (433) | 49,566 | (1,075) |
| | $ 301,476 | $ (1,758) | $ 117,210 | $ (1,641) | $ 418,686 | $ (3,399) |

Total available-for-sale debt securities

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| March 31, 2018 (in thousands) | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Held-to-maturity debt securities: | | | | | | |
| Collateralized mortgage obligations | $ — | $ — | $ 6,128 | $ (16) | $ 6,128 | $ (16) |
| Obligations of state and political subdivisions | 451 | (13) | — | — | 451 | (13) |
| Total held-to-maturity debt securities: | $ 451 | $ (13) | $ 6,128 | $ (16) | $ 6,579 | $ (29) |

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| December 31, 2017 (in thousands) | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Held-to-maturity debt securities: | | | | | | |
| Collateralized mortgage obligations | $ — | $ — | $ 6,390 | $ (17) | $ 6,390 | $ (17) |
| Corporate bonds | 4,997 | (3) | — | — | 4,997 | (3) |
| Obligations of state and political subdivisions | 458 | (6) | — | — | 458 | (6) |
| Total held-to-maturity debt securities: | $ 5,455 | $ (9) | $ 6,390 | $ (17) | $ 11,845 | $ (26) |

At March 31, 2018, the Bank’s security portfolio consisted of 182 securities, 58 of which were in an unrealized loss position.

At December 31, 2017, the Bank’s security portfolio consisted of 185 securities, 58 of which were in an unrealized loss position.

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Other-than-temporary impairment

Unrealized losses for all debt securities are reviewed to determine whether the losses are “other-than-temporary.” Debt 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 value below amortized cost is other-than-temporary. In conducting this assessment, the Bank evaluates a number of factors including, but not limited to the following:

- The length of time and the extent to which fair value has been less than the amortized cost basis;
- The Bank’s intent to hold until maturity or sell the debt security prior to maturity;
- An analysis of whether it is more-likely-than-not that the Bank will be required to sell the debt security before its anticipated recovery;
- Adverse conditions specifically related to the security, an industry, or a geographic area;
- The historical and implied volatility of the fair value of the security;
- The payment structure of the security and the likelihood of the issuer being able to make payments;
- Failure of the issuer to make scheduled interest or principal payments;
- Any rating changes by a rating agency; and
- Recoveries or additional decline in fair value subsequent to the balance sheet date.

The term “other-than-temporary” is not intended to indicate that the decline is permanent, but indicates that the prospects for a near-term recovery of value are not necessarily favorable, or that there is a general lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. Once a decline in value is determined to be other-than-temporary, the value of the security is reduced and a corresponding charge to earnings is recognized for the anticipated credit losses.

The Bank owns one private label mortgage backed security with a total carrying value of $4.1 million at March 31, 2018. This security is mostly backed by “Alternative A” first lien mortgage loans, but also has an insurance “wrap” or guarantee as an added layer of protection to the security holder. This asset is illiquid, and as such, the Bank determined it to be a Level 3 security in accordance with Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurements and Disclosures. Based on this determination, the Bank utilized an income valuation model (“present value model”) approach, in determining the fair value of the security. This approach is beneficial for positions that are not traded in active markets or are subject to transfer restrictions, and/or where valuations are adjusted to reflect illiquidity and/or non-transferability. Such adjustments are generally based on available market evidence. In the absence of such evidence, management’s best estimate is used. Management’s best estimate consists of both internal and external support for this investment.

See additional discussion regarding the Bank’s private label mortgage backed security under Footnote 9 “Fair Value” in this section of the filing.

Pledged Debt Securities

Debt securities pledged to secure public deposits, securities sold under agreements to repurchase and debt securities held for other purposes, as required or permitted by law are as follows:

| (in thousands) | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Carrying amount | $ 257,934 | $ 262,679 |
| Fair value | 258,250 | 262,902 |

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Equity Securities

On January 1, 2018, the Company adopted ASU 2016-01, Financial Instruments. Among other things, ASU 2016-01 requires the Company recognize changes in the fair value of equity investments with a readily determinable fair value in net income unless those investments are accounted for under the equity method of accounting.

The carrying value, gross unrealized gains and losses, and fair value of equity securities with readily determinable fair values were as follows:

| March 31, 2018 (in thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Freddie Mac preferred stock | $ — | $ 328 | $ — | $ 328 |
| Community Reinvestment Act mutual fund | 2,500 | — | (82) | 2,418 |
| Total equity securities with readily determinable fair values | $ 2,500 | $ 328 | $ (82) | $ 2,746 |

| December 31, 2017 (in thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Freddie Mac preferred stock | $ — | $ 473 | $ — | $ 473 |
| Community Reinvestment Act mutual fund | 2,500 | — | (45) | 2,455 |
| Total equity securities with readily determinable fair values | $ 2,500 | $ 473 | $ (45) | $ 2,928 |

For equity securities with readily determinable fair values, the gross realized and unrealized gains and losses recognized in the Company's consolidated statements of income were as follows:

| | Three Months Ended March 31, 2018 Gains (Losses) Recognized on Equity Securities | | |
|---|---|---|---|
| (in thousands) | Realized | Unrealized | Total |

| | | | |
|---|---|---|---|
| Freddie Mac preferred stock | $ — | $ (145) | $ (145) |
| Community Reinvestment Act mutual fund | — | (37) | (37) |
| Total equity securities with readily determinable fair value | $ — | $ (182) | $ (182) |

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3. LOANS HELD FOR SALE

In the ordinary course of business, the Bank originates for sale mortgage loans and consumer loans. Mortgage loans originated for sale are primarily originated and sold into the secondary market through the Bank's Mortgage Banking segment, while consumer loans originated for sale are originated and sold through the RCS segment.

Mortgage Loans Held for Sale, at Fair Value

See additional detail regarding mortgage loans originated for sale, at fair value under Footnote 10 "Mortgage Banking Activities" of this section of the filing.

Consumer Loans Held for Sale, at Fair Value

RCS maintains an installment loan program where the Company sells 100% of the loans approximately 21 days after origination. The Company carries these loans at fair value, with the loans marked to market on a monthly basis, with changes in their fair value reported as a component of "Program fees."

Activity for consumer loans held for sale and carried at fair value was as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| (in thousands) | 2018 | 2017 |
| Balance, beginning of period | $ 2,677 | $ 2,198 |
| Origination of consumer loans held for sale | 10,439 | 12,238 |
| Proceeds from the sale of consumer loans held for sale | (10,760) | (10,783) |
| Net gain on sale of consumer loans held for sale | 63 | 26 |
| Balance, end of period | $ 2,419 | $ 3,679 |

Consumer Loans Held for Sale, at the Lower of Cost or Fair Value

RCS originates for sale its line-of-credit product and its credit card product. The Bank sells 90% of the balances maintained through these products within two days of loan origination and retains a 10% interest. The line-of-credit product represents the substantial majority of activity in consumer loans held for sale carried at the lower of cost or fair value. Gains or losses on the sale of RCS products are reported as a component of “Program fees.”

Activity for consumer loans held for sale and carried at the lower of cost or market value was as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| (in thousands) | 2018 | 2017 |
| Balance, beginning of period | $ 8,551 | $ 1,310 |
| Origination of consumer loans held for sale | 154,057 | 114,686 |
| Proceeds from the sale of consumer loans held for sale | (156,802) | (115,658) |
| Net gain on sale of consumer loans held for sale | 1,574 | 1,082 |
| Balance, end of period | $ 7,380 | $ 1,420 |

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4. LOANS AND ALLOWANCE FOR LOAN AND LEASE LOSSES

The composition of the loan portfolio at period end follows:

| (in thousands) | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Traditional Banking: | | |
| Residential real estate: | | |
| Owner occupied | $ 912,415 | $ 921,565 |
| Owner occupied - correspondent* | 111,263 | 116,792 |
| Nonowner occupied | 216,095 | 205,081 |
| Commercial real estate | 1,216,592 | 1,207,293 |
| Construction & land development | 160,391 | 150,065 |
| Commercial & industrial | 355,316 | 341,692 |
| Lease financing receivables | 15,751 | 16,580 |
| Home equity | 342,217 | 347,655 |
| Consumer: | | |
| Credit cards | 16,677 | 16,078 |
| Overdrafts | 791 | 974 |
| Automobile loans | 65,281 | 65,650 |
| Other consumer | 27,556 | 20,501 |
| Total Traditional Banking | 3,440,345 | 3,409,926 |
| Warehouse lines of credit* | 533,959 | 525,572 |
| Total Core Banking | 3,974,304 | 3,935,498 |
| | | |
| Republic Processing Group*: | | |
| Tax Refund Solutions: | | |
| Easy Advances | 15,601 | — |
| Other TRS loans | 192 | 11,648 |
| Republic Credit Solutions | 62,403 | 66,888 |
| Total Republic Processing Group | 78,196 | 78,536 |
| | | |
| Total loans** | 4,052,500 | 4,014,034 |
| Allowance for loan and lease losses | (52,341) | (42,769) |
| | | |
| Total loans, net | $ 4,000,159 | $ 3,971,265 |

*Identifies loans to borrowers located primarily outside of the Bank’s market footprint.

**Total loans are presented inclusive of premiums, discounts and net loan origination fees and costs. See table directly below for expanded detail.

The following table reconciles the contractually receivable and carrying amounts of loans at March 31, 2018 and December 31, 2017:

| (in thousands) | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Contractually receivable | $ 4,052,694 | $ 4,014,673 |
| Unearned income(1) | (1,219) | (1,157) |
| Unamortized premiums(2) | 914 | 1,069 |
| Unaccreted discounts(3) | (4,251) | (4,643) |
| Net unamortized deferred origination fees and costs(4) | 4,362 | 4,092 |
| Carrying value of loans | $ 4,052,500 | $ 4,014,034 |

(1) Unearned income relates to lease financing receivables.
(2) Unamortized premiums predominately relate to loans acquired through the Bank's Correspondent Lending channel.
(3) Unaccreted discounts include accretable and non-accretable discounts and relate to loans acquired in the Bank's 2016 Cornerstone acquisition and its 2012 FDIC-assisted transactions.
(4) Primarily attributable to the Traditional Banking segment.

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Purchased-Credit-Impaired ("PCI") Loans

The following table reconciles the contractually required and carrying amounts of all PCI loans at March 31, 2018 and December 31, 2017:

| (in thousands) | March 31, 2018 | December 31, 2017 |
| --- | --- | --- |
| Contractually required principal | $ 5,319 | $ 5,435 |
| Non-accretable amount | (1,691) | (1,691) |
| Accretable amount | (140) | (140) |
| Carrying value of loans | $ 3,488 | $ 3,604 |

The following table presents a rollforward of the accretable amount on all PCI loans for the three months ended March 31, 2018 and 2017:

| | Three Months Ended March 31, | |
| --- | --- | --- |
| (in thousands) | 2018 | 2017 |
| Balance, beginning of period | $ (140) | $ (3,600) |
| Transfers between non-accretable and accretable* | — | 90 |
| Net accretion into interest income on loans, including loan fees | — | 101 |
| Balance, end of period | $ (140) | $ (3,409) |

*Transfers are primarily attributable to changes in estimated cash flows of the underlying loans.

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Credit Quality Indicators

The following tables include loans by risk category based on the Bank's internal analyses performed as of March 31, 2018 and December 31, 2017. Risk categories are defined in the Company's Annual Report on Form 10-K for the year ended December 31, 2017:

| March 31, 2018 (in thousands) | Pass | Special Mention | Substandard | Doubtful Loss | PCI /Loans - Group 1 | PCI Loans - Substandard | Total Rated Loans* |
|---|---|---|---|---|---|---|---|
| Traditional Banking: | | | | | | | |
| Residential real estate: | | | | | | | |
| Owner occupied | $ — | $ 17,690 | $ 12,395 | $ — | $ 176 | $ 1,609 | $ 31,870 |
| Owner occupied - correspondent | — | — | 383 | — | — | — | 383 |
| Nonowner occupied | — | 628 | 2,259 | — | 244 | — | 3,131 |
| Commercial real estate | 1,205,748 | 4,743 | 4,765 | — | 1,336 | — | 1,216,592 |
| Construction & land development | 159,780 | — | 611 | — | — | — | 160,391 |
| Commercial & industrial | 354,477 | 36 | 791 | — | 12 | — | 355,316 |
| Lease financing receivables | 15,751 | — | — | — | — | — | 15,751 |
| Home equity | — | 33 | 1,427 | — | 6 | 102 | 1,568 |
| Consumer: | | | | | | | |
| Credit cards | — | — | — | — | — | — | — |
| Overdrafts | — | — | — | — | — | — | — |
| Automobile loans | — | — | 141 | — | — | — | 141 |
| Other consumer | — | — | 556 | — | — | 3 | 559 |
| Total Traditional Banking | 1,735,756 | 23,130 | 23,328 | — | 1,774 | 1,714 | 1,785,702 |
| Warehouse lines of credit | 533,959 | — | — | — | — | — | 533,959 |
| Total Core Banking | 2,269,715 | 23,130 | 23,328 | — | 1,774 | 1,714 | 2,319,661 |
| Republic Processing Group: | | | | | | | |
| Tax Refund Solutions: | | | | | | | |
| Easy Advances | — | — | — | — | — | — | — |
| Other TRS loans | — | — | — | — | — | — | — |
| Republic Credit Solutions | — | — | 1,306 | — | — | — | 1,306 |
| Total Republic Processing Group | — | — | 1,306 | — | — | — | 1,306 |
| Total rated loans | $ 2,269,715 | $ 23,130 | $ 24,634 | $ — | $ 1,774 | $ 1,714 | $ 2,320,967 |

| December 31, 2017 (in thousands) | Pass | Special Mention | Substandard | Doubtful Loss | PCI /Loans - Group 1 | PCI Loans - Substandard | Total Rated Loans* |
|---|---|---|---|---|---|---|---|
| Traditional Banking: | | | | | | | |
| Residential real estate: | | | | | | | |
| Owner occupied | $ — | $ 18,054 | $ 12,056 | $ — | $ 180 | $ 1,658 | $ 31,948 |
| Owner occupied - correspondent | — | — | — | — | — | — | — |
| Nonowner occupied | — | 635 | 1,240 | — | 248 | — | 2,123 |
| Commercial real estate | 1,197,299 | 4,824 | 3,798 | — | 1,372 | — | 1,207,293 |
| Construction & land development | 149,332 | — | 733 | — | — | — | 150,065 |
| Commercial & industrial | 341,377 | 267 | 21 | — | 27 | — | 341,692 |
| Lease financing receivables | 16,580 | — | — | — | — | — | 16,580 |
| Home equity | — | 33 | 1,609 | — | 6 | 110 | 1,758 |
| Consumer: | | | | | | | |
| Credit cards | — | — | — | — | — | — | — |
| Overdrafts | — | — | — | — | — | — | — |
| Automobile loans | — | — | 108 | — | — | — | 108 |
| Other consumer | — | — | 571 | — | — | 3 | 574 |
| Total Traditional Banking | 1,704,588 | 23,813 | 20,136 | — | 1,833 | 1,771 | 1,752,141 |
| Warehouse lines of credit | 525,572 | — | — | — | — | — | 525,572 |
| Total Core Banking | 2,230,160 | 23,813 | 20,136 | — | 1,833 | 1,771 | 2,277,713 |
| Republic Processing Group: | | | | | | | |
| Tax Refund Solutions: | | | | | | | |
| Easy Advances | — | — | — | — | — | — | — |
| Other TRS loans | 11,648 | — | — | — | — | — | 11,648 |
| Republic Credit Solutions | — | — | 1,066 | — | — | — | 1,066 |
| Total Republic Processing Group | 11,648 | — | 1,066 | — | — | — | 12,714 |
| Total rated loans | $ 2,241,808 | $ 23,813 | $ 21,202 | $ — | $ 1,833 | $ 1,771 | $ 2,290,427 |

*The above tables exclude all non-classified residential real estate, home equity and consumer loans at the respective period ends.

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Allowance for Loan and Lease Losses

The following table presents the activity in the Allowance by portfolio class:

| | Allowance Rollforward Three Months Ended March 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | | | | | 2017 | | | | |
| (in thousands) | Beginning Balance | Provision | Charge-offs | Recoveries | Ending Balance | Beginning Balance | Provision | Charge-offs | Recoveries | Endin Balan |
| Traditional Banking: | | | | | | | | | | |
| Residential real estate: | | | | | | | | | | |
| Owner occupied | $ 6,182 | $ — | $ (215) | $ 21 | $ 5,988 | $ 7,158 | $ (143) | $ (3) | $ 59 | $ 7,07 |
| Owner occupied - correspondent | 292 | (14) | — | — | 278 | 373 | (9) | (11) | — | 353 |
| Nonowner occupied | 1,396 | 165 | (121) | 21 | 1,461 | 1,139 | 59 | — | — | 1,19 |
| Commercial real estate | 9,043 | 292 | — | 125 | 9,460 | 8,078 | (197) | — | 17 | 7,89 |
| Construction & land development | 2,364 | 354 | — | 2 | 2,720 | 1,850 | 383 | — | — | 2,23 |
| Commercial & industrial | 2,198 | 126 | (108) | 31 | 2,247 | 1,511 | (44) | — | 21 | 1,48 |
| Lease financing receivables | 174 | (9) | — | — | 165 | 136 | 9 | — | — | 145 |
| Home equity | 3,754 | (111) | — | 26 | 3,669 | 3,757 | 69 | (4) | 9 | 3,83 |
| Consumer: | | | | | | | | | | |
| Credit cards | 607 | 235 | (93) | 7 | 756 | 490 | 38 | (27) | 5 | 506 |
| Overdrafts | 974 | 17 | (289) | 89 | 791 | 675 | 83 | (184) | 67 | 641 |
| Automobile loans | 687 | 19 | — | — | 706 | 526 | 36 | — | 1 | 563 |
| Other consumer | 1,162 | (135) | (120) | 83 | 990 | 771 | 183 | (230) | 101 | 825 |
| Total Traditional Banking | 28,833 | 939 | (946) | 405 | 29,231 | 26,464 | 467 | (459) | 280 | 26,7 |
| Warehouse lines of credit | 1,314 | 21 | — | — | 1,335 | 1,464 | (226) | — | — | 1,23 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Core Banking | 30,147 | 960 | (946) | 405 | 30,566 | 27,928 | 241 | (459) | 280 | 27,9 |
| Republic Processing Group: | | | | | | | | | | |
| Tax Refund Solutions: | | | | | | | | | | |
| Easy Advances | — | 13,277 | (3,705) | — | 9,572 | — | 8,601 | (860) | — | 7,74 |
| Other TRS loans | 12 | 112 | — | 1 | 125 | 25 | (260) | — | 235 | — |
| Republic Credit Solutions | 12,610 | 2,906 | (3,696) | 258 | 12,078 | 4,967 | 3,769 | (2,285) | 180 | 6,63 |
| Total Republic Processing Group | 12,622 | 16,295 | (7,401) | 259 | 21,775 | 4,992 | 12,110 | (3,145) | 415 | 14,3 |
| Total | $ 42,769 | $ 17,255 | $ (8,347) | $ 664 | $ 52,341 | $ 32,920 | $ 12,351 | $ (3,604) | $ 695 | $ 42,3 |

Nonperforming Loans and Nonperforming Assets

Detail of nonperforming loans, nonperforming assets and select credit quality ratios follows:

| (dollars in thousands) | March 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| Loans on nonaccrual status* | $ 14,849 | | $ 14,118 | |
| Loans past due 90-days-or-more and still on accrual** | 1,279 | | 956 | |
| Total nonperforming loans | 16,128 | | 15,074 | |
| Other real estate owned | 160 | | 115 | |
| Total nonperforming assets | $ 16,288 | | $ 15,189 | |
| Credit Quality Ratios - Total Company: | | | | |
| Nonperforming loans to total loans | 0.40 | % | 0.38 | % |
| Nonperforming assets to total loans (including OREO) | 0.40 | | 0.38 | |
| Nonperforming assets to total assets | 0.32 | | 0.30 | |
| Credit Quality Ratios - Core Bank: | | | | |

| | | | | |
|---|---|---|---|---|
| Nonperforming loans to total loans | 0.37 | % | 0.36 | % |
| Nonperforming assets to total loans (including OREO) | 0.38 | | 0.36 | |
| Nonperforming assets to total assets | 0.31 | | 0.28 | |

*Loans on nonaccrual status include impaired loans.

**Loans past due 90-days-or-more and still accruing consist of smaller balance consumer loans.

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The following table presents the recorded investment in nonaccrual loans and loans past due 90-days-or-more and still on accrual by class of loans:

| | Nonaccrual | | Past Due 90-Days-or-More and Still Accruing Interest* | |
|---|---|---|---|---|
| (in thousands) | March 31, 2018 | December 31, 2017 | March 31, 2018 | December 31, 2017 |
| Traditional Banking: | | | | |
| Residential real estate: | | | | |
| Owner occupied | $ 8,952 | $ 9,230 | $ — | $ — |
| Owner occupied - correspondent | — | — | — | — |
| Nonowner occupied | 758 | 257 | — | — |
| Commercial real estate | 3,351 | 3,247 | — | — |
| Construction & land development | 62 | 67 | — | — |
| Commercial & industrial | 706 | — | — | — |
| Lease financing receivables | — | — | — | — |
| Home equity | 929 | 1,217 | — | — |
| Consumer: | | | | |
| Credit cards | — | — | 1 | — |
| Overdrafts | — | — | — | — |
| Automobile loans | 65 | 68 | — | — |
| Other consumer | 26 | 32 | 26 | 19 |
| Total Traditional Banking | 14,849 | 14,118 | 27 | 19 |
| Warehouse lines of credit | — | — | — | — |
| Total Core Banking | 14,849 | 14,118 | 27 | 19 |
| Republic Processing Group: | | | | |
| Tax Refund Solutions: | | | | |
| Easy Advances | — | — | — | — |
| Other TRS loans | — | — | — | — |
| Republic Credit Solutions | — | — | 1,252 | 937 |
| Total Republic Processing Group | — | — | 1,252 | 937 |
| Total | $ 14,849 | $ 14,118 | $ 1,279 | $ 956 |

* Loans past due 90-days-or-more and still accruing consist of smaller balance consumer loans.

Nonaccrual loans and loans past due 90-days-or-more and still on accrual include both smaller balance, primarily retail, homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Nonaccrual loans are typically 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 contractual payments are reasonably assured. Troubled Debt Restructurings ("TDRs") on nonaccrual status are reviewed for return to accrual status on an individual basis, with additional consideration given to performance under the modified terms.

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Delinquent Loans

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

| March 31, 2018 (dollars in thousands) | 30 - 59 Days Delinquent | 60 - 89 Days Delinquent | 90 or More Days Delinquent* | Total Delinquent** | Total Current | Total |
|---|---|---|---|---|---|---|
| Traditional Banking: | | | | | | |
| Residential real estate: | | | | | | |
| Owner occupied | $ 1,191 | $ 960 | $ 1,344 | $ 3,495 | $ 908,920 | $ 912,415 |
| Owner occupied - correspondent | 383 | — | — | 383 | 110,880 | 111,263 |
| Nonowner occupied | 645 | — | 99 | 744 | 215,351 | 216,095 |
| Commercial real estate | 80 | 811 | 1,399 | 2,290 | 1,214,302 | 1,216,592 |
| Construction & land development | — | — | — | — | 160,391 | 160,391 |
| Commercial & industrial | 124 | 15 | — | 139 | 355,177 | 355,316 |
| Lease financing receivables | — | — | — | — | 15,751 | 15,751 |
| Home equity | 481 | 179 | 187 | 847 | 341,370 | 342,217 |
| Consumer: | | | | | | |
| Credit cards | 37 | 29 | 1 | 67 | 16,610 | 16,677 |
| Overdrafts | 176 | 1 | — | 177 | 614 | 791 |
| Automobile loans | — | 21 | 23 | 44 | 65,237 | 65,281 |
| Other consumer | 61 | 30 | 26 | 117 | 27,439 | 27,556 |
| Total Traditional Banking | 3,178 | 2,046 | 3,079 | 8,303 | 3,432,042 | 3,440,345 |
| Warehouse lines of credit | — | — | — | — | 533,959 | 533,959 |
| Total Core Banking | 3,178 | 2,046 | 3,079 | 8,303 | 3,966,001 | 3,974,304 |
| | | | | | | |
| Republic Processing Group: | | | | | | |
| Tax Refund Solutions: | | | | | | |
| Easy Advances | 13,163 | — | — | 13,163 | 2,438 | 15,601 |
| Other TRS loans | — | — | — | — | 192 | 192 |
| Republic Credit Solutions | 2,487 | 628 | 1,252 | 4,367 | 58,036 | 62,403 |
| Total Republic Processing Group | 15,650 | 628 | 1,252 | 17,530 | 60,666 | 78,196 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total | $ 18,828 | $ 2,674 | $ 4,331 | $ 25,833 | $ 4,026,667 | $ 4,052,500 |
| Delinquency ratio*** | 0.46 % | 0.07 % | 0.11 % | 0.64 % | | |

*All loans past due 90-days-or-more, excluding small balance consumer loans, were on nonaccrual status.

**Delinquent status may be determined by either the number of days past due or number of payments past due. Easy Advances do not have a contractual due date but the Company considers an Easy Advance delinquent if it remains unpaid three weeks after the taxpayer customer’s tax return is submitted to the applicable tax authority.

***Represents total loans 30-days-or-more past due by aging category divided by total loans.

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| December 31, 2017 (dollars in thousands) | 30 - 59 Days Delinquent | 60 - 89 Days Delinquent | 90 or More Days Delinquent* | Total Delinquent** | Total Current | Total |
|---|---|---|---|---|---|---|
| Traditional Banking: | | | | | | |
| Residential real estate: | | | | | | |
| Owner occupied | $ 2,559 | $ 1,166 | $ 1,057 | $ 4,782 | $ 916,783 | $ 921,565 |
| Owner occupied - correspondent | — | — | — | — | 116,792 | 116,792 |
| Nonowner occupied | 47 | — | 99 | 146 | 204,935 | 205,081 |
| Commercial real estate | 398 | — | 1,329 | 1,727 | 1,205,566 | 1,207,293 |
| Construction & land development | 67 | — | — | 67 | 149,998 | 150,065 |
| Commercial & industrial | 15 | — | — | 15 | 341,677 | 341,692 |
| Lease financing receivables | — | — | — | — | 16,580 | 16,580 |
| Home equity | 723 | 50 | 448 | 1,221 | 346,434 | 347,655 |
| Consumer: | | | | | | |
| Credit cards | 34 | 40 | — | 74 | 16,004 | 16,078 |
| Overdrafts | 230 | 3 | — | 233 | 741 | 974 |
| Automobile loans | 36 | — | 24 | 60 | 65,590 | 65,650 |
| Other consumer | 93 | 21 | 21 | 135 | 20,366 | 20,501 |
| Total Traditional Banking | 4,202 | 1,280 | 2,978 | 8,460 | 3,401,466 | 3,409,926 |
| Warehouse lines of credit | — | — | — | — | 525,572 | 525,572 |
| Total Core Banking | 4,202 | 1,280 | 2,978 | 8,460 | 3,927,038 | 3,935,498 |
| Republic Processing Group: | | | | | | |
| Tax Refund Solutions: | | | | | | |
| Easy Advances | — | — | — | — | — | — |
| Other TRS loans | — | — | — | — | 11,648 | 11,648 |
| Republic Credit Solutions | 3,631 | 1,073 | 937 | 5,641 | 61,247 | 66,888 |
| Total Republic Processing Group | 3,631 | 1,073 | 937 | 5,641 | 72,895 | 78,536 |
| Total | $ 7,833 | $ 2,353 | $ 3,915 | $ 14,101 | $ 3,999,933 | $ 4,014,034 |
| Delinquency ratio*** | 0.20 % | 0.06 % | 0.10 % | 0.35 % | | |

*All loans past due 90-days-or-more, excluding smaller balance consumer loans, were on nonaccrual status.

**Delinquent status may be determined by either the number of days past due or number of payments past due.

***Represents total loans 30-days-or-more past due by aging category divided by total loans.

Impaired Loans

Information regarding the Bank’s impaired loans follows:

| (in thousands) | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Loans with no allocated Allowance | $ 19,992 | $ 18,540 |
| Loans with allocated Allowance | 27,935 | 27,076 |
| Total recorded investment in impaired loans | $ 47,927 | $ 45,616 |
| Amount of the allocated Allowance | $ 4,579 | $ 4,685 |

Approximately $3 million and $4 million of impaired loans at March 31, 2018 and December 31, 2017 were PCI loans. Approximately $2 million and $2 million of impaired loans at March 31, 2018 and December 31, 2017 were formerly PCI loans that became classified as “impaired” through a post-acquisition troubled debt restructuring.

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The following tables present the balance in the Allowance and the recorded investment in loans by portfolio class based on impairment method as of March 31, 2018 and December 31, 2017:

| March 31, 2018 (dollars in thousands) | Allowance for Loan and Lease Losses Individually Evaluated Excluding PCI | Collectively Evaluated | PCI with Post Acquisition Impairment | Total Allowance | Loans Individually Evaluated Excluding PCI | Collectively Evaluated | PCI with Post Acquisition Impairment | PCI without Post Acquisiti Impairme |
|---|---|---|---|---|---|---|---|---|
| Traditional Banking: | | | | | | | | |
| Residential real estate: | | | | | | | | |
| Owner occupied | $ 2,280 | $ 3,430 | $ 278 | $ 5,988 | $ 27,610 | $ 883,020 | $ 1,785 | $ — |
| Owner occupied - correspondent | — | 278 | — | 278 | 383 | 110,880 | — | — |
| Nonowner occupied | 3 | 1,456 | 2 | 1,461 | 2,827 | 213,024 | 244 | — |
| Commercial real estate | 729 | 8,683 | 48 | 9,460 | 10,071 | 1,205,185 | 1,334 | 2 |
| Construction & land development | 100 | 2,620 | — | 2,720 | 611 | 159,780 | — | — |
| Commercial & industrial | 88 | 2,159 | — | 2,247 | 799 | 354,505 | — | 12 |
| Lease financing receivables | — | 165 | — | 165 | — | 15,751 | — | — |
| Home equity | 402 | 3,162 | 105 | 3,669 | 1,427 | 340,682 | 108 | — |
| Consumer: | | | | | | | | |
| Credit cards | — | 756 | — | 756 | — | 16,677 | — | — |
| Overdrafts | — | 791 | — | 791 | — | 791 | — | — |
| Automobile loans | 41 | 665 | — | 706 | 141 | 65,140 | — | — |
| Other consumer | 479 | 508 | 3 | 990 | 530 | 27,023 | 3 | — |
| Total Traditional Banking | 4,122 | 24,673 | 436 | 29,231 | 44,399 | 3,392,458 | 3,474 | 14 |
| Warehouse lines of credit | — | 1,335 | — | 1,335 | — | 533,959 | — | — |
| Total Core Banking | 4,122 | 26,008 | 436 | 30,566 | 44,399 | 3,926,417 | 3,474 | 14 |
| | | | | | | | | |
| Republic Processing Group: | | | | | | | | |
| Tax Refund Solutions: | | | | | | | | |
| Easy Advances | — | 9,572 | — | 9,572 | — | 15,601 | — | — |
| Other TRS loans | — | 125 | — | 125 | — | 192 | — | — |
| Republic Credit Solutions | 21 | 12,057 | — | 12,078 | 54 | 62,349 | — | — |
| Total Republic Processing Group | 21 | 21,754 | — | 21,775 | 54 | 78,142 | — | — |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Total | $ 4,143 | $ 47,762 | $ 436 | $ 52,341 | $ 44,453 | $ 4,004,559 | $ 3,474 | $ 14 | $ |

| December 31, 2017 (dollars in thousands) | Allowance for Loan and Lease Losses Individually Evaluated Excluding PCI | Collectively Evaluated | PCI with Post Acquisition Impairment | Total Allowance | Loans Individually Evaluated Excluding PCI | Collectively Evaluated | PCI with Post Acquisition Impairment | PCI without Post Acquisiti Impairme | |
|---|---|---|---|---|---|---|---|---|---|
| Traditional Banking: | | | | | | | | | |
| Residential real estate: | | | | | | | | | |
| Owner occupied | $ 2,361 | $ 3,501 | $ 320 | $ 6,182 | $ 27,605 | $ 892,122 | $ 1,838 | $ — | $ |
| Owner occupied - correspondent | — | 292 | — | 292 | — | 116,792 | — | — | |
| Nonowner occupied | 4 | 1,390 | 2 | 1,396 | 1,814 | 203,019 | 248 | — | |
| Commercial real estate | 407 | 8,588 | 48 | 9,043 | 9,185 | 1,196,736 | 1,369 | 3 | |
| Construction & land development | 107 | 2,257 | — | 2,364 | 733 | 149,332 | — | — | |
| Commercial & industrial | 288 | 1,910 | — | 2,198 | 308 | 341,357 | — | 27 | |
| Lease financing receivables | — | 174 | — | 174 | — | 16,580 | — | — | |
| Home equity | 425 | 3,218 | 111 | 3,754 | 1,609 | 345,930 | 115 | 1 | |
| Consumer: | | | | | | | | | |
| Credit cards | — | 607 | — | 607 | — | 16,078 | — | — | |
| Overdrafts | — | 974 | — | 974 | — | 974 | — | — | |
| Automobile loans | 32 | 655 | — | 687 | 108 | 65,542 | — | — | |
| Other consumer | 528 | 631 | 3 | 1,162 | 552 | 19,946 | 3 | — | |
| Total Traditional Banking | 4,152 | 24,197 | 484 | 28,833 | 41,914 | 3,364,408 | 3,573 | 31 | |
| Warehouse lines of credit | — | 1,314 | — | 1,314 | — | 525,572 | — | — | |
| Total Core Banking | 4,152 | 25,511 | 484 | 30,147 | 41,914 | 3,889,980 | 3,573 | 31 | |
| Republic Processing Group: | | | | | | | | | |
| Tax Refund Solutions: | | | | | | | | | |
| Easy Advances | — | — | — | — | — | — | — | — | |
| Other TRS loans | — | 12 | — | 12 | — | 11,648 | — | — | |
| Republic Credit Solutions | 49 | 12,561 | — | 12,610 | 129 | 66,759 | — | — | |
| Total Republic Processing Group | 49 | 12,573 | — | 12,622 | 129 | 78,407 | — | — | |
| Total | $ 4,201 | $ 38,084 | $ 484 | $ 42,769 | $ 42,043 | $ 3,968,387 | $ 3,573 | $ 31 | $ |

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The following tables present loans individually evaluated for impairment by class of loans as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017. The difference between the "Unpaid Principal Balance" and "Recorded Investment" columns represents life-to-date partial write downs/charge offs taken on individual impaired credits.

| | As of March 31, 2018 | | | Three Months Ended March 31, 2018 | | |
|---|---|---|---|---|---|---|
| (in thousands) | Unpaid Principal Balance | Recorded Investment | Allocated Allowance | Average Recorded Investment | Interest Income Recognized | Cash Basis Interest Income Recognized |
| Impaired loans with no allocated Allowance: | | | | | | |
| Residential real estate: | | | | | | |
| Owner occupied | $ 11,078 | $ 10,370 | $ — | $ 10,580 | $ 50 | $ — |
| Owner occupied - correspondent | 383 | 383 | — | 192 | 4 | — |
| Nonowner occupied | 3,141 | 2,749 | — | 2,227 | 22 | — |
| Commercial real estate | 5,649 | 4,575 | — | 4,503 | 17 | — |
| Construction & land development | 476 | 476 | — | 534 | 5 | — |
| Commercial & industrial | 820 | 712 | — | 366 | 3 | — |
| Lease financing receivables | — | — | — | — | — | — |
| Home equity | 751 | 674 | — | 828 | 3 | — |
| Consumer | 53 | 53 | — | 39 | 1 | — |
| Impaired loans with allocated Allowance: | | | | | | |
| Residential real estate: | | | | | | |
| Owner occupied | 19,146 | 19,026 | 2,558 | 18,840 | 172 | — |
| Owner occupied - correspondent | — | — | — | — | — | — |
| Nonowner occupied | 325 | 322 | 5 | 340 | 3 | — |
| Commercial real estate | 6,829 | 6,829 | 777 | 6,477 | 73 | — |
| Construction & land development | 135 | 135 | 100 | 139 | 1 | — |
| Commercial & industrial | 87 | 87 | 88 | 188 | 1 | — |
| Lease financing receivables | — | — | — | — | — | — |
| Home equity | 861 | 861 | 507 | 802 | 7 | — |
| Consumer | 675 | 675 | 544 | 722 | 5 | — |
| Total impaired loans | $ 50,409 | $ 47,927 | $ 4,579 | $ 46,777 | $ 367 | $ — |

| (in thousands) | As of December 31, 2017 Unpaid Principal Balance | Recorded Investment | Allocated Allowance | Three Months Ended March 31, 2017 Average Recorded Investment | Interest Income Recognized | Cash Basis Interest Income Recognized |
|---|---|---|---|---|---|---|
| Impaired loans with no allocated Allowance: | | | | | | |
| Residential real estate: | | | | | | |
| Owner occupied | $ 11,664 | $ 10,789 | $ — | $ 12,261 | $ 29 | $ — |
| Owner occupied - correspondent | — | — | — | — | — | — |
| Non owner occupied | 1,784 | 1,704 | — | 1,394 | 8 | — |
| Commercial real estate | 5,504 | 4,430 | — | 5,153 | 21 | — |
| Construction & land development | 591 | 591 | — | 476 | 5 | — |
| Commercial & industrial | 20 | 20 | — | 61 | 1 | — |
| Lease financing receivables | — | — | — | — | — | — |
| Home equity | 1,071 | 981 | — | 1,350 | 4 | — |
| Consumer | 25 | 25 | — | 43 | — | — |
| Impaired loans with allocated Allowance: | | | | | | |
| Residential real estate: | | | | | | |
| Owner occupied | 18,676 | 18,654 | 2,681 | 21,204 | 181 | — |
| Owner occupied - correspondent | — | — | — | — | — | — |
| Non owner occupied | 361 | 358 | 6 | 490 | 6 | — |
| Commercial real estate | 6,124 | 6,124 | 455 | 6,744 | 67 | — |
| Construction & land development | 142 | 142 | 107 | 401 | 5 | — |
| Commercial & industrial | 288 | 288 | 288 | 386 | — | — |
| Lease financing receivables | — | — | — | — | — | — |
| Home equity | 743 | 743 | 536 | 806 | 10 | — |
| Consumer | 767 | 767 | 612 | 63 | — | — |
| Total impaired loans | $ 47,760 | $ 45,616 | $ 4,685 | $ 50,832 | $ 337 | $ — |

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Troubled Debt Restructurings

A TDR is a situation where, due to a borrower's financial difficulties, the Bank grants a concession to the borrower that the Bank would not otherwise have considered. In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of their debt in the foreseeable future without the modification. This evaluation is performed in accordance with the Bank's internal underwriting policy.

All TDRs are considered "Impaired," including PCI loans subsequently restructured. The majority of the Bank's commercial related and construction TDRs involve a restructuring of financing terms such as a reduction in the payment amount to require only interest and escrow (if required) and/or extending the maturity date of the debt. The substantial majority of the Bank's residential real estate TDR concessions involve reducing the client's loan payment through a rate reduction for a set period based on the borrower's ability to service the modified loan payment. Retail loans may also be classified as TDRs due to legal modifications, such as bankruptcies.

Nonaccrual loans modified as TDRs typically remain on nonaccrual status and continue to be reported as nonperforming loans for a minimum of six consecutive months. Accruing loans modified as TDRs are evaluated for nonaccrual status based on a current evaluation of the borrower's financial condition and ability and willingness to service the modified debt. At March 31, 2018 and December 31, 2017, $6 million and $6 million of TDRs were on nonaccrual status.

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

| | Troubled Debt Restructurings on Nonaccrual Status | | Troubled Debt Restructurings on Accrual Status | | Total Troubled Debt Restructurings | |
|---|---|---|---|---|---|---|
| March 31, 2018 (dollars in thousands) | Number of Loans | Recorded Investment | Number of Loans | Recorded Investment | Number of Loans | Recorded Investment |
| Residential real estate | 62 | $ 4,797 | 180 | $ 20,966 | 242 | $ 25,763 |
| Commercial real estate | 2 | 1,342 | 14 | 6,519 | 16 | 7,861 |
| Construction & land development | 1 | 62 | 2 | 549 | 3 | 611 |
| Commercial & industrial | — | — | 5 | 25 | 5 | 25 |
| Consumer | — | — | 828 | 485 | 828 | 485 |
| Total troubled debt restructurings | 65 | $ 6,201 | 1,029 | $ 28,544 | 1,094 | $ 34,745 |

| | Troubled Debt Restructurings on Nonaccrual Status | | Troubled Debt Restructurings on Accrual Status | | Total Troubled Debt Restructurings | |
|---|---|---|---|---|---|---|
| December 31, 2017 (dollars in thousands) | Number of Loans | Recorded Investment | Number of Loans | Recorded Investment | Number of Loans | Recorded Investment |
| Residential real estate | 62 | $ 4,926 | 183 | $ 20,189 | 245 | $ 25,115 |
| Commercial real estate | 2 | 1,366 | 14 | 6,499 | 16 | 7,865 |
| Construction & land development | 1 | 67 | 3 | 666 | 4 | 733 |
| Commercial & industrial | — | — | 2 | 287 | 2 | 287 |
| Consumer | — | — | 830 | 637 | 830 | 637 |
| Total troubled debt restructurings | 65 | $ 6,359 | 1,032 | $ 28,278 | 1,097 | $ 34,637 |

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The Bank considers a TDR to be performing to its modified terms if the loan is in accrual status and not past due 30-days-or-more as of the reporting date. A summary of the categories of TDR loan modifications outstanding and respective performance under modified terms at March 31, 2018 and December 31, 2017 follows:

| | Troubled Debt Restructurings Performing to Modified Terms | | Troubled Debt Restructurings Not Performing to Modified Terms | | Total Troubled Debt Restructurings | |
|---|---|---|---|---|---|---|
| March 31, 2018 (dollars in thousands) | Number of Loans | Recorded Investment | Number of Loans | Recorded Investment | Number of Loans | Recorded Investment |
| Residential real estate loans (including home equity loans): | | | | | | |
| Interest only payments | 1 | $ 4 | — | $ — | 1 | $ 4 |
| Rate reduction | 144 | 17,205 | 34 | 3,162 | 178 | 20,367 |
| Principal deferral | 13 | 2,610 | 3 | 639 | 16 | 3,249 |
| Legal modification | 20 | 1,054 | 27 | 1,089 | 47 | 2,143 |
| Total residential TDRs | 178 | 20,873 | 64 | 4,890 | 242 | 25,763 |
| Commercial related and construction/land development loans: | | | | | | |
| Interest only payments | 3 | 808 | — | — | 3 | 808 |
| Rate reduction | 7 | 3,125 | 1 | 78 | 8 | 3,203 |
| Principal deferral | 10 | 3,147 | 3 | 1,339 | 13 | 4,486 |
| Total commercial TDRs | 20 | 7,080 | 4 | 1,417 | 24 | 8,497 |
| Consumer loans: | | | | | | |
| Principal deferral | 828 | 485 | — | — | 828 | 485 |
| Total troubled debt restructurings | 1,026 | $ 28,438 | 68 | $ 6,307 | 1,094 | $ 34,745 |

| | Troubled Debt Restructurings Performing to Modified Terms | | Troubled Debt Restructurings Not Performing to Modified Terms | | Total Troubled Debt Restructurings | |
|---|---|---|---|---|---|---|
| December 31, 2017 (dollars in thousands) | Number of Loans | Recorded Investment | Number of Loans | Recorded Investment | Number of Loans | Recorded Investment |

| | | | | | | |
|---|---|---|---|---|---|---|
| Residential real estate loans (including home equity loans): | | | | | | |
| Interest only payments | 1 | $ 5 | 1 | $ 458 | 2 | $ 463 |
| Rate reduction | 147 | 17,617 | 32 | 3,081 | 179 | 20,698 |
| Principal deferral | 13 | 1,436 | 2 | 121 | 15 | 1,557 |
| Legal modification | 21 | 1,118 | 28 | 1,279 | 49 | 2,397 |
| Total residential TDRs | 182 | 20,176 | 63 | 4,939 | 245 | 25,115 |
| | | | | | | |
| Commercial related and construction/land development loans: | | | | | | |
| Interest only payments | 3 | 837 | — | — | 3 | 837 |
| Rate reduction | 7 | 3,185 | 1 | 79 | 8 | 3,264 |
| Principal deferral | 9 | 3,430 | 2 | 1,354 | 11 | 4,784 |
| Total commercial TDRs | 19 | 7,452 | 3 | 1,433 | 22 | 8,885 |
| | | | | | | |
| Consumer loans: | | | | | | |
| Principal deferral | 830 | 637 | — | — | 830 | 637 |
| Total troubled debt restructurings | 1,031 | $ 28,265 | 66 | $ 6,372 | 1,097 | $ 34,637 |

As of March 31, 2018 and December 31, 2017, 82% and 82% of the Bank's TDRs were performing according to their modified terms. The Bank had provided $3 million and $4 million of specific reserve allocations to clients whose loan terms have been modified in TDRs as of March 31, 2018 and December 31, 2017. The Bank had no commitments to lend any additional material amounts to its existing TDR relationships at March 31, 2018 or December 31, 2017.

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A summary of the categories of TDR loan modifications by respective performance as of March 31, 2018 and 2017 that were modified during the three months ended March 31, 2018 and 2017 follows:

| March 31, 2018 (dollars in thousands) | Troubled Debt Restructurings Performing to Modified Terms Number of Loans | Recorded Investment | Troubled Debt Restructurings Not Performing to Modified Terms Number of Loans | Recorded Investment | Total Troubled Debt Restructurings Number of Loans | Recorded Investment |
|---|---|---|---|---|---|---|
| Residential real estate loans (including home equity loans): | | | | | | |
| Interest only payments | — | $ — | — | $ — | — | $ — |
| Rate reduction | — | — | 1 | 85 | 1 | 85 |
| Principal deferral | 1 | 1,204 | 1 | 522 | 2 | 1,726 |
| Legal modification | — | — | — | — | — | — |
| Total residential TDRs | 1 | 1,204 | 2 | 607 | 3 | 1,811 |
| Commercial related and construction/land development loans: | | | | | | |
| Interest only payments | — | — | — | — | — | — |
| Rate reduction | — | — | — | — | — | — |
| Principal deferral | 2 | 3 | 1 | 14 | 3 | 17 |
| Total commercial TDRs | 2 | 3 | 1 | 14 | 3 | 17 |
| Consumer loans: | | | | | | |
| Principal deferral | 1 | 61 | — | — | 1 | 61 |
| Total troubled debt restructurings | 4 | $ 1,268 | 3 | $ 621 | 7 | $ 1,889 |

| March 31, 2017 (dollars in thousands) | Troubled Debt Restructurings Performing to Modified Terms Number of Loans | Recorded Investment | Troubled Debt Restructurings Not Performing to Modified Terms Number of Loans | Recorded Investment | Total Troubled Debt Restructurings Number of Loans | Recorded Investment |
|---|---|---|---|---|---|---|
| Residential real estate loans (including home equity loans): | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Interest only payments | — | $ — | — | $ — | — | $ — |
| Rate reduction | 1 | 159 | — | — | 1 | 159 |
| Principal deferral | — | — | — | — | — | — |
| Legal modification | 2 | 38 | — | — | 2 | 38 |
| Total residential TDRs | 3 | 197 | — | — | 3 | 197 |
| | | | | | | |
| Commercial related and construction/land development loans: | | | | | | |
| Interest only payments | — | — | — | — | — | — |
| Rate reduction | — | — | — | — | — | — |
| Principal deferral | — | — | — | — | — | — |
| Total commercial TDRs | — | — | — | — | — | — |
| Total troubled debt restructurings | 3 | $ 197 | — | $ — | 3 | $ 197 |

The tables above are inclusive of loans that were TDRs at the end of previous periods and were re-modified, e.g., a maturity date extension during the current period.

As of March 31, 2018 and 2017, 67% and 100% of the Bank's TDRs that occurred during the first quarters of 2018 and 2017 were performing according to their modified terms. The Bank provided approximately $127,000 and $29,000 in specific reserve allocations to clients whose loan terms were modified in TDRs during the first quarters of 2018 and 2017.

There was no significant change between the pre and post modification loan balances for the three months ending March 31, 2018 and 2017.

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The following table presents loans by class modified as troubled debt restructurings within the previous 12 months of March 31, 2018 and 2017 and for which there was a payment default during the three months ended March 31, 2018 and 2017.

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| (dollars in thousands) | Number of Loans | Recorded Investment | Number of Loans | Recorded Investment |
| Residential real estate: | | | | |
| Owner occupied | 1 | $ 522 | — | $ — |
| Commercial & industrial | 1 | 14 | — | — |
| Total | 2 | $ 536 | — | $ — |

Foreclosures

The following table presents the carrying amount of foreclosed properties held at March 31, 2018 and December 31, 2017 as a result of the Bank obtaining physical possession of such properties:

| (in thousands) | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Residential real estate | $ 160 | $ 115 |
| Total other real estate owned | $ 160 | $ 115 |

The following table presents the recorded investment in consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process according to local requirements of the applicable jurisdiction as of March 31, 2018 and December 31, 2017:

| (in thousands) | March 31, 2018 | December 31, 2017 |
|---|---|---|

| | | |
|---|---|---|
| Recorded investment in consumer residential real estate mortgage loans in the process of foreclosure | $ 1,113 | $ 1,392 |

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Easy Advances

The Company's TRS segment offered its EA product during the first two months of 2018 and 2017. The Company based its estimated provision for EA losses on current year EA delinquency information and prior year IRS funding patterns of federal tax refunds subsequent to the first quarter. Each year, all unpaid EAs are charged-off by the end of the second quarter.

Information regarding EAs follows:

| (in thousands) | Three Months Ended March 31, 2018 | | 2017 | |
|---|---|---|---|---|
| Easy Advances originated | $ 430,212 | | $ 328,519 | |
| Net Charge to the Provision for Easy Advances | 13,277 | | 8,601 | |
| Provision to total Easy Advances originated | 3.09 | % | 2.62 | % |
| Easy Advances net charge-offs | $ 3,705 | | $ 860 | |
| Easy Advances net charge-offs to total Easy Advances originated | 0.86 | % | 0.26 | % |

5. DEPOSITS

Ending deposit balances at March 31, 2018 and December 31, 2017 were as follows:

| (in thousands) | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Core Bank: | | |
| Demand | $ 952,510 | $ 944,812 |
| Money market accounts | 587,162 | 546,998 |

| | | |
|---|---|---|
| Brokered money market accounts | 366,060 | 373,242 |
| Savings | 191,423 | 182,800 |
| Individual retirement accounts* | 49,006 | 47,982 |
| Time deposits, $250 and over* | 77,234 | 77,891 |
| Other certificates of deposit* | 202,834 | 189,661 |
| Brokered certificates of deposit* | 48,626 | 46,089 |
| Total Core Bank interest-bearing deposits | 2,474,855 | 2,409,475 |
| Total Core Bank noninterest-bearing deposits | 1,065,902 | 988,537 |
| Total Core Bank deposits | 3,540,757 | 3,398,012 |
| | | |
| Republic Processing Group ("RPG"): | | |
| Money market accounts | 1,641 | 1,641 |
| Total RPG interest-bearing deposits | 1,641 | 1,641 |
| | | |
| Brokered prepaid card deposits | 22,022 | 1,509 |
| Other noninterest-bearing deposits | 153,203 | 31,996 |
| Total RPG noninterest-bearing deposits | 175,225 | 33,505 |
| Total RPG deposits | 176,866 | 35,146 |
| | | |
| Total deposits | $ 3,717,623 | $ 3,433,158 |

*Represents a time deposit.

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## 6. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND OTHER SHORT-TERM BORROWINGS

Securities sold under agreements to repurchase consist of short-term excess funds from correspondent banks, repurchase agreements and overnight liabilities to deposit clients arising from the Bank's treasury management program. While comparable to deposits in their transactional nature, these overnight liabilities to clients are in the form of repurchase agreements. Repurchase agreements collateralized by securities are treated as financings; accordingly, the securities involved with the agreements are recorded as assets and are held by a safekeeping agent and the obligations to repurchase the securities are reflected as liabilities. Should the fair value of currently pledged securities fall below the associated repurchase agreements, the Bank would be required to pledge additional securities. To mitigate the risk of under collateralization, the Bank typically pledges at least two percent more in securities than the associated repurchase agreements. All such securities are under the Bank's control.

At March 31, 2018 and December 31, 2017, all securities sold under agreements to repurchase had overnight maturities. Additional information regarding securities sold under agreements to repurchase follows:

| (dollars in thousands) | March 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| Outstanding balance at end of period | $ 175,682 | | $ 204,021 | |
| Weighted average interest rate at end of period | 0.50 | % | 0.31 | % |
| Fair value of securities pledged: | | | | |
| U.S. Treasury securities and U.S. Government agencies | $ 118,274 | | $ 71,824 | |
| Mortgage backed securities - residential | 62,032 | | 83,452 | |
| Collateralized mortgage obligations | 45,905 | | 84,693 | |
| Total securities pledged | $ 226,211 | | $ 239,969 | |

| (dollars in thousands) | Three Months Ended March 31, 2018 | | 2017 | |
|---|---|---|---|---|
| Average outstanding balance during the period | $ 257,439 | | $ 218,412 | |
| Average interest rate during the period | 0.33 | % | 0.05 | % |
| Maximum outstanding at any month end during the period | $ 215,281 | | $ 183,709 | |

## 7. FEDERAL HOME LOAN BANK ADVANCES

At March 31, 2018 and December 31, 2017, FHLB advances were as follows:

| (dollars in thousands) | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Overnight advances | $ 50,000 | $ 330,000 |
| Variable interest rate advance indexed to 3-Month LIBOR plus 0.14% | 10,000 | 10,000 |
| Fixed interest rate advances | 380,000 | 397,500 |
| Total FHLB advances | $ 440,000 | $ 737,500 |

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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 March 31, 2018 and December 31, 2017, Republic had available borrowing capacity of $641 million and $378 million, respectively, from the FHLB. In addition to its borrowing capacity with the FHLB, Republic also had unsecured lines of credit totaling $125 million and $125 million available through various other financial institutions as of March 31, 2018 and December 31, 2017.

Aggregate future principal payments on FHLB advances based on contractual maturity and the weighted average cost of such advances are detailed below:

| Year (dollars in thousands) | Principal | Weighted Average Rate |
|---|---|---|
| 2018 (Overnight) | $ 50,000 | 1.72 % |
| 2018 (Term) | 110,000 | 1.65 |
| 2019 | 100,000 | 1.80 |
| 2020 | 120,000 | 1.81 |
| 2021 | 30,000 | 1.93 |
| 2022 | 20,000 | 2.12 |
| 2023 | 10,000 | 2.14 |
| Thereafter | — | — |
| Total | $ 440,000 | 1.79 % |

Due to their nature, the Bank considers average balance information more meaningful than period-end balances for its overnight borrowings from the FHLB. Information regarding overnight FHLB advances follows:

| (dollars in thousands) | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Outstanding balance at end of period | $ 50,000 | $ 330,000 |
| Weighted average interest rate at end of period | 1.72 % | 1.42 % |

| (dollars in thousands) | Three Months Ended March 31, 2018 | 2017 |
|---|---|---|
| Average outstanding balance during the period | $ 144,889 | $ 109,333 |
| Average interest rate during the period | 1.44 % | 0.69 % |

| | | |
|---|---|---|
| Maximum outstanding at any month end during the period | $ 560,000 | $ 320,000 |

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

| (in thousands) | March 31, 2018 | December 31, 2017 |
|---|---|---|
| First lien, single family residential real estate | $ 1,121,052 | $ 1,123,402 |
| Home equity lines of credit | 317,751 | 320,649 |

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

The Company, in the normal course of business, is party to financial instruments with off balance sheet risk. These financial instruments primarily include commitments to extend credit and standby letters of credit. The contract or notional amounts of these instruments reflect the potential future obligations of the Company pursuant to those financial instruments. Creditworthiness for all instruments is evaluated on a case-by-case basis in accordance with the Company’s credit policies. Collateral from the client may be required based on the Company’s credit evaluation of the client and may include business assets of commercial clients, as well as personal property and real estate of individual clients or guarantors.

The Company also extends binding commitments to clients and prospective clients. Such commitments assure a borrower of financing for a specified period of time at a specified rate. Additionally, the Company makes binding purchase commitments to third-party loan correspondent originators. These commitments assure that the Company will purchase a loan from such correspondent originators at a specific price for a specific period of time. The risk to the Company under such loan commitments is limited by the terms of the contracts. For example, the Company may not be obligated to advance funds if the client’s financial condition deteriorates or if the client fails to meet specific covenants.

An approved but unfunded loan commitment represents a potential credit risk and a liquidity risk, since the Company’s client(s) may demand immediate cash that would require funding. In addition, unfunded loan commitments represent interest rate risk as market interest rates may rise above the rate committed to the Company’s client. 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.

The following table presents the Company’s commitments, exclusive of Mortgage Banking loan commitments, for each period ended:

| (in thousands) | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Unused warehouse lines of credit | $ 491,942 | $ 525,328 |
| Unused home equity lines of credit | 378,232 | 367,887 |
| Unused loan commitments - other | 703,759 | 598,002 |
| Standby letters of credit | 12,645 | 12,643 |
| FHLB letter of credit | 10,000 | 10,000 |
| Total commitments | $ 1,596,578 | $ 1,513,860 |

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a client to a third party. The terms and risk of loss involved in issuing standby letters of credit are similar to those involved in issuing loan commitments and extending credit. In addition to credit risk, the 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.

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## 9. FAIR VALUE

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

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

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

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

The Bank used the following methods and significant assumptions to estimate fair value:

Available-for-sale debt securities: Except for the Bank's private label mortgage backed security and its TRUP investment, the fair value of available-for-sale debt securities 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).

The Bank's private label mortgage backed security remains illiquid, and as such, the Bank classifies this security as a Level 3 security in accordance with ASC Topic 820, Fair Value Measurement. Based on this determination, the Bank utilized an income valuation model (present value model) approach in determining the fair value of this security.

See in this section of the filing under Footnote 2 "Investment Securities" for additional discussion regarding the Bank's private label mortgage backed security.

The Company acquired its TRUP investment in 2015 and considered the most recent bid price for the same instrument to approximate market value at March 31, 2018. The Company's TRUP investment is considered highly illiquid and also valued using Level 3 inputs, as the most recent bid price for this instrument is not always considered generally observable.

Equity securities with readily determinable fair value: Quoted market prices in an active market are available for the Bank's Community Reinvestment Act ("CRA") mutual fund investment and fall within Level 1 of the fair value hierarchy.

The fair value of the Company's Freddie Mac preferred stock is determined by matrix pricing, as described above (Level 2 inputs).

Mortgage loans held for sale, at fair value: 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.

Consumer loans held for sale, at fair value: The Company has elected to carry certain installment loans, which are originated through its RCS segment and generally sold within 21 days of origination, at fair value. The fair value for these loans is based on contractual terms, Level 3 inputs.

Mortgage Banking derivatives: Mortgage Banking derivatives used in the ordinary course of business primarily consist of mandatory forward sales contracts ("forward contracts") and interest rate lock loan commitments. The fair value of the Bank's derivative instruments is primarily measured by obtaining pricing from broker-dealers recognized to be market participants. The pricing is derived from market observable inputs that can generally be verified and do not typically involve significant judgment by the Bank. Forward contracts and rate-lock loan commitments are classified as Level 2 in the fair value hierarchy.

Interest rate swap agreements: Interest rate swaps are recorded at fair value on a recurring basis. The Company values its interest rate swaps using a third-party valuation service and classifies such valuations as Level 2. Valuations of these interest rate swaps are also received from the relevant counterparty and validated against the Company's calculations. The Company has considered counterparty credit risk in the valuation of its interest rate swap assets and has considered its own credit risk in the valuation of its interest rate swap liabilities.

Impaired loans: Collateral-dependent impaired loans generally reflect partial charge-downs to their respective fair value, which is commonly based on recent real estate appraisals or broker price opinions (“BPOs”). These appraisals or BPOs may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the process by the independent experts to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower’s financial statements or aging reports, adjusted or discounted based on management’s historical knowledge, changes in market conditions from the time of the valuation, and management’s expertise and knowledge of the client and client’s business, resulting in a Level 3 fair value classification. Collateral-dependent loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Premises carried at fair value: Premises and equipment are accounted for at the lower of cost less accumulated depreciation or fair value less estimated costs to sell. The fair value of Bank premises are commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches, including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments may be significant and typically result in a Level 3 classification of the inputs for determining fair value.

Other real estate owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals or BPOs. These appraisals or BPOs may utilize a single approach or a combination of approaches, including comparable sales and the income approach. Adjustments are routinely made in the process by the independent experts to adjust for differences between the comparable sales and income data available. Such adjustments may be significant and typically result in a Level 3 classification of the inputs for determining fair value.

Appraisals for collateral-dependent impaired loans, impaired premises and other real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Bank. Once the appraisal is received, a member of the Bank’s Credit Administration Department reviews the assumptions and approaches utilized in the appraisal, as well as the overall resulting fair value in comparison with independent data sources, such as recent market data or industry-wide statistics. On at least an annual basis, the Bank performs a back test of collateral appraisals by comparing actual selling prices on recent collateral sales to the most recent appraisal of such collateral. Back tests are performed for each collateral class, e.g., residential real estate or commercial real estate, and may lead to additional adjustments to the value of unliquidated collateral of similar class.

Mortgage servicing rights: On at least a quarterly basis, MSRs are evaluated for impairment based upon the fair value of the MSRs as compared to carrying amount. If the carrying amount of an individual tranche exceeds fair value, impairment is recorded and the respective individual tranche is carried at fair value. If the carrying amount of an individual tranche does not exceed fair value, impairment is reversed if previously recognized and the carrying value of the individual tranche is based on the amortization method. The valuation model utilizes assumptions that market participants would use in estimating future net servicing income and can generally be validated against available market data (Level 2). There were no MSR tranches carried at fair value at March 31, 2018 and December 31, 2017.

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

| | Fair Value Measurements at March 31, 2018 Using: | | | |
|---|---|---|---|---|
| (in thousands) | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
| Financial assets: | | | | |
| Available-for-sale debt securities: | | | | |
| U.S. Treasury securities and U.S. Government agencies | $ — | $ 217,001 | $ — | $ 217,001 |
| Private label mortgage backed security | — | — | 4,120 | 4,120 |
| Mortgage backed securities - residential | — | 100,238 | — | 100,238 |
| Collateralized mortgage obligations | — | 82,745 | — | 82,745 |
| Corporate bonds | — | 9,979 | — | 9,979 |
| Trust preferred security | — | — | 3,900 | 3,900 |
| Total available-for-sale debt securities | $ — | $ 409,963 | $ 8,020 | $ 417,983 |
| | | | | |
| Equity securities with readily determinable fair value: | | | | |
| Freddie Mac preferred stock | $ — | $ 328 | $ — | $ 328 |
| Community Reinvestment Act mutual fund | 2,418 | — | — | 2,418 |
| Total equity securities with readily determinable fair value | $ 2,418 | $ 328 | $ — | $ 2,746 |
| | | | | |
| Mortgage loans held for sale | $ — | $ 4,496 | $ — | $ 4,496 |
| Consumer loans held for sale | — | — | 2,419 | 2,419 |
| Rate lock loan commitments | — | 443 | — | 443 |
| Mandatory forward contracts | — | 47 | — | 47 |
| Interest rate swap agreements | — | 1,494 | — | 1,494 |
| | | | | |
| Financial liabilities: | | | | |
| Interest rate swap agreements | $ — | $ 1,360 | $ — | $ 1,360 |

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| (in thousands) | Fair Value Measurements at December 31, 2017 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 |
|---|---|---|---|---|
| Financial assets: | | | | |
| Available-for-sale debt securities: | | | | |
| U.S. Treasury securities and U.S. Government agencies | $ — | $ 307,592 | $ — | $ 307,592 |
| Private label mortgage backed security | — | — | 4,449 | 4,449 |
| Mortgage backed securities - residential | — | 106,374 | — | 106,374 |
| Collateralized mortgage obligations | — | 87,163 | — | 87,163 |
| Corporate bonds | — | 15,125 | — | 15,125 |
| Trust preferred security | — | — | 3,600 | 3,600 |
| Total available-for-sale debt securities | $ — | $ 516,254 | $ 8,049 | $ 524,303 |
| | | | | |
| Equity securities with readily determinable fair value: | | | | |
| Freddie Mac preferred stock | $ — | $ 473 | $ — | $ 473 |
| Community Reinvestment Act mutual fund | 2,455 | — | — | 2,455 |
| Total equity securities with readily determinable fair value | $ 2,455 | $ 473 | $ — | $ 2,928 |
| | | | | |
| Mortgage loans held for sale | $ — | $ 5,761 | $ — | $ 5,761 |
| Consumer loans held for sale | — | — | 2,677 | 2,677 |
| Rate lock loan commitments | — | 310 | — | 310 |
| Interest rate swap agreements | — | 312 | — | 312 |
| | | | | |
| Financial liabilities: | | | | |
| Mandatory forward contracts | $ — | $ 9 | $ — | $ 9 |
| Interest rate swap agreements | — | 403 | — | 403 |

All transfers between levels are generally recognized at the end of each quarter. There were no transfers into or out of Level 1, 2 or 3 assets during the three months ended March 31, 2018 and 2017.

Private Label Mortgage Backed Security

The following table presents a reconciliation of the Bank's private label mortgage backed security measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the periods ended March 31, 2018 and 2017:

| (in thousands) | Three Months Ended March 31, 2018 | 2017 |
|---|---|---|
| Balance, beginning of period | $ 4,449 | $ 4,777 |
| Total gains or losses included in earnings: | | |
| Net change in unrealized gain | (2) | 53 |
| Recovery of actual losses previously recorded | 38 | — |
| Principal paydowns | (365) | (148) |
| Balance, end of period | $ 4,120 | $ 4,682 |

The fair value of the Bank's single private label mortgage backed security is supported by analysis prepared by an independent third party. The third party's approach to determining fair value involved several steps: 1) detailed collateral analysis of the underlying mortgages, including consideration of geographic location, original loan-to-value and the weighted average FICO score of the borrowers; 2) collateral performance projections for each pool of mortgages underlying the security (probability of default, severity of default, and prepayment probabilities) and 3) discounted cash flow modeling.

The significant unobservable inputs in the fair value measurement of the Bank's single private label mortgage backed security are prepayment rates, probability of default and loss severity in the event of default. Significant fluctuations in any of those inputs in isolation would result in a significantly different fair value measurement.

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Quantitative information about recurring Level 3 fair value measurement inputs for the Bank's single private label mortgage backed security follows:

| March 31, 2018 (dollars in thousands) | Fair Value | Valuation Technique | Unobservable Inputs | Range |
|---|---|---|---|---|
| Private label mortgage backed security | $ 4,120 | Discounted cash flow | (1) Constant prepayment rate | 5.0% - 6.5% |
| | | | (2) Probability of default | 1.8% - 8.0% |
| | | | (3) Loss severity | 50% - 85% |

| December 31, 2017 (dollars in thousands) | Fair Value | Valuation Technique | Unobservable Inputs | Range |
|---|---|---|---|---|
| Private label mortgage backed security | $ 4,449 | Discounted cash flow | (1) Constant prepayment rate | 3.5% - 6.5% |
| | | | (2) Probability of default | 1.8% - 8.0% |
| | | | (3) Loss severity | 60% - 85% |

Trust Preferred Security

The following table presents a reconciliation of the Company's TRUP measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2018 and 2017:

Three Months Ended

| | March 31, | |
|---|---|---|
| (in thousands) | 2018 | 2017 |
| Balance, beginning of period | $ 3,600 | $ 3,200 |
| Total gains or losses included in earnings: | | |
| Discount accretion | 10 | 11 |
| Net change in unrealized gain | 290 | (11) |
| Balance, end of period | $ 3,900 | $ 3,200 |

The fair value of the Company's TRUP investment is based on the most recent bid price for this instrument, as provided by a third-party broker.

Mortgage Loans Held for Sale

The Bank has elected the fair value option for mortgage loans held for sale. These loans are intended for sale and the Bank believes that the fair value is the best indicator of the resolution of these loans. Interest income is recorded based on the contractual terms of the loans and in accordance with Bank policy for such instruments. None of these loans were past due 90-days-or-more or on nonaccrual as of March 31, 2018 and December 31, 2017.

As of March 31, 2018 and December 31, 2017, the aggregate fair value, contractual balance, and unrealized gain was as follows:

| (in thousands) | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Aggregate fair value | $ 4,496 | $ 5,761 |
| Contractual balance | 4,412 | 5,668 |
| Unrealized gain | 84 | 93 |

The total amount of gains and losses from changes in fair value included in earnings for the three months ended March 31, 2018 and 2017 for mortgage loans held for sale are presented in the following table:

| | Three Months Ended March 31, | |
|---|---|---|
| (in thousands) | 2018 | 2017 |
| Interest income | $ 72 | $ 67 |
| Change in fair value | (9) | (7) |
| Total included in earnings | $ 63 | $ 60 |

Consumer Loans Held for Sale

RCS carries loans originated for sale through its installment loan program at fair value. Such loans are generally sold within 21 days of origination, with their fair value based on contractual terms. Interest income is recorded based on the contractual terms of the loan and in accordance with Bank policy for such instruments. None of these loans were past due 90-days-or-more or on nonaccrual as of March 31, 2018 and December 31, 2017.

A reconciliation of the Company’s consumer loans held for sale measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2018 and 2017 is included in Footnote 3 of this section of the filing.

The significant unobservable inputs in the fair value measurement of the Bank’s installment loans are the net contractual premiums and level of loans sold at a discount price. Significant fluctuations in any of those inputs in isolation would result in a significantly lower/higher fair value measurement.

The following table presents quantitative information about recurring Level 3 fair value measurement inputs for installment loans as of March 31, 2018 and December 31, 2017:

| March 31, 2018 (dollars in thousands) | Fair Value | Valuation Technique | Unobservable Inputs | Rate |
|---|---|---|---|---|
| Consumer loans held for sale | $ 2,419 | Contractual Terms | (1) Net Premium | 0.9% |
| | | | (2) Discounted Sales | 5.0% |

| December 31, 2017 (dollars in thousands) | Fair Value | Valuation Technique | Unobservable Inputs | Rate |
|---|---|---|---|---|
| Consumer loans held for sale | $ 2,677 | Contractual Terms | (1) Net Premium | 0.9% |
| | | | (2) Discounted Sales | 5.0% |

As of March 31, 2018 and December 31, 2017 the aggregate fair value, contractual balance, and unrealized gain on consumer loans held for sale, at fair value, was as follows:

| (in thousands) | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Aggregate fair value | $ 2,419 | $ 2,677 |
| Contractual balance | 2,291 | 2,535 |
| Unrealized gain | 128 | 142 |

The total amount of net gains from changes in fair value included in earnings for the three months ended March 31, 2018 and 2017 for consumer loans held for sale, at fair value, are presented in the following table:

| | Three Months Ended March 31, | |
|---|---|---|
| (in thousands) | 2018 | 2017 |
| Interest income | $ 176 | $ 186 |
| Change in fair value | (14) | 82 |
| Total included in earnings | $ 162 | $ 268 |

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

| | Fair Value Measurements at March 31, 2018 Using: | | | |
|---|---|---|---|---|
| (in thousands) | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
| Impaired loans: | | | | |
| Residential real estate: | | | | |
| Owner occupied | $ — | $ — | $ 3,269 | $ 3,269 |
| Nonowner occupied | — | — | 1,339 | 1,339 |
| Commercial real estate | — | — | 1,342 | 1,342 |
| Commercial & industrial | — | — | 744 | 744 |
| Home equity | — | — | 308 | 308 |
| Total impaired loans* | $ — | $ — | $ 7,002 | $ 7,002 |
| Premises | $ — | $ — | $ 2,896 | $ 2,896 |

| | Fair Value Measurements at December 31, 2017 Using: | | | |
|---|---|---|---|---|
| (in thousands) | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
| Impaired loans: | | | | |
| Residential real estate: | | | | |
| Owner occupied | $ — | $ — | $ 4,107 | $ 4,107 |
| Nonowner occupied | — | — | 237 | 237 |
| Commercial real estate | — | — | 1,366 | 1,366 |
| Home equity | — | — | 393 | 393 |
| Total impaired loans* | $ — | $ — | $ 6,103 | $ 6,103 |
| Other real estate owned: | | | | |
| Residential real estate | $ — | $ — | $ 83 | $ 83 |
| Total other real estate owned | $ — | $ — | $ 83 | $ 83 |
| Premises | $ — | $ — | $ 3,017 | $ 3,017 |

* The difference between the carrying value and the fair value of impaired loans measured at fair value is reconciled in a subsequent table of this Footnote.

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The following tables present quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis:

| March 31, 2018 (dollars in thousands) | Fair Value | Valuation Technique | Unobservable Inputs | Range (Weighted Average) |
|---|---|---|---|---|
| Impaired loans - residential real estate owner occupied | $ 3,269 | Sales comparison approach | Adjustments determined for differences between comparable sales | 0% - 54% (12%) |
| Impaired loans - residential real estate nonowner occupied | $ 1,339 | Sales comparison approach | Adjustments determined for differences between comparable sales | 0% - 27% (13%) |
| Impaired loans - commercial real estate | $ 79 | Sales comparison approach | Adjustments determined for differences between comparable sales | |