REPUBLIC BANCORP INC /KY/
Form 10-Q
April 20, 2011

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

FORM 10-Q

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

For the quarterly period ended March 31, 2011

or

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

Commission File Number: 0-24649

REPUBLIC BANCORP, INC.
(Exact name of registrant as specified in its charter)

Kentucky (State of other jurisdiction of incorporation or organization)	61-0862051 (I.R.S. Employer Identification No.)
601 West Market Street, Louisville, Kentucky (Address of principal executive offices)	40202 (Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
þ Yes o 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).
o Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o

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

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

The number of shares outstanding of the registrant's Class A Common Stock and Class B Common Stock, as of April 19, 2011, was 18,633,015 and 2,304,859, respectively.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSOLIDATED BALANCE SHEETS (in thousands) (unaudited)

	March 31, 2011	December 31, 2010
ASSETS:		
Cash and cash equivalents	$472,315	$786,371
Securities available for sale	615,169	509,755
Securities to be held to maturity (fair value of $31,255 in 2011 and $33,824 in 2010)	30,467	32,939
Mortgage loans held for sale	1,381	15,228
Loans, net of allowance for loan losses of $29,144 and $23,079 (2011 and 2010)	2,149,742	2,152,161
Federal Home Loan Bank stock, at cost	26,213	26,212
Premises and equipment, net	36,734	37,770
Goodwill	10,168	10,168
Other assets and accrued interest receivable	53,555	52,099
TOTAL ASSETS	$3,395,744	$3,622,703
LIABILITIES		
Deposits		
Non interest-bearing	$561,095	$325,375
Interest-bearing	1,463,616	1,977,317
Total deposits	2,024,711	2,302,692
Securities sold under agreements to repurchase and other short-term borrowings	259,722	319,246
Federal Home Loan Bank advances	554,837	564,877
Subordinated note	41,240	41,240
Other liabilities and accrued interest payable	74,799	23,272
Total liabilities	2,955,309	3,251,327
STOCKHOLDERS' EQUITY		
Preferred stock, no par value	-	-
Class A Common Stock and Class B Common Stock, no par value	4,944	4,944
Additional paid in capital	129,811	129,327
Retained earnings	299,435	230,987
Accumulated other comprehensive income	6,245	6,118
Total stockholders' equity	440,435	371,376
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,395,744	$3,622,703

See accompanying footnotes to consolidated financial statements.

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

	Three Months Ended March 31, 2011	2010
INTEREST INCOME:		
Loans, including fees	$88,161	$82,483
Taxable investment securities	3,592	3,745
Tax exempt investment securities	-	6
Federal Home Loan Bank stock and other	870	995
Total interest income	92,623	87,229
INTEREST EXPENSE:		
Deposits	2,938	4,319
Securities sold under agreements to repurchase and other short-term borrowings	251	240
Federal Home Loan Bank advances	4,834	5,178
Subordinated note	629	620
Total interest expense	8,652	10,357
NET INTEREST INCOME	83,971	76,872
Provision for loan losses	18,082	16,790
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	65,889	60,082
NON INTEREST INCOME:		
Service charges on deposit accounts	3,424	3,872
Electronic refund check fees	81,062	53,168
Net RAL securitization income	179	195
Mortgage banking income	816	1,012
Debit card interchange fee income	1,484	1,220
Total impairment losses on investment securities	(279)	(69)
Loss recognized in other comprehensive income	-	-
Net impairment loss recognized in earnings	(279)	(69)
Other	626	479
Total non interest income	87,312	59,877
NON INTEREST EXPENSES:		
Salaries and employee benefits	17,239	17,378
Occupancy and equipment, net	6,297	6,418
Communication and transportation	2,509	2,469

Marketing and development	904	8,592
FDIC insurance expense	1,635	1,117
Bank franchise tax expense	1,565	1,145
Data processing	748	720
Debit card interchange expense	523	649
Supplies	894	1,032
Other real estate owned expense	481	301
Charitable contributions	5,298	5,486
FHLB advance prepayment expense	-	1,531
Other	4,725	4,301
Total non interest expenses	42,818	51,139
INCOME BEFORE INCOME TAX EXPENSE	110,383	68,820
INCOME TAX EXPENSE	38,971	24,192
NET INCOME	$71,412	$44,628

(continued)

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Unrealized gain (loss) on securities available for sale, net of tax	$474	$(1,055)
Change in unrealized losses on securities available for sale for which a portion of an other-than-temporary impairment has been recognized in earnings, net of tax	(166)	203
Reclassification adjustment for losses or gains realized in income, net of tax	(181)	(45)
Other comprehensive income (loss)	127	(897)
COMPREHENSIVE INCOME	$71,539	$43,731
BASIC EARNINGS PER SHARE:		
Class A Common Stock	$3.41	$2.15
Class B Common Stock	3.40	2.13
DILUTED EARNINGS PER SHARE:		
Class A Common Stock	$3.40	$2.14
Class B Common Stock	3.39	2.13

See accompanying footnotes to consolidated financial statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)

(in thousands, except per share data)	Common Stock Class A Shares Outstanding	Class B Shares Outstanding	Amount	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, January 1, 2011	18,628	2,307	$4,944	$ 129,327	$230,987	$ 6,118	$ 371,376
Net income	-	-	-	-	71,412	-	71,412
Net change in accumulated other comprehensive income	-	-	-	-	-	127	127
Dividend declared Common Stock:							
Class A ($0.143 per share)	-	-	-	-	(2,664)	-	(2,664)
Class B ($0.130 per share)	-	-	-	-	(300)	-	(300)
Stock options exercised, net of shares redeemed	-	-	-	-	-	-	-
Repurchase of Class A Common Stock	-	-	-	-	-	-	-
Conversion of Class B Common Stock to Class A Common Stock	3	(3)	-	-	-	-	-
Notes receivable on Common Stock, net of cash payments	-	-	-	328	-	-	328
Deferred director compensation expense - Company Stock	2	-	-	51	-	-	51
Stock based compensation expense	-	-	-	105	-	-	105
Balance, March 31, 2011	18,633	2,304	$4,944	$ 129,811	$299,435	$ 6,245	$ 440,435

See accompanying footnotes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (in thousands)

	2011	2010
OPERATING ACTIVITIES:		
Net income	$71,412	$44,628
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	2,583	4,465
Provision for loan losses	18,082	16,790
Net gain on sale of mortgage loans held for sale	(708)	(868)
Origination of mortgage loans held for sale	(26,255)	(49,109)
Proceeds from sale of mortgage loans held for sale	40,810	49,621
Increase in RAL securitization residual	179	195
Paydown of trading securities	(179)	(195)
Net realized loss on sales, calls and impairment of securities	279	69
Net gain on sale of other real estate owned	(151)	(7)
Writedowns of other real estate owned	186	220
Deferred director compensation expense - Company Stock	51	46
Stock based compensation expense	105	175
Net change in other assets and liabilities:		
Accrued interest receivable	(269)	453
Accrued interest payable	(225)	(468)
Other assets	967	(13,290)
Other liabilities	51,516	40,009
Net cash provided by operating activities	158,383	92,734
INVESTING ACTIVITIES		
Purchases of securities available for sale	(149,221)	(277,787)
Purchases of Federal Home Loan Bank stock	(1)	(26)
Proceeds from calls, maturities and paydowns of securities available for sale	44,044	281,772
Proceeds from calls, maturities and paydowns of securities to be held to maturity	2,469	1,621
Proceeds from sales of other real estate owned	2,613	1,672
Net change in loans	(20,771)	(22,343)
Purchases of premises and equipment	(1,063)	(952)
Net cash provided by/(used in) investing activities	(121,930)	(16,043)
FINANCING ACTIVITIES		
Net change in deposits	(277,981)	(703,351)
Net change in securities sold under agreements to repurchase and other short-term borrowings	(59,524)	(24,469)
Payments on Federal Home Loan Bank advances	(55,040)	(117,043)
Proceeds from Federal Home Loan Bank advances	45,000	25,000
Repurchase of Common Stock	-	(62)
Net proceeds from Common Stock options exercised	-	66
Cash dividends paid	(2,964)	(2,720)
Net cash used in financing activities	(350,509)	(822,579)

NET CHANGE IN CASH AND CASH EQUIVALENTS	(314,056)	(745,888)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	786,371	1,068,179
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$472,315	$322,291

(continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)
THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (in thousands)

	2011	2010
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$8,877	$10,825
Income taxes	64	781
SUPPLEMENTAL NONCASH DISCLOSURES		
Transfers from loans to real estate acquired in settlement of loans	$5,436	$3,316

See accompanying footnotes to consolidated financial statements.

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

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

As of March 31, 2011, the Company was divided into three distinct business operating segments: Traditional Banking, Tax Refund Solutions and Mortgage Banking.

Traditional Banking and Mortgage Banking (collectively "Core Banking")

Republic operates 43 banking centers, primarily in the retail banking industry, and conducts its operations predominately in metropolitan Louisville, Kentucky, central Kentucky, northern Kentucky, southern Indiana, metropolitan Tampa, Florida, metropolitan Cincinnati, Ohio and through an Internet banking delivery channel. Core Banking results of operations are primarily dependent upon net interest income, which represents the difference between the interest income and fees on interest-earning assets and the interest expense on interest-bearing liabilities. Principal interest-earning Core Banking assets represent investment securities and real estate mortgage, commercial and consumer loans. Interest-bearing liabilities primarily consist of interest-bearing deposit accounts, securities sold under agreements to repurchase, as well as short-term and long-term borrowing sources.

Other sources of Core Banking income include service charges on deposit accounts, debit card interchange fee income, title insurance commissions, fees charged to customers for trust services and revenue generated from Mortgage Banking activities. Mortgage Banking activities represent both the origination and sale of loans in the secondary market and the servicing of loans for others.

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

Tax Refund Solutions

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

ERCs/ERDs are products whereby a tax refund is issued to the taxpayer after the Company has received the refund from the federal or state government. There is no credit risk or borrowing cost for the Company associated with these products because they are only delivered to the taxpayer upon receipt of the refund directly from the Internal Revenue Service ("IRS"). Fees earned on ERCs/ERDs are reported as non interest income under the line item "Electronic Refund Check fees."

RALs are short-term consumer loans offered to taxpayers that are secured by the customer's anticipated tax refund, which represents the source of repayment. Prior to 2011, the Company historically underwrote the RAL application utilizing the Debt Indicator (the "DI") from the IRS, in combination with an automated underwriting model utilizing information contained in the taxpayer's tax return. The DI, which typically indicates whether an individual taxpayer will have any portion of the refund offset for delinquent tax or other debts, such as unpaid child support or federally funded student loans, has historically been a significant underwriting component. On August 5, 2010, the IRS issued a news release stating that it would no longer provide tax preparers and associated financial institutions with the DI beginning with the first quarter 2011 tax season. The Company modified its underwriting and application requirement criteria for the first quarter 2011 tax season to adjust for the loss of access to the DI.

If a consumer's RAL application is approved, the Company advances $1,500 of the taxpayer's refund. As part of the RAL application process, each taxpayer signs an agreement directing the applicable taxing authority to send the taxpayer's refund directly to the Company. The refund received from the IRS or state taxing authority, if applicable, is used by the Company to pay off the RAL. Any amount due the taxpayer above the amount of the RAL is remitted to the taxpayer once the refund is received by the Company. The funds advanced by the Company are generally repaid by the applicable taxing authority within two weeks. The fees earned on RALs are reported as interest income under the line item "Loans, including fees."

For additional discussion regarding TRS, see the following sections:

Part I Item 1 "Financial Statements:"

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

Recently Issued Accounting Pronouncements

In January 2011, the FASB issued ASU No. 2011-01, "Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20." The provisions of ASU No. 2010-20 required the disclosure of more granular information on the nature and extent of troubled debt restructurings and their effect on the allowance for loan and lease losses effective for the Company's reporting period ended March 31, 2011. The amendments in ASU No. 2011-01 defer the effective date related to these disclosures, enabling creditors to provide such disclosures after the FASB completes their project clarifying the guidance for determining what constitutes a troubled debt restructuring. As the provisions of this ASU only defer the effective date of disclosure requirements related to troubled debt restructurings, the adoption of this ASU will have no impact on the Company's statements of income and condition.

In April 2011, the FASB issued ASU No. 2011-02, "A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring." The provisions of ASU No. 2011-02 provide additional guidance related to determining whether a creditor has granted a concession, include factors and examples for creditors to consider in evaluating whether a restructuring results in a delay in payment that is insignificant, prohibit creditors from using the borrower's effective rate test to evaluate whether a concession has been granted to the borrower, and add factors for creditors to use in determining whether a borrower is experiencing financial difficulties. A provision in ASU No. 2011-02 also ends the FASB's deferral of the additional disclosures about troubled debt restructurings as required by ASU No. 2010-20. The provisions of ASU No. 2011-02 are effective for the Company's reporting period ending September 30, 2011. The adoption of ASU No. 2011-02 is not expected to have a material impact on the Company's statements of income and condition.

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

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. For further information, refer to the consolidated financial statements and footnotes thereto included in Republic's Form 10-K for the year ended December 31, 2010.

2. INVESTMENT SECURITIES

Securities available for sale:

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

March 31, 2011 (in thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$140,168	$608	$(190)	$140,586
Private label mortgage backed and other private label mortgage-related securities	5,818	360	(1,304)	4,874
Mortgage backed securities - residential	252,202	8,954	-	261,156
Collateralized mortgage obligations	207,373	1,353	(173)	208,553
Total securities available for sale	$605,561	$11,275	$(1,667)	$615,169

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

Mortgage backed Securities

At March 31, 2011, with the exception of the $4.9 million private label mortgage backed and other private label mortgage-related securities, all other mortgage backed securities held by the Company were issued by U.S. government-sponsored entities and agencies, primarily Federal Home Loan Mortgage Corporation ("Freddie Mac" or "FHLMC") and Fannie Mae ("FNMA"), institutions which the government has affirmed its commitment to support. At March 31, 2011 and December 31, 2010, there were gross unrealized losses of $173,000 and $152,000 related to available for sale and held to maturity mortgage backed securities other than the private label mortgage backed and other private label mortgage-related securities. Because the decline in fair value of these mortgage backed securities is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired.

As mentioned throughout this filing, the Company's mortgage backed securities portfolio includes private label mortgage backed and other private label mortgage-related securities with a fair value of $4.9 million which had gross unrealized losses of approximately $1.3 million at March 31, 2011. As of March 31, 2011, the Company believes there is no further material credit loss component of other-than-temporary impairment ("OTTI") in addition to that which has already been recorded. Additionally, the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery.

Securities to be held to maturity:

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

March 31, 2011 (in thousands)	Carrying Value	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$4,189	$24	$-	$4,213
Mortgage backed securities - residential	1,827	108	-	1,935
Collateralized mortgage obligations	24,451	626	-	25,077
Total securities to be held to maturity	$30,467	$758	$-	$31,225

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

During the three month periods ended March 31, 2011 and 2010, there were no sales of securities available for sale.

The amortized cost and fair value of the investment securities portfolio by contractual maturity at March 31, 2011 follows. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are detailed separately.

	Securities available for sale		Securities held to maturity	
March 31 2011, (in thousands)	Amortized Cost	Fair Value	Carrying Value	Fair Value
Due in one year or less	$100,504	$100,783	$495	$505
Due from one year to five years	15,989	15,917	3,694	3,708
Due from five years to ten years	23,675	23,886	-	-
Private label mortgage backed and other private label mortgage-related securities	5,818	4,874	-	-
Mortgage backed securities - residential	252,202	261,156	1,827	1,935
Collateralized mortgage obligations	207,373	208,553	24,451	25,077
Total	$605,561	$615,169	$30,467	$31,225

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Market Loss Analysis

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

	Less than 12 months		12 months or more		Total	
March 31, 2011 (in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and U.S. Government agencies	$32,806	$(190)	$-	$-	$32,806	$(190)
Private label mortgage backed and other private label mortgage-related securities	-	-	4,514	(1,304)	4,514	(1,304)
Mortgage backed securities - residential, including Collateralized mortgage obligations	85,447	(173)	-	-	85,447	(173)
Total	$118,253	$(363)	$4,514	$(1,304)	$122,767	$(1,667)

	Less than 12 months		12 months or more		Total	
December 31, 2010 (in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and U.S. Government agencies	$23,235	$(269)	$-	$-	$23,235	$(269)
Private label mortgage backed and other private label mortgage-related securities	-	-	4,409	(1,410)	4,409	(1,410)
Mortgage backed securities - residential, including Collateralized mortgage obligations	49,477	(152)	-	-	49,477	(152)
Total	$72,712	$(421)	$4,409	$(1,410)	$77,121	$(1,831)

As of March 31, 2011, the Company's security portfolio consisted of 159 securities, 20 of which were in an unrealized loss position. The majority of unrealized losses are related to the Company's mortgage-backed and other securities, as discussed below.

Other-than-temporary impairment ("OTTI")

Unrealized losses for all investment securities are reviewed to determine whether the losses are "other-than-temporary." Investment securities are evaluated for OTTI on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether a decline in their value below amortized cost is other-than-temporary. In conducting this assessment, the Company evaluates a number of factors including, but not limited to:

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

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

Nationally, residential real estate values have declined significantly since 2007. These declines in value, coupled with the reduced ability of certain homeowners to refinance or repay their residential real estate obligations, have led to elevated delinquencies and losses in residential real estate loans. Many of these loans have previously been securitized and sold to investors as private label mortgage backed and other private label mortgage-related securities. As detailed in the table below, the Company owns four private label mortgage backed and other private label mortgage-related securities with a carrying value of $5.8 million at March 31, 2011. For three of these securities (Securities 1 through three), the Company has recorded all projected losses through OTTI charges. The Company has permanently written off a portion of the principal associated with these securities, as a portion of its losses were passed through by the servicer/trustee.

None of these private label securities are guaranteed by government agencies. Securities 1 through 3 in the table below are mostly backed by "Alternative A" first lien mortgage loans. Security 4 in the table below represents an asset backed security with an insurance "wrap" or guarantee. The average life of security 4 is currently estimated to be five years. Due to current market conditions, all of these assets remain extremely illiquid, and as such, the Company determined that these securities are Level 3 securities in accordance with FASB ASC topic 820, "Fair Value Measurements and Disclosures." Based on this determination, the Company utilized an income valuation model (present value model) approach, in determining the fair value of these securities. This approach is beneficial for positions that are not traded in active markets or are subject to transfer restrictions, and/or where valuations are adjusted to reflect illiquidity and/or non-transferability. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used. Management's best estimate consists of both internal and external support for these investments. See Footnote 6, "Fair Value" for additional discussion.

The following table contains details regarding the Company's private label securities as of March 31, 2011:

(in thousands)	Amortized Cost	Cumulative OTTI Credit Losses	Amortized Cost, Net of OTTI Reserves	Fair Value	Gross Unrealized Gains / (Losses)
Security 1	$ 2,006	$ (2,006)	$ -	$ -	$ -
Security 2	3,607	(3,607)	-	267	267
Security 3	1,861	(1,861)	-	93	93
Security 4	7,834	(2,016)	5,818	4,514	(1,304)
Total	$ 15,308	$ (9,490)	$ 5,818	$ 4,874	$ (944)

The credit ratings for the Company's private label mortgage backed and other private label mortgage-related securities range from "imminent default" to "speculative" at March 31, 2011.

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

(in thousands)	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Beginning balance, January 1	$ 9,757	$ 17,266
Realized pass through of actual losses	(546)	(1,836)
Amounts related to credit loss for which an other-than-temporary impairment was not previously recognized	279	69
Ending balance, March 31	$ 9,490	$ 15,499

Further deterioration in economic conditions could cause the Company to record additional impairment charges related to credit losses of up to $5.8 million, which is the current carrying value of the Company's private label mortgage backed securities and other private label mortgage-related securities.

Pledged Investment Securities

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

(in thousands)	March 31, 2011	December 31, 2010
Carrying amount	$ 408,391	$ 430,445
Fair value	409,024	431,223

3. LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of the loan portfolio follows:

December 31, (in thousands)	March 31, 2011	December 31, 2010
Residential real estate:		
Owner Occupied	$ 922,517	$ 913,856
Non Owner Occupied	115,837	126,404
Commercial real estate	653,637	646,417
Real estate construction	62,147	69,068
Commercial	108,915	107,647
Home equity	288,499	290,492
Consumer:		
Credit Cards	8,061	8,206
Overdrafts	838	901
Other Consumer	18,435	12,249
Total loans	2,178,886	2,175,240
Less: Allowance for loan losses	29,144	23,079
Loans, net	$ 2,149,742	$ 2,152,161

Activity in the allowance for loan losses follows:

(in thousands)	Three Months Ended March 31, 2011	2010
Allowance for loan losses at beginning of period	$ 23,079	$ 22,879
Charge offs - Traditional Banking	(1,674)	(1,993)
Charge offs - Tax Refund Solutions	(13,441)	(14,584)
Total charge offs	(15,115)	(16,577)
Recoveries - Traditional Banking	546	239
Recoveries - Tax Refund Solutions	2,552	2,309
Total recoveries	3,098	2,548
Net loan charge offs/recoveries - Traditional Banking	(1,128)	(1,754)
Net loan charge offs/recoveries - Tax Refund Solutions	(10,889)	(12,275)
Net loan charge offs/recoveries	(12,017)	(14,029)
Provision for loan losses - Traditional Banking	4,322	2,777
Provision for loan losses - Tax Refund Solutions	13,760	14,013
Total provision for loan losses	18,082	16,790
Allowance for loan losses at end of period	$ 29,144	$ 25,640

Approximately $2.9 million of the ending allowance for loan loss balance at March 31, 2011 was associated with RALs outstanding.

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2011:

March 31, 2011 (in thousands)	Residential Real Estate Owner Occupied	Residential Real Estate Non Owner Occupied	Commercial Real Estate	Real Estate Construction	Commercial	Home Equity	Tax Refund Solutions	Credit Cards	Overdrafts	Other Consumer	Unallocated	Total
Beginning balance	$3,775	$1,507	$7,214	$2,612	$1,347	$3,581	$-	$492	$125	$461	$1,965	$23,079
Provision for loan losses	1,334	(284)	1,367	1,297	(196)	755	13,760	52	(10)	7	-	18,082
Loans charged off	(535)	(14)	(558)	-	-	(277)	(13,441)	(75)	(147)	(68)	-	(15,115)
Recoveries	62	2	17	101	114	13	2,552	15	148	74	-	3,098

Ending Balance	$4,636	$1,211	$8,040	$4,010	$1,265	$4,072	$2,871	$484	$116	$474	$1,965	$29,144

Republic defines impaired loans as follows:

- All commercial or commercial real estate loans classified internally as "doubtful" or "loss;"
- All commercial or commercial real estate loan relationships on accrual status classified internally as "substandard" exceeding $499,999 in aggregate;
- All commercial or commercial real estate loans classified internally as "substandard" or "special mention" on nonaccrual status, regardless of the size of the credit;
- All retail and commercial loans classified as troubled debt restructurings ("TDRs"); and
- Any other situation where the collection of total amount due for a loan is improbable or otherwise meet the definition of impaired.

Information regarding Republic's impaired loans follows:

(in thousands)	March 31, 2011	December 31, 2010
Loans with no allocated allowance for loan losses	$ 16,637	$ 14,141
Loans with allocated allowance for loan losses	35,131	30,945
Total impaired loans	$ 51,768	$ 45,086
Amount of the allowance for loan losses allocated	$ 7,560	$ 4,284

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

Detail of TDRs differentiated by loan type and accrual or nonaccrual classification follows:

March 31, 2011 (in thousands)	TDRs on Non-Accrual Status	TDRs on Accrual Status	Total TDRs
Residential real estate	$ 1,980	$ 13,831	$ 15,811
Commercial real estate	3,069	8,622	11,691
Real estate construction	3,065	1,571	4,636
Commercial	-	4,644	4,644
Total TDRs	$ 8,114	$ 28,668	$ 36,782

December 31, 2010 (in thousands)	TDRs on Non-Accrual Status	TDRs on Accrual Status	Total TDRs
Residential real estate	$ 1,272	$ 9,191	$ 10,463
Commercial real estate	2,703	11,425	14,128
Real estate construction	640	2,719	3,359
Commercial	-	4,281	4,281
Total TDRs	$ 4,615	$ 27,616	$ 32,231

The following tables present loans individually evaluated for impairment by class of loans. The difference between the unpaid principal balance and recorded investment represents partial write downs/charge offs taken on individual impaired credits.

March 31, 2011 (in thousands)	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment
Impaired loans with no related allowance recorded:				
Residential Real Estate:				
Owner Occupied	$ 12,203	$ 12,203	$ -	$ 10,471
Non Owner Occupied	393	393	-	395
Commercial Real Estate	1,307	1,270	-	1,422
Real Estate Construction	1,757	1,558	-	1,889
Commercial	1,213	1,213	-	1,213
Home Equity	-	-	-	-
Consumer:				
Credit Cards	-	-	-	-
Overdrafts	-	-	-	-
Other Consumer	-	-	-	-
Impaired loans with an allowance recorded:				
Residential Real Estate:				
Owner Occupied	3,996	2,661	1,006	1,403
Non Owner Occupied	130	1,335	515	1,851
Commercial Real Estate	17,407	16,999	2,573	18,734
Real Estate Construction	11,252	10,329	3,001	7,261
Commercial	3,807	3,807	465	3,791
Home Equity	-	-	-	-
Consumer:				
Credit Cards	-	-	-	-
Overdrafts	-	-	-	-
Other Consumer	-	-	-	-
Total impaired loans	53,465	51,768	7,560	48,430
Loans collectively evaluated for impairment:				
Residential Real Estate:				
Owner Occupied	907,653	905,925	3,762	
Non Owner Occupied	114,109	115,837	494	
Commercial Real Estate	635,368	635,368	5,470	
Real Estate Construction	50,260	50,260	1,010	
Commercial	103,895	103,895	799	
Home Equity	288,499	288,499	4,138	
Consumer:				
Credit Cards	8,061	8,061	484	
Overdrafts	838	838	116	
Other Consumer	18,435	18,435	3,346	
	-	-	1,965	

Unallocated allowance for loan losses						
Total non impaired loans		2,127,118		2,127,118		21,584
Grand total	$	2,180,583	$	2,178,886	$	29,144

Interest income recognized for impaired loans on accrual status and cash basis interest recognized for impaired loans on non accrual status totaled $441,000 and $34,000 for the three months ended March 31, 2011.

December 31, 2010 (in thousands)	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
Impaired loans with no related allowance recorded:			
Residential Real Estate:			
Owner Occupied	$ 8,739	$ 8,739	$ -
Non Owner Occupied	396	396	-
Commercial Real Estate	1,611	1,574	-
Real Estate Construction	2,878	2,219	-
Commercial	1,213	1,213	-
Home Equity	-	-	-
Consumer:			
Credit Cards	-	-	-
Overdrafts	-	-	-
Other Consumer	-	-	-
Impaired loans with an allowance recorded:			
Residential Real Estate:			
Owner Occupied	145	145	27
Non Owner Occupied	2,496	2,366	520
Commercial Real Estate	21,038	20,468	1,979
Real Estate Construction	5,115	4,192	1,311
Commercial	3,774	3,774	447
Home Equity	-	-	-
Consumer:			
Credit Cards	-	-	-
Overdrafts	-	-	-
Other Consumer	-	-	-
Total impaired loans	47,405	45,086	4,284
Loans collectively evaluated for impairment:			
Residential Real Estate:			
Owner Occupied	904,972	904,972	4,724
Non Owner Occupied	123,642	123,642	11
Commercial Real Estate	624,375	624,375	5,241
Real Estate Construction	62,657	62,657	1,294
Commercial	102,660	102,660	900
Home Equity	290,492	290,492	3,581
Consumer:			
Credit Cards	8,206	8,206	492
Overdrafts	901	901	126
Other Consumer	12,249	12,249	461
Unallocated allowance for loan losses	-	-	1,965
Total non impaired loans	2,130,154	2,130,154	18,795
Grand total	$ 2,177,559	$ 2,175,240	$ 23,079

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A summary of the types of TDR loan modifications outstanding follows:

March 31, 2011 (in thousands)		TDRs Performing to Modified Terms		TDRs Not Performing to Modified Terms		Total TDRs
Residential real estate loans:						
Rate reduction	$	8,090	$	762	$	8,852
Interest only payments for 6-12 months		5,814		584		6,398
Forbearance for 3-6 months		158		299		457
Extension or other modification		104		-		104
Total residential TDRs		14,166		1,645		15,811
Commerical related and construction loans:						
Interest only payments for 6 - 12 months		6,910		468		7,378
Interest only payments for 36 months		4,208		-		4,208
Rate reduction		2,966		-		2,966
Forbearance for 3-6 months		1,892		1,012		2,904
Extension or other modification		3,515		-		3,515
Total commercial TDRs		19,491		1,480		20,971
Total TDRs	$	33,657	$	3,125	$	36,782

December 31, 2010 (in thousands)		TDRs Performing to Modified Terms		TDRs Not Performing to Modified Terms		Total TDRs
Residential real estate loans:						
Rate reduction	$	6,568	$	549	$	7,117
Interest only payments for 6-12 months		2,783		-		2,783
Forbearance for 3-6 months		458		-		458
Extension or other modification		105		-		105
Total residential TDRs		9,914		549		10,463
Commerical related and construction loans:						
Interest only payments for 6 - 12 months		5,876		310		6,186
Interest only payments for 36 months		4,208		-		4,208
Rate reduction		3,028		-		3,028
Forbearance for 3-6 months		3,813		855		4,668
Extension or other modification		3,678		-		3,678
Total commercial TDRs		20,603		1,165		21,768
Total TDRs	$	30,517	$	1,714	$	32,231

As of March 31, 2011 and December 31, 2010, 92% and 95% of the Company's TDRs were performing according to their modified terms. The Company allocated $4.8 million and $1.5 million of specific reserves to customers whose loan terms have been modified in TDRs as of March 31, 2011 and December 31, 2010. Specific reserves are generally assessed prior to loans being modified as a TDR, as most of these loans migrate from Republic's internal watch list and have been specifically reserved for as part of the Company's normal reserving methodology.

Management determines whether to classify a TDR as non-performing based on its accrual status prior to modification. Non-accrual loans modified as TDRs remain on non-accrual status and continue to be reported as non-performing loans. Accruing loans modified as TDRs are evaluated for non-accrual status based on a current evaluation of the borrower's financial condition and ability and willingness to service the modified debt. At March 31, 2011 and December 31, 2010 $8 million and $5 million, respectively of TDRs were classified as non-performing loans.

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

(in thousands)	March 31, 2011	December 31, 2010
Loans on non-accrual status	$ 26,668	$ 28,317
Loans past due 90 days or more and still on accrual	-	-
Total non-performing loans	26,668	28,317
Other real estate owned	14,761	11,969
Total non-performing assets	$ 41,429	$ 40,286
Non-performing loans to total loans - Total Company	1.22 %	1.30 %
Non-performing loans to total loans - Traditional Banking	1.23 %	1.30 %
Non-performing assets to total loans (including OREO)	1.89 %	1.84 %

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

	March 31, 2011		December 31, 2010	
(in thousands)	Non accrual	Loans Past Due 90 Days Still Accruing	Non accrual	Loans Past Due 90 Days Still Accruing
Residential real estate	$ 13,477	$ -	$ 15,236	$ -
Commercial real estate	5,271	-	6,265	-
Real estate construction	4,066	-	3,682	-
Commercial	404	-	323	-
Home equity	3,323	-	2,734	-
Consumer:				
Credit Cards	-	-	-	-
Overdrafts	-	-	-	-
Other Consumer	127	-	77	-
Total	$ 26,668	$ -	$ 28,317	$ -

Non-accrual loans and loans past due 90 days or more and still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Non-accrual loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and held current for six consecutive months and future payments are reasonably assured. Non-accrual TDRs are reviewed for return to accrual status on an individual basis, with additional consideration given to the modification terms.

The following table presents the aging of the recorded investment in past due loans by class of loans:

March 31, 2011 (in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Loans Past Due
Residential real estate:				
Owner Occupied	$ 1,896	$ 1,534	$ 8,721	$ 12,151
Non Owner Occupied	941	-	1,700	2,641
Commercial real estate	51	600	2,941	3,592
Real estate construction	-	-	1,901	1,901
Commercial	-	24	100	124
Home equity	1,585	387	5	1,977
Consumer:				
Credit Cards	16	9	-	25
Overdrafts	-	-	-	-
Other Consumer	194	49	-	243
Total	$ 4,683	$ 2,603	$ 15,368	$ 22,654

December 31, 2010 (in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Loans Past Due
Residential real estate:				
Owner Occupied	$ 4,540	$ 1,049	$ 9,425	$ 15,014
Non Owner Occupied	185	95	737	1,017
Commercial real estate	1,323	-	4,377	5,700
Real estate construction	71	333	1,918	2,322
Commercial	3	26	38	67
Home equity	1,097	518	829	2,444
Consumer:				
Credit Cards	57	4	-	61
Overdrafts	158	-	-	158
Other Consumer	108	32	4	144
Total	$ 7,542	$ 2,057	$ 17,328	$ 26,927

Credit Quality Indicators:

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors such as the fair value of collateral. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes aggregate lending relationships with an outstanding balance greater than $4 million and non-homogeneous loans, such as commercial and commercial real estate loans. This analysis is performed on an annual basis. The Company uses the following definitions for risk ratings:

Special Mention: Loans classified as special mention have a potential weakness that deserves management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company’s credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be Pass rated loans.

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

March 31, 2011 (in thousands)	Pass	Special Mention	Substandard	Doubtful	Not Rated	Total Loans
Residential real estate:						
Owner Occupied	$-	$2,866	$14,502	$-	$911,169	$928,537
Non Owner Occupied	-	1,003	1,708	-	107,106	109,817
Commercial real estate	610,048	29,541	14,048	-	-	653,637
Real estate construction	45,407	5,191	11,549	-	-	62,147
Commercial	103,769	4,742	404	-	-	108,915
Home equity	-	-	3,067	-	285,432	288,499
Consumer:						-
Credit Cards	-	-	-	-	8,061	8,061
Overdrafts	-	-	-	-	838	838
Other Consumer	-	-	47	-	18,388	18,435
Total	$759,224	$43,343	$45,325	$-	$1,330,994	$2,178,886

December 31, 2010 (in thousands)	Pass	Special Mention	Substandard	Doubtful	Not Rated	Total Loans
Residential real estate:						
Owner Occupied	$-	$1,017	$11,925	$-	$900,914	$913,856
Non Owner Occupied	-	3,288	1,095	-	122,021	126,404
Commercial real estate	598,502	33,802	14,113	-	-	646,417
Real estate construction	51,540	11,340	6,188	-	-	69,068
Commercial	102,416	4,807	424	-	-	107,647
Home equity	-	-	4,495	-	285,997	290,492
Consumer:						-
Credit Cards	-	-	-	-	8,206	8,206
Overdrafts	-	-	-	-	901	901
Other Consumer	-	-	5	-	12,244	12,249
Total	$752,458	$54,254	$38,245	$-	$1,330,283	$2,175,240

RAL Loss Reserves and Provision for Loan Losses:

Substantially all RALs issued by the Company each year are made during the first quarter. RALs are generally repaid by the IRS or applicable taxing authority within two weeks of origination. Losses associated with RALs result from the IRS not remitting taxpayer refunds to the Company associated with a particular tax return. This occurs for a number of reasons, including errors in the tax return and tax return fraud which are identified through IRS audits resulting from revenue protection strategies. In addition, the Company also incurs losses as a result of tax debts not previously disclosed during its underwriting process.

At March 31st of each year, the Company has historically reserved for its estimated RAL losses for the year based on current and prior-year funding patterns, information received from the IRS on current year payment processing, projections using the Company's internal RAL underwriting criteria applied against prior years' customer data, and the subjective experience of Company management. RALs outstanding 30 days or longer are charged off at the end of each quarter with subsequent collections recorded as recoveries. Since the RAL season is over by the end of April of each year, essentially all uncollected RALs are charged off by June 30th of each year, except for those RALs management deems certain of collection.

On August 5, 2010, the IRS issued a news release stating that it would no longer provide tax preparers and associated financial institutions with the Debt Indicator ("DI") beginning with the first quarter 2011 tax season. The DI indicated whether an individual taxpayer would have any portion of the refund offset for delinquent tax or other debts, such as unpaid child support or federally-funded student loans.

While underwriting for RALs involves several individual components, the DI has historically represented a significant part of the overall underwriting for the product. Without the DI, RB&T will experience a higher provision for loan losses as a percentage of RALs originated during 2011 as compared to 2010. Due to the elimination of the DI, more of the Company's RAL losses in 2011 will result from refunds being retained by the IRS to satisfy eligible state or federal delinquent debts as compared to prior years when the vast majority of its RAL losses were the result of revenue protection strategies by the IRS. As a result, management believes that the final provision for loan losses related to RALs for 2011 will be much closer to the RALs outstanding past their expected funding date from the IRS as of the end of the first quarter as compared to previous years. If the projected payments received subsequent to the first quarter for delinquent RALs as of March 31st differ significantly from those assumptions used by management in making its determination of its first quarter provision for loan losses related to RALs, an adjustment to the allowance for loan losses and the resulting effect on the income statement could be material.

As of March 31, 2011, $18.1 million of total RALs were outstanding past their expected funding date from the IRS compared to $18.5 million at March 31, 2010, representing 1.75% and 0.63% of total gross RALs originated during the respective tax years. Management estimates that the final loss rate for RALs originated during 2011 will be 1.58% of the total RALs originated during the year as compared to 0.36% for 2010. Management expects the actual loan loss rate realized for TRS will be less than the current "RALs outstanding beyond their expected funding date from the IRS" because the Company will continue to receive payments from the IRS throughout the year and make other collection efforts to obtain repayment on the RALs. Management's estimate of current year losses combined with recoveries of previous years' RALs during the quarter, resulted in a net provision for loan loss expense of $13.8 million and $14.0 million for TRS during the first quarters of 2011 and 2010. Based on the Company's 2011 RAL volume, each 0.10% increase in the loss rate for RALs represents approximately $1.0 million in additional provision for loan loss expense.

The following table illustrates the effect on the subsequent quarters' provision(s) for loan losses for TRS if final losses on RALs differ from management's current estimate by as much as 10 basis points higher or 20 basis points lower:

As of March 31, 2011 (dollars in thousands)

Total RALs originated during the current year through March 31, 2011: $ 1,031,607

If % of RALs That Do Not Payoff Changes	Provision for Loan Losses	Increase / (Decrease) In Provision For Loan Losses From Current Estimate
Increase 10 basis points	$ 14,792	$ 1,032
Increase 5 basis points	14,276	516
Current Estimate (Base)	13,760	-
Decrease 5 basis points	13,244	(516)
Decrease 10 basis points	12,728	(1,032)
Decrease 15 basis points	12,213	(1,547)
Decrease 20 basis points	11,697	(2,063)

For additional discussion regarding TRS, see the following sections:

Part I Item 1 "Financial Statements:"

- o Footnote 1 "Basis of Presentation and Summary of Significant Accounting Policies"
- o Footnote 4 "Deposits"
- o Footnote 8 "Off Balance Sheet Risks, Commitments and Contingent Liabilities"
- o Footnote 10 "Segment Information"
- o Footnote 11 "Regulatory Matters"

4. DEPOSITS

Ending deposit balances were as follows at March 31, 2011 and December 31, 2010:

(in thousands)		March 31, 2011		December 31, 2010
Demand (NOW and SuperNOW)	$	311,341	$	298,452
Money market accounts		715,221		637,557
Brokered money market accounts		2,269		513
Savings		43,290		38,661
Individual retirement accounts*		33,976		34,129
Time deposits, $100,000 and over*		99,463		152,891
Other certificates of deposit*		122,745		127,156
Brokered certificates of deposit*		135,311		687,958
Total interest-bearing deposits		1,463,616		1,977,317
Total non interest-bearing deposits		561,095		325,375
Total deposits	$	2,024,711	$	2,302,692

* - Represents a time deposit

During the fourth quarter of 2010, the Company obtained $562 million in brokered certificates of deposit to be utilized to fund the first quarter 2011 RAL program. These brokered certificates of deposit had a weighted average life of three months with a weighted average interest rate of 0.42%. During January of 2011, the Company obtained an additional $7 million in brokered deposits with a life of 3 months and interest rate of 0.30%.

For additional discussion regarding TRS, see the following sections:

Part I Item 1 “Financial Statements:”

- o Footnote 1 “Basis of Presentation and Summary of Significant Accounting Policies”
- o Footnote 4 “Deposits”
- o Footnote 8 “Off Balance Sheet Risks, Commitments and Contingent Liabilities”
- o Footnote 10 “Segment Information”
- o Footnote 11 “Regulatory Matters”

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

At March 31, 2011 and December 31, 2010, FHLB advances outstanding were as follows:

(in thousands)	March 31, 2011	December 31, 2010
Putable fixed interest rate advances with a weighted average interest rate of 4.46%(1)	$ 140,000	$ 150,000
Fixed interest rate advances with a weighted average interest rate of 3.13% due through 2018	414,837	414,877
Total FHLB advances	$ 554,837	$ 564,877

(1) - Represents putable advances with the FHLB. These advances have original fixed rate periods ranging from one to five years with original maturities ranging from three to ten years if not put back to the Company earlier by the FHLB. At the end of their respective fixed rate periods and on a quarterly basis thereafter, the FHLB has the right to require payoff of the advances by the Company at no penalty. During the first quarter of 2007, the Company entered into $100 million of putable advances with a final maturity of 10 years and a fixed rate period of 3 years. Based on market conditions at this time, the Company does not believe that any of its putable advances are likely to be “put back” to the Company in the short-term by the FHLB.

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, 2011, Republic had available collateral to borrow an additional $242 million from the FHLB. In addition to its borrowing line with the FHLB, Republic also had unsecured lines of credit totaling $216 million available through various other financial institutions.

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

Year	(in thousands)
2011	$ 65,000
2012	85,000
2013	91,000
2014	178,000
2015	10,000
Thereafter	125,837
Total	$ 554,837

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

(in thousands)	March 31, 2011	December 31, 2010
First lien, single family residential real estate	$ 658,752	$ 697,535
Home equity lines of credit	67,574	36,106

Multi-family commercial real estate	12,977	14,332

6. FAIR VALUE

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

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

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

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

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

Securities available for sale: For all securities available for sale, excluding private label mortgage backed and other private label mortgage-related securities, fair value is typically determined by matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). With the exception of private label mortgage backed and other private label mortgage-related securities, all securities available for sale are classified as Level 2 in the fair value hierarchy.

The Company's private label mortgage backed and other private label mortgage-related securities remain extremely illiquid, and as such, the Company classifies these securities as Level 3 securities in accordance with FASB ASC topic 820, "Fair Value Measurements and Disclosures." Based on this determination, the Company utilized an income valuation model (present value model) approach, in determining the fair value of these securities.

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

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

Mortgage loans held for sale: The fair value of mortgage loans held for sale is determined using quoted secondary market prices. Mortgage loans held for sale are classified as Level 2 in the fair value hierarchy.

Impaired Loans: The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

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

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

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

		Fair Value Measurements at March 31, 2011 Using:			
(in thousands)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Securities available for sale:					
U.S. Treasury securities and U.S. Government agencies	$140,168	$-	$140,586	$ -	$140,586
Private label mortgage backed and other private label mortgage-related securities	5,818	-	-	4,874	4,874
Mortgage backed securities - residential	252,202	-	261,156	-	261,156
Collateralized mortgage obligations	207,373	-	208,553	-	208,553
Total securities available for sale	$605,561	$-	$610,295	$ 4,874	$615,169
Mandatory forward contracts	$-	$-	$(6)	$ -	$(6)
Rate lock loan commitments	-	-	154	-	154
Mortgage loans held for sale	1,381	-	1,381	-	1,381

		Fair Value Measurements at December 31, 2010 Using:			
(in thousands)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Securities available for sale:					
U.S. Treasury securities and U.S. Government agencies	$ 119,894	$ -	$ 120,297	$ -	$ 120,297
Private label mortgage backed and other private label mortgage-related securities	6,323	-	-	5,124	5,124
Mortgage backed securities - residential	150,460	-	158,677	-	158,677

Collateralized mortgage obligations		223,665		-		225,657		-		225,657
Total securities available for sale	$	500,342	$	-	$	504,631	$	5,124	$	509,755
Mandatory forward contracts	$	-	$	-	$	277	$	-	$	277
Rate lock loan commitments		-		-		108		-		108
Mortgage loans held for sale		15,228		-		15,228		-		15,228