Steve Trager
Chairman and Chief Executive Officer

DEAR FELLOW SHAREHOLDERS,

The year 2020 will likely go down in history for many of us as the most challenging year in our professional lives. I am extraordinarily proud that, despite the challenges in 2020, we were able to achieve much success utilizing our diverse income streams coupled with the tremendous efforts of our associates, who were immediately equipped to work remotely ensuring their safety and the safety of the communities we serve.

> *Time and time again during 2020, despite the world-wide COVID pandemic and a completely new work environment for all of us, we continued to step up for our clients.*

We met all these challenges and many others head-on during 2020, while producing net income of $83.2 million, even with a net $15 million increase to our allowance for credit losses on loans over COVID-related economic concerns. Our 2020 net income of $83.2 million compares to 2019 net income of $91.7 million but represented an increase over our 2019 adjusted net income(1) of $81.3 million, which excludes the operating and one-time financial benefits from our November 2019 branch sale.

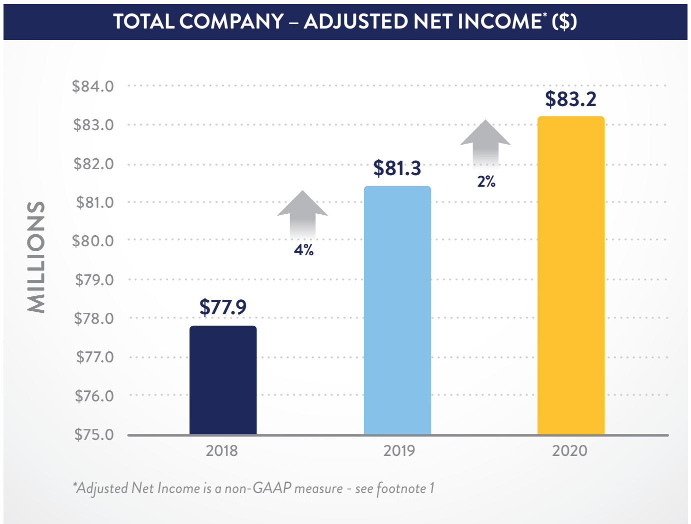
With the onset of COVID in early March, it became clear that we could no longer work as usual, so we immediately moved substantially all of our back-office operations to a work-from-home environment in less than one week. Years of preparation, combined with a lot of hard work by many, allowed us to pull off this amazing workplace transition. For those that could not work from home, such as the client-facing staff in our banking centers, we implemented many new safety protocols. And with those changes, our banking centers continued to serve our clients, while maintaining the health and safety of our clients and our associates.

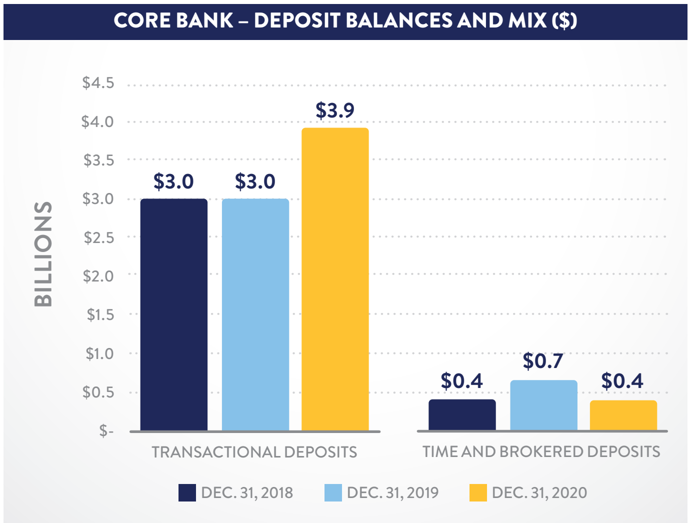
Time and time again during 2020, despite the world-wide COVID pandemic and a completely new work environment for all of us, we continued to step up for our clients. When interest rates dropped to historically low levels and home-loan refinance activity skyrocketed, our associates were there to produce over $1 billion of mortgage loans, while working almost entirely from home. When the government created the Paycheck Protection Program ("PPP") for those businesses struggling to survive during the pandemic, Republic Bank and its associates were once again there, working multiple shifts to assist our clients with applications and answer their questions, helping them retain 62,000 jobs across our markets.

And all the while the pandemic raged across our country, we faced yet another heartbreak in our hometown of Louisville, Kentucky, when a young African-American female was tragically killed in a police raid during March. Louisville quickly became an epicenter of the many protests around the nation surrounding social justice, and we, as a company, stood up and said, "Black Lives Matter." As we move forward and heal as a community, we will continue to devote our time and resources to find the best path forward for equity and social justice.

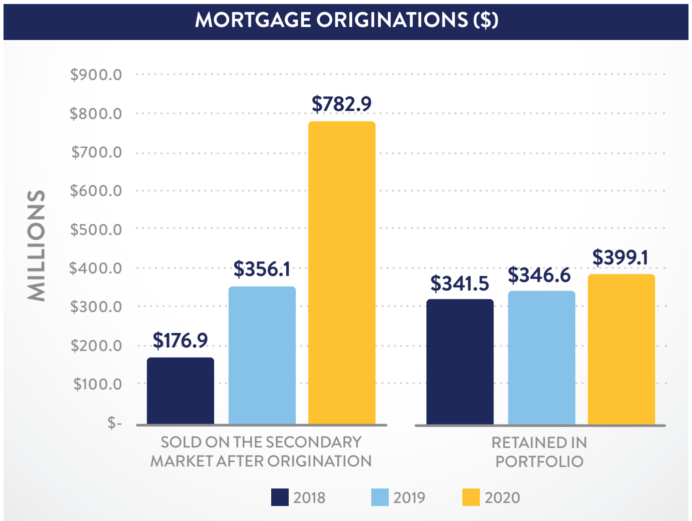
I am pleased to share and expand on these and many other highlights for 2020 in the following:

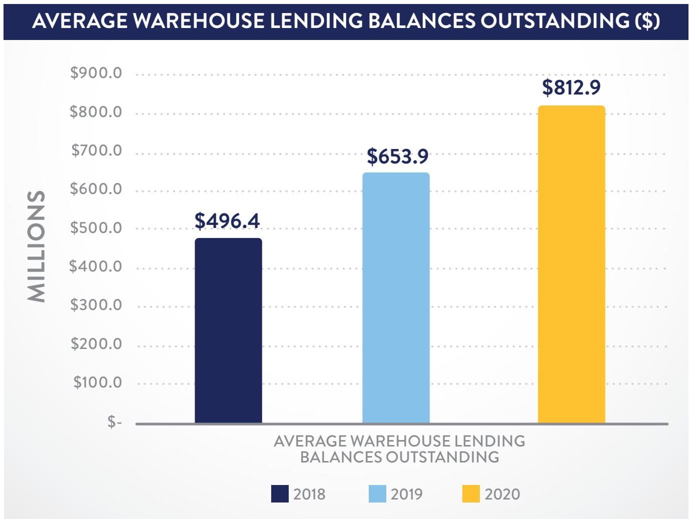
FINANCIAL PERFORMANCE





- The year 2020 was a time for community banks to excel and capture market share. During the year, our deposits grew 25% or $947 million. In addition, our loan to deposit ratio (excluding brokered deposits) reached 108% as of year-end, while our term-FHLB borrowings shrank to $10 million. These positive levels represent metrics that we have not experienced at Republic since our very early days.
- The low interest rate environment, coupled with our recent investments in mortgage-related talent and technology over the past three years, allowed us to have a record-breaking year in the mortgage business. In total for 2020, we originated over $1.18 billion of mortgages through our various origination channels, an increase of 69% over 2019. This robust origination volume, approximately $783 million of which was sold into the secondary market, resulted in $31.8 million in mortgage banking income, which is over three times the amount in the year prior.
- Mortgage Warehouse surpassed $1 billion in outstanding balances on several occasions during 2020, with an average outstanding balance of $813 million for the year. Overall, average Warehouse outstanding balances were up 24% over average balances for 2019.
- Due primarily to concerns over the Coronavirus pandemic, we increased our allowance for credit losses on loans within our Traditional Bank segment by a net $15 million during 2020. Excluding PPP loan balances, which are fully guaranteed by the SBA, our Traditional Bank allowance to total loans increased to 1.50% at December 31, 2020 compared to 0.78% at December 31, 2019.





- In April of 2020, consistent with regulatory guidance and best practices, we worked with many borrowers to provide relief options, such as loan forbearance or loan payment deferrals for their consumer, mortgage, and commercial loans. At our peak, we had provided borrower relief through these loan accommodations of almost $800 million to both commercial and mortgage clients. By December 31, 2020, only $14 million of these loans were still under a deferral or forbearance accommodation.

- In September 2017, Republic Bank entered the aircraft lending space for small planes and the light jet aircraft sector. By the end of 2020, our portfolio of originated aircraft loans across the United States had grown to over $100 million from clients in 47 states.

> *While the pandemic has been a challenge and burden to all, we believe that it has pushed the industry forward to become more efficient through technology.*

PANDEMIC RESPONSE

- A big part of our COVID response during 2020 was to rely on our Interactive Teller Machine ("ITM") network. This strategy was a tremendous success in helping keep many of our clients and front-line associates safe from the virus, while ensuring continuity of customer access. By the end of 2021, we plan to have over 70 ITMs spread throughout our 42 locations. Furthermore, we have re-engineered how our ITMs are staffed by utilizing staffing from low-volume banking centers to help facilitate ITM transactions for clients across our footprint. We believe this new staffing model will increase both our efficiency and client service levels over the long run.

- In April, the Bank began originating PPP loans through the Small Business Administration ("SBA") as part of the CARES Act. As part of our PPP rollout, we were able to accommodate all existing Republic Bank clients that applied, while also helping many new clients that were turned away by the larger banks. In doing so, we ensured over 3,700 businesses had quick access to much-needed capital through over $525 million of PPP loans.

- While the pandemic has been a challenge and burden to all, we believe that it has pushed the industry forward to become more efficient through technology. While our current focus is to continue to assist our clients through these turbulent times, we believe we can continue to increase our future efficiency by utilizing lessons from the past year. It has undoubtedly changed the way we work, collaborate, and service clients, and will likely do so for many years to come.

OUR ASSOCIATES AND OUR COMMUNITIES

- In June, Logan Pichel became the new President for Republic Bank & Trust Company. Logan's arrival is part of our long-term succession planning, as we aim to separate the CEO and Chairman role over the next 12 months. Logan comes to the Bank with over 25 years of experience in the banking industry. We are excited to add such a talented executive to our Company with his depth of knowledge and experience.

- In July, we announced the formation of the $3 million Community Loan Fund with the expressed purpose to "ensure economic equality for everyone in our community." Given the importance of this endeavor, we identified a seasoned executive, Pedro Bryant, with long-standing roots in the Louisville community to manage this initiative. We are hopeful that success in this pilot phase can lead to a robust funding mechanism for small businesses and entrepreneurs for many years to come in the many underserved areas of our local communities.

- In September, we added a seasoned officer, Ashley Duncan, as our new Director of Inclusion and Diversity. We are excited about the significant enhancement to this area of the Bank, as it is our goal to be a more inclusive company for people of all backgrounds.

- Republic Bank and The Republic Bank Foundation continue to be committed to the communities that we serve through our investments in those communities. In 2020 alone, the combined giving from these two Republic entities was over $2.5 million, while our associates volunteered over 5,000 hours for various philanthropic causes. Republic and its associates will continue to support those grass roots organizations that are committed to peaceful resolutions of the many social justice issues we face on an on-going basis.

In closing, I will look back at 2020 with a great amount of pride to be affiliated with all the people that make up Republic. My late father, Bernard M. Trager, who founded the company over 40 years ago, would always say "let's think of ways it can be done," and that is precisely what we did in 2020.

We overcame challenges and found opportunities, and as a result, this Company is now better and stronger than it has ever been. In 2021, we will continue to strive to become one of the top performing banks in the country. We will do this by continuing to find more efficient ways to serve our clients, being opportunistic when looking at new revenue streams and acquisitions, and maintaining our exceptional customer service to organically grow our current business lines. As a shareholder, the confidence you put in us is not something we take lightly, especially in these uncertain times. We firmly believe that we can, and will, continue to rise to the many challenges placed before us, and we thank you for your continued support.

It is my hope that 2021 is a healthier and more inclusive year for all of us. Please know we are committed to doing our part to make it so for everyone we can.

Sincerely,

NON-GAAP RECONCILIATION Note 1

(dollars in thousands, except per share data)	Years Ended Dec. 31, 2020	2019	2018
Net income:			
Net income - GAAP	$ 83,246	$ 91,699	$ 77,852
Less: one time and operating benefits attributed to sold branches	–	10,385	–
Adjusted net income - Non-GAAP	$ 83,246	$ 81,314	$ 77,852
Diluted earnings per share of Class A Common Stock ("Diluted EPS"):			
Diluted EPS of Class A Common Stock - GAAP	$ 3.99	$ 4.39	$ 3.74
Less: one time and operating benefits attributed to sold branches	–	0.50	–
Adjusted Diluted EPS - Non-GAAP	$ 3.99	$ 3.89	$ 3.74
Return on average assets ("ROA"):			
ROA - GAAP	1.38 %	1.64 %	1.52 %
Less: one time and operating benefits attributed to sold branches	–	0.15	–
Adjusted ROA - Non-GAAP	1.38 %	1.49 %	1.52 %
Return on average equity ("ROE"):			
ROE - GAAP	10.37 %	12.49 %	11.67 %
Less: one time and operating benefits attributed to sold branches	–	1.26	–
Adjusted ROE - Non-GAAP	10.37 %	11.23 %	11.67 %

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020
Commission File Number: 0-24649

REPUBLIC BANCORP™

REPUBLIC BANCORP, INC.

(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common	**RBCAA**	**The Nasdaq Stock Market**

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. ☐ Yes ☒ No

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 every Interactive Data File required to be submitted 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 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of June 30, 2020 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately $321,802,869 (for purposes of this calculation, the market value of the Class B Common Stock was based on the market value of the Class A Common Stock into which it is convertible).

The number of shares outstanding of the registrant's Class A Common Stock and Class B Common Stock, as of February 19, 2021 was 18,665,370 and 2,198,848.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held April 22, 2021 are incorporated by reference into Part III of this Form 10-K.

TABLE OF CONTENTS

GLOSSARY OF TERMS

The terms identified in alphabetical order below are used throughout this Form 10-K. You may find it helpful to refer to this page as you read this report.

Term	Definition	Term	Definition	Term	Definition
ACH	Automated Clearing House	EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization	OFAC	Office of Foreign Assets Control
ACL	Allowance for Credit Losses	Economic Aid Act	The Economic Aid to Hard Hit Small Business, Not for Profits and Venues Act	OREO	Other Real Estate Owned
ACLC	Allowance for Credit Losses on Off-Balance Sheet Credit Exposures	EFTA	Electronic Fund Transfers Act	Patriot Act	U.S. Patriot Act
ACLL	Allowance for Credit Losses on Loans	EITC	Earned Income Tax Credit	PCD	Purchased Credit Deteriorated
ACLS	Allowance for Credit Losses on Securities	ESPP	Employee Stock Purchase Plan	PCI	Purchased Credit Impaired
AFS	Available for Sale	EVP	Executive Vice President	PCI-1	PCI - Group 1
Allowance	Allowance for Credit Losses	FASB	Financial Accounting Standards Board	PCI-Sub	PCI - Substandard
AML	Anti-Money Laundering	FCRA	Fair Credit Reporting Act	PD	Probability of Default
AOCI	Accumulated Other Comprehensive Income	FDIA	Federal Deposit Insurance Act	PPP	Paycheck Protection Program
ARM	Adjustable Rate Mortgage	FDICIA	Federal Deposit Insurance Corporation Improvement Act	Prime	The *Wall Street Journal* Prime Interest Rate
ASC	Accounting Standards Codification	FFTR	Federal Funds Target Rate	Provision	Provision for Expected Credit Loss Expense
ASU	Accounting Standards Update	FHA	Federal Housing Administration	PSU	Performance Stock Unit
ATM	Automated Teller Machine	FHC	Financial Holding Company	R&D	Research and Development
ATR	Ability to Repay	FHLB	Federal Home Loan Bank	RB&T / the Bank	Republic Bank & Trust Company
Basic EPS	Basic earnings per Class A Common Share	FHLMC	Federal Home Loan Mortgage Corporation or Freddie Mac	RBCT	Republic Bancorp Capital Trust
BHC	Bank Holding Company	FICO	Fair Isaac Corporation	RCS	Republic Credit Solutions
BHCA	Bank Holding Company Act	FNMA	Federal National Mortgage Association or Fannie Mae	Republic / the Company	Republic Bancorp, Inc.
BOLI	Bank Owned Life Insurance	FOMC	Federal Open Market Committee	RESPA	Real Estate Settlement Procedures Act
BPO	Brokered Price Opinion	FRA	Federal Reserve Act	ROA	Return on Average Assets
BSA	Bank Secrecy Act	FRB	Federal Reserve Bank	ROE	Return on Average Equity
C&D	Construction and Development	FTE	Full Time Equivalent	RPG	Republic Processing Group
C&I	Commercial and Industrial	FTP	Funds Transfer Pricing	RPS	Republic Payment Solutions
CARD Act	Credit Card Accountability Responsibility and Disclosure Act of 2009	GAAP	Generally Accepted Accounting Principles in the United States	RT	Refund Transfer
CARES Act	Coronavirus Aid, Relief, and Economic Security Act	GLBA	Gramm-Leach-Bliley Act	S&P	Standard and Poor's
CCAD	Commercial Credit Administration Department	HEAL	Home Equity Amortizing Loan	SAB	SEC Staff Accounting Bulletin
CDI	Core Deposit Intangible	HELOC	Home Equity Line of Credit	SAC	Special Asset Committee
CEO	Chief Executive Officer	HMDA	Home Mortgage Disclosure Act	SBA	Small Business Administration
CFO	Chief Financial Officer	HTM	Held to Maturity	SEC	Securities and Exchange Commission
CFPB	Consumer Financial Protection Bureau	IRS	Internal Revenue Service	SERP	Supplemental Executive Retirement Plan
CFTC	Commodity Futures Trading Commission	ITM	Interactive Teller Machine	SSUAR	Securities Sold Under Agreements to Repurchase
CMO	Collateralized Mortgage Obligation	KDFI	Kentucky Department of Financial Institutions	SVP	Senior Vice President
CMT	Constant Maturity Treasury Index	LGD	Loss Given Default	TCJA	2017 Tax Cuts and Jobs Act
Core Bank	The Traditional Banking, Warehouse Lending, and Mortgage Banking reportable segments	LIBOR	London Interbank Offered Rate	TDR	Troubled Debt Restructuring
COVID-19	Coronavirus Disease of 2019	LPO	Loan Production Office	The Captive	Republic Insurance Services, Inc.
CRA	Community Reinvestment Act	LTV	Loan to Value	TILA	Truth in Lending Act
CRE	Commercial Real Estate	MBS	Mortgage Backed Securities	TPS	Trust Preferred Securities
DIF	Deposit Insurance Fund	MPP	Mortgage Purchase Program	TRS	Tax Refund Solutions
Diluted EPS	Diluted earnings per Class A Common Share	MSRs	Mortgage Servicing Rights	TRUP	TPS Investment
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act	NA	Not Applicable	USDA	U.S. Department of Agriculture
DTA	Deferred Tax Assets	NASDAQ	NASDAQ Global Select Market®	VA	U.S. Department of Veterans Affairs
DTL	Deferred Tax Liabilities	NM	Not Meaningful	Warehouse	Warehouse Lending
EA	Easy Advance	OCI	Other Comprehensive Income		

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains statements relating to future results of Republic Bancorp, Inc. that are considered "forward-looking" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements are principally, but not exclusively, contained in Part I Item 1 "*Business,*" Part I Item 1A "*Risk Factors"* and Part II Item 7 "*Management's Discussion and Analysis of Financial Condition and Results of Operations."*

As used in this filing, the terms "Republic," the "Company," "we," "our," and "us" refer to Republic Bancorp, Inc., and, where the context requires, Republic Bancorp, Inc. and its subsidiaries. The term the "Bank" refers to the Company's subsidiary bank: Republic Bank & Trust Company. The term the "Captive" refers to the Company's insurance subsidiary: Republic Insurance Services, Inc.

Forward-looking statements discuss matters that are not historical facts. As forward-looking statements discuss future events or conditions, the statements often include words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would," "potential," or similar expressions. Do not rely on forward-looking statements. Forward-looking statements detail management's expectations regarding the future and are not guarantees. Forward-looking statements are assumptions based on information known to management only as of the date the statements are made and management undertakes no obligation to update forward-looking statements, except as required by applicable law.

Broadly speaking, forward-looking statements include:

- the potential impact of the COVID-19 pandemic on Company operations;
- projections of revenue, income, expenses, losses, earnings per share, capital expenditures, dividends, capital structure, or other financial items;
- descriptions of plans or objectives for future operations, products, or services;
- forecasts of future economic performance; and
- descriptions of assumptions underlying or relating to any of the foregoing.

Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results, performance, or achievements to be materially different from future results, performance, or achievements expressed or implied by the forward-looking statements. Actual results may differ materially from those expressed or implied as a result of certain risks and uncertainties, including, but not limited to the following:

- the impact of the COVID-19 pandemic on Company's operations and credit losses;
- the ability of borrowers who received COVID-19 loan accommodations to resume repaying their loans upon maturity of such accommodations;
- natural disasters impacting the Company's operations;
- changes in political and economic conditions; the magnitude and frequency of changes to the FFTR implemented by the FOMC of the FRB;
- long-term and short-term interest rate fluctuations as well as the overall steepness of the U.S. Treasury yield curve;
- competitive product and pricing pressures in each of the Company's five reportable segments;
- equity and fixed income market fluctuations;
- client bankruptcies and loan defaults;
- inflation;
- recession;
- future acquisitions;
- integrations of acquired businesses;
- changes in technology;
- changes in applicable laws and regulations or the interpretation and enforcement thereof;
- changes in fiscal, monetary, regulatory and tax policies;
- changes in accounting standards;
- monetary fluctuations;

- changes to the Company's overall internal control environment;
- success in gaining regulatory approvals when required;
- the Company's ability to qualify for future R&D federal tax credits;
- information security breaches or cyber security attacks involving either the Company or one of the Company's third-party service providers; and
- other risks and uncertainties reported from time to time in the Company's filings with the SEC, including Part 1 Item 1A "*Risk Factors.*"

PART I

Item 1. Business.

Republic is a financial holding company headquartered in Louisville, Kentucky. 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 U.S. 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 is a Delaware statutory business trust that is a wholly-owned unconsolidated finance subsidiary of Republic Bancorp, Inc.

As of December 31, 2020, Republic had 42 full-service banking centers with locations as follows:

- Kentucky — 28
    - Metropolitan Louisville — 18
    - Central Kentucky — 7
        - Georgetown — 1
        - Lexington — 5
        - Shelbyville — 1
    - Northern Kentucky — 3
        - Covington — 1
        - Crestview Hills — 1
        - Florence — 1
- Southern Indiana — 3
    - Floyds Knobs — 1
    - Jeffersonville — 1
    - New Albany — 1
- Metropolitan Tampa, Florida — 7
- Metropolitan Cincinnati, Ohio — 2
- Metropolitan Nashville, Tennessee — 2

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

The principal business of Republic is directing, planning, and coordinating the business activities of the Bank. The financial condition and results of operations of Republic are primarily dependent upon the results of operations of the Bank. At December 31, 2020, Republic had total assets of $6.2 billion, total deposits of $4.7 billion, and total stockholders' equity of $823 million. Based on total assets as of December 31, 2020, Republic ranked as the largest Kentucky-based financial holding company. The executive offices of Republic are located at 601 West Market Street, Louisville, Kentucky 40202, telephone number (502) 584-3600. The Company's website address is www.republicbank.com.

Website Access to Reports

The Company makes its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, available free of charge through its website, www.republicbank.com, as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC. The information provided on the Company's website is not part of this report, and is therefore not incorporated by reference, unless that information is otherwise specifically referenced elsewhere in this report. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

General Business Overview

As of December 31, 2020, the Company was divided into five reportable segments: Traditional Banking, Warehouse, Mortgage Banking, TRS, and RCS. Management considers the first three segments to collectively constitute "Core Bank" or "Core Banking" operations, while the last two segments collectively constitute RPG operations. MemoryBank®, the Company's national branchless banking platform, is part of the Traditional Banking segment.

(I) Traditional Banking segment

As of December 31, 2020 and through the date of this filing, generally all Traditional Banking products and services, except for a selection of deposit products offered through the Bank's separately branded national branchless banking platform, MemoryBank, were offered through the Company's traditional RB&T brand.

Lending Activities

The Bank's principal lending activities consist of the following:

> **Retail Mortgage Lending** — Through its retail banking centers and its online Consumer Direct channel, the Bank originates single-family, residential real estate loans. In addition, the Bank originates HEALs and HELOCs through its retail banking centers. Such loans are generally collateralized by owner-occupied, residential real estate properties. For those loans originated through the Bank's retail banking centers, the collateral is predominately located in the Bank's market footprint, while loans originated through the Consumer Direct channel are generally secured by owner occupied collateral located outside of the Bank's market footprint.
>
> The Bank offers single-family, first-lien residential real estate ARMs with interest rate adjustments tied to various market indices with specified minimum and maximum adjustments. The Bank generally charges a higher interest rate for its ARMs if the property is not owner occupied. The interest rates on the majority of ARMs are adjusted after their fixed rate periods on an annual basis, with most having annual and lifetime limitations on upward rate adjustments to the loan. These loans typically feature amortization periods of up to 30 years and have fixed interest-rate periods generally ranging from five to ten years, with demand dependent upon market conditions. In general, ARMs containing longer fixed-rate periods have historically been more attractive to the Bank's clients in a relatively low-rate environment, while ARMs with shorter fixed-rate periods have historically been more attractive to the Bank's clients in a relatively high-rate environment. While there is no requirement for clients to refinance their loans at the end of the fixed-rate period, clients have historically done so the majority of the time, as most clients are interest-rate-risk averse on their first mortgage loans.
>
> Depending on the term and amount of the ARM, loans collateralized by single family, owner-occupied first lien residential real estate may be originated with an LTV up to 90% and a combined LTV up to 100%. The Bank also offers a 100% LTV product

for home-purchase transactions within its primary markets. The Bank does not require the borrower to obtain private mortgage insurance for ARM loans. Except for the HEAL product under $150,000, the Bank requires mortgagee's title insurance on single family, first lien residential real estate loans to protect the Bank against defects in its liens on the properties that collateralize the loans. The Bank normally requires title, fire, and extended casualty insurance to be obtained by the borrower and, when required by applicable regulations, flood insurance. The Bank maintains an errors and omissions insurance policy to protect the Bank against loss in the event a borrower fails to maintain proper fire and other hazard insurance policies.

Single-family, first-lien residential real estate loans with fixed-rate periods of 15, 20, and 30 years are primarily sold into the secondary market. MSRs attached to the sold portfolio are either sold along with the loan or retained. Loans sold into the secondary market, along with their corresponding MSRs, are included as a component of the Company's Mortgage Banking segment, as discussed elsewhere in this filing. The Bank, as it has in the past, may retain such longer-term, fixed-rate loans from time to time in the future to help combat net interest margin compression. Any such loans retained on the Company's balance sheet would be reported as a component of the Traditional Banking segment.

The Bank does, on occasion, purchase single-family, first-lien residential real estate loans made to low-to-moderate income borrowers and/or secured by property located in low-to-moderate income areas in order to meet its obligations under the CRA. In connection with loan purchases, the Bank receives various representations and warranties from the sellers regarding the quality and characteristics of the loans.

Commercial Lending — The Bank conducts commercial lending activities primarily through Corporate Banking, Commercial Banking, Business Banking, and Retail Banking channels.

In general, commercial lending credit approvals and processing are prepared and underwritten through the Bank's CCAD. Clients are generally located within the Bank's market footprint or in areas nearby the market footprint.

Credit opportunities are generally driven by the following: companies expanding their businesses; companies acquiring new businesses; and/or companies refinancing existing debt from other institutions. The Bank has a focus on C&I lending, and owner-occupied and nonowner-occupied CRE lending. The targeted C&I credit size for client relationships is typically between $1 million to $10 million, with higher targets, $10 million to $20 million for large Corporate Banking borrowers of higher credit quality.

C&I loans typically include those secured by general business assets, which consist of equipment, accounts receivable, inventory, and other business assets owned by the borrower/guarantor. Credit facilities include annually renewable lines of credit and term loans with maturities typically from three to five years and may also involve financial covenant requirements. These requirements are monitored by the Bank's CCAD. Underwriting for C&I loans is based on the borrower's capacity to repay these loans from operating cash flows, typically measured by EBITDA, with capital strength, collateral and management experience also important underwriting considerations.

Corporate Banking focuses on larger C&I and CRE opportunities. For CRE loans, Corporate Banking focuses on stabilized CRE with low leverage and strong cash flows. Borrowers are generally single-asset entities and loan sizes typically range from $5 million to $20 million. Primary underwriting considerations are property cash flow (current and historical), quality of leases, financial capacity of sponsors, and collateral value of property financed. The majority of interest rates offered are based on a floating rate index like LIBOR or the CMT. Fixed-rate terms of up to 10 years are available to borrowers by utilizing interest rate swaps. In some cases, limited or non-recourse (of owners) loans will be issued, with such cases based upon the capital position, cash flows, and stabilization of the borrowing entity.

Commercial Banking focuses on medium size C&I and CRE opportunities. Borrowers are generally single-asset entities and loan sizes typically range from $1 million to $5 million. As with Corporate Banking, the primary underwriting considerations are property cash flow (current and historical), quality of leases, financial capacity of sponsors, and collateral value of property financed. Interest rates offered are based on both fixed and variable interest-rate formulas.

The Bank's CRE and multi-family loans are typically secured by improved property such as office buildings, medical facilities, retail centers, warehouses, apartment buildings, condominiums, schools, religious institutions, and other types of commercial use property.

The Business Banking and Business Development groups, reporting up under Retail Banking, focus on locally based small-to-medium sized businesses in the Bank's market footprint with annual revenues between $1 million and $20 million, and borrowings between $500,000 and $2 million. The needs of these clients range from expansion or acquisition financing, equipment financing, owner-occupied real estate financing, and operating lines of credit.

The Bank is an SBA Preferred Lending Partner, which allows the Bank to underwrite and approve its own SBA loans in an expedited manner. An experienced veteran lender oversees the Bank's SBA Department. The Bank makes loans to borrowers generally up to $1.5 million under the SBA "7A Program," as well as utilize the "504 Program" for owner-occupied CRE opportunities. The Bank's goal is to expand its SBA platform over time and support the opportunities that arise within its markets. The Bank's lenders utilize all appropriate programs of the SBA to reduce credit risk exposure. During 2020, the Bank provided pandemic-related assistance to over 3,700 borrowers through $528 million in SBA PPP loans.

The Economic Aid Act was enacted in December 2020 in further response to the COVID-19 pandemic. Among other things, the Economic Aid Act provides relief to borrowers to access additional credit through the SBA's PPP program. The Bank began actively participating in the new program during the first quarter of 2021.

Construction and Land Development Lending — The Bank originates business loans for the construction of both single-family, residential properties and commercial properties (apartment complexes, shopping centers, office buildings). While not a focus for the Bank, the Bank may originate loans for the acquisition and development of residential or commercial land into buildable lots.

Single-family, residential-construction loans are made in the Bank's market area to established homebuilders with solid financial records. The majority of these loans are made for "contract" homes, which the builder has already pre-sold to a homebuyer. The duration of these loans is generally less than 12 months and repaid at the end of the construction period from the sale of the constructed property. Some loans are made on "speculative" homes, which the builder does not have pre-sold to a homebuyer but expects to execute a contract to sell during the construction period. These speculative homes are considered necessary to have in inventory for homebuilders, as not all homebuyers want to wait during the construction period to purchase and move into a newly built home.

Commercial-construction loans are made in the Bank's market to established commercial builders with solid financial records. Typically, these loans are made for investment properties and have tenants pre-committed for some or all of the space. Some projects may begin as speculative, with the builder contracting to lease or sell the property during the construction period. Generally, commercial construction loans are made for the duration of the construction period and slightly beyond and will either convert to permanent financing with the Bank or with another lender at or before maturity.

Construction-to-permanent loans are another type of construction-related financing offered by the Bank. These loans are made to borrowers who are going to build a property and retain it for ownership after construction completion. The construction phase is handled just like all other construction loans, and the permanent phase offers similar terms to a permanent CRE loan while allowing the borrower a one-time closing process at loan origination. These loans are offered on both owner-occupied and nonowner-occupied CRE.

Consumer Lending — Traditional Banking consumer loans made by the Bank include home improvement and home equity loans, other secured and unsecured personal loans, and credit cards. Except for home equity loans, which are actively marketed in conjunction with single family, first lien residential real estate loans, other Traditional Banking consumer loan products (not including products offered through RPG), while available, are not and have not been actively promoted in the Bank's markets.

Aircraft Lending — In October 2017, the Bank created an Aircraft Lending division. The initial loan size offered was up to $500,000. In 2019, the Bank increased the opportunity to finance up to $1.0 million and in mid-2020 the Bank raised its opportunity to finance, once again, up to $2.0 million. In 2020, the Bank's aircraft portfolio surpassed $100 million. Aircraft loans are typically made to purchase or refinance personal aircrafts, along with engine overhauls and avionic upgrades. Loans range between $55,000 and $2,000,000 in size and have terms up to 20 years. The aircraft loan program is open to all states, except for Alaska and Hawaii.

The credit characteristics of an aircraft borrower are higher than a typical consumer in that they must demonstrate and indicate a higher degree of credit worthiness for approval.

See additional discussion regarding Lending Activities under the sections titled:

- *Part I Item 1A "Risk Factors"*
- *Part II Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations"*
- *Part II Item 8 "Financial Statements and Supplementary Data," Footnote 4 "Loans and Allowance for Credit Losses"*

The Bank's other Traditional Banking activities generally consist of the following:

MemoryBank — MemoryBank, a national branchless banking platform, is a separately branded division of the Bank, which, from a marketing perspective, focuses on technologically savvy clients that prefer to carry larger balances in highly liquid interest-bearing bank accounts. MemoryBank products are offered through its website, www.mymemorybank.com. MemoryBank was not actively marketed during 2020.

Private Banking — The Bank provides financial products and services to high-net-worth individuals through its Private Banking department. The Bank's Private Banking officers have extensive banking experience and are trained to meet the unique financial needs of this clientele.

Treasury Management Services — The Bank provides various deposit products designed for commercial business clients located throughout its market footprint. Lockbox processing, remote deposit capture, business on-line banking, account reconciliation, and ACH processing are additional services offered to commercial businesses through the Bank's Treasury Management department.

Internet Banking — The Bank expands its market penetration and service delivery of its RB&T brand by offering clients Internet Banking services and products through its website, www.republicbank.com.

Mobile Banking — The Bank allows clients to easily and securely access and manage their accounts through its mobile banking application.

Other Banking Services — The Bank also provides title insurance and other financial institution related products and services.

Bank Acquisitions — The Bank maintains an acquisition strategy to selectively grow its franchise as a complement to its organic growth strategies.

See additional discussion regarding the Traditional Banking segment under Footnote 25 "Segment Information" of Part II Item 8 "Financial Statements and Supplementary Data."

(II) 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. 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.

See additional discussion regarding the Warehouse Lending segment under Footnote 25 "Segment Information" of Part II Item 8 "Financial Statements and Supplementary Data."

(III) 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 FHLMC and the FNMA. 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. The Bank receives fees for performing these standard servicing functions.

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

With the assistance of an independent third party, the MSRs asset is reviewed at least quarterly for impairment based on the fair value of the MSRs using groupings of the underlying loans based on predominant risk characteristics. Any impairment of a grouping is reported as a valuation allowance. A primary factor influencing the fair value is the estimated life of the underlying loans serviced. The estimated life of the loans serviced is significantly influenced by market interest rates. During a period of declining interest rates, the fair value of the MSRs is expected to decline due to increased anticipated prepayment speeds within the portfolio. Alternatively, during a period of rising interest rates, the fair value of MSRs would be expected to increase as prepayment speeds on the underlying loans would be expected to decline.

See additional discussion regarding the Mortgage Banking segment under Footnote 25 "Segment Information" of Part II Item 8 "Financial Statements and Supplementary Data."

(IV) 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 U.S., 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.

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 by the Company on RTs, net of revenue share, are reported as noninterest income under the line item "Net refund transfer fees."

The EA tax credit product is a loan that allows a taxpayer to borrow funds as an advance of a portion of their tax refund. The EA product had the following features during 2020 and 2019:

- Offered only during the first two months of each year;
- The taxpayer was given the option to choose from multiple loan-amount tiers, subject to underwriting, up to a maximum advance amount of $6,250;
- No requirement that the taxpayer 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's tax refund proceeds; and
- If an insufficient refund to repay the EA occurs:
    - there is no recourse to the taxpayer,
    - no negative credit reporting on the taxpayer, and
    - no collection efforts against the taxpayer.

The Company reports fees paid for the EA product as interest income on loans. EAs are generally repaid within 35 days after the taxpayer'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 35 days after the taxpayer's tax return is submitted to the applicable taxing authority. Provision on EAs is estimated when advances are made, with Provision for all expected EA losses made in the first quarter of each year. Unpaid EAs are charged-off by June 30th of each year, with EAs collected during the second half of each year recorded as recoveries of previously charged-off loans.

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 payment patterns. Because the substantial majority of the EA volume occurs each year before that year's tax refund payment 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 payment patterns change materially between years.

In response to changes in the legal, regulatory and competitive environment, management annually reviews and revises the EAs product parameters. Further changes in EA product parameters do not ensure positive results and could have an overall material negative impact on the performance of the EA product offering and therefore on the Company's financial condition and results of operations.

See additional discussion regarding the EA product under the sections titled:

- *Part I Item 1A "Risk Factors"*
- *Part II Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations"*
- *Part II Item 8 "Financial Statements and Supplementary Data," Footnote 4 "Loans and Allowance for Credit Losses"*

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."

See additional discussion regarding the TRS segment under the sections titled:

- *Part I Item 1A "Risk Factors"*
- *Part II Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations"*
- *Part II Item 8 "Financial Statements and Supplementary Data," Footnote 25 "Segment Information"*

(V) 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 and are dependent on various factors. 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. The Bank uses third-party service providers for certain services such as marketing and loan servicing of RCS loans. Additional information regarding consumer loan products offered through RCS follows:

- RCS line-of-credit product – The Bank originates a line-of-credit product to generally subprime borrowers in multiple states. Elevate Credit, Inc., a third-party service provider subject to the Bank's oversight and supervision, provides the Bank with certain marketing, servicing, technology, and support services for the RCS line-of-credit program, while a separate third party also provides customer support, servicing, and other services for the RCS line-of-credit product on the Bank's behalf. The Bank is the lender for the RCS line-of-credit product and is marketed as such. Further, the Bank controls the loan terms and underwriting guidelines, and the Bank exercises consumer compliance oversight of the RCS line-of-credit product.

  The Bank sells participation interests in the RCS line-of-credit product. These participation interests are a 90% interest in advances made to borrowers under the borrower's line-of-credit account, and the participation interests are generally sold three business days following the Bank's funding of the associated advances. Although the Bank retains a 10% participation interest in each advance, it maintains 100% ownership of the underlying RCS line-of-credit account with each borrower. The RCS line-of-credit product represents the substantial majority of RCS activity. Loan balances held for sale through this program are carried at the lower of cost or fair value.

- RCS installment loan products – In December 2019, through RCS, the Bank began offering installment loans with terms ranging from 12 to 60 months to borrowers in multiple states. A third-party service provider subject to the Bank's oversight and supervision provides the Bank with marketing services and loan servicing for these RCS installment loans. The Bank is the lender for these RCS installment loans, and is marketed as such. Furthermore, the Bank controls the loan terms and underwriting guidelines, and the Bank exercises consumer compliance oversight of this RCS installment loan product. Currently, all loan balances originated under this RCS installment loan program are carried as "held for sale" on the Bank's balance sheet, with the intention to sell these loans to its third-party service provider generally within sixteen days following the Bank's origination of the loans. Loans originated under this RCS installment loan program are carried at fair value under a fair-value option, with the portfolio marked to market monthly.

- RCS healthcare receivables products – The Bank originates healthcare-receivables products across the U.S. through two different third-party service providers. In one program, the Bank retains 100% of the receivables originated. In the other program, the Bank retains 100% of the receivables originated in some instances, and in other instances, sells 100% of the receivables within one month of origination. Loan balances held for sale through this program are carried at the lower of cost or fair value.

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."

See additional discussion regarding the RCS segment under the sections titled:

- *Part I Item 1A "Risk Factors"*
- *Part II Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations"*
- *Part II Item 8 "Financial Statements and Supplementary Data," Footnote 25 "Segment Information"*

Employees and Human Capital Resources

As of December 31, 2020, Republic had 1,094 FTE employees. Altogether, Republic had 1,083 full-time and 21 part-time employees. None of the Company's employees are subject to a collective bargaining agreement, and Republic has never experienced a work stoppage. The Company believes that it has had and continues to have good employee relations.

Employee retention helps the Company operate efficiently and effectively. Management promotes its core values through prioritizing concern for employees' well-being, supporting employees' career goals, offering competitive wages, and providing valuable fringe benefits. In addition, Bank employees may become stockholders of the Company through participation in its Employee Stock Purchase Plan and its 401(k) retirement plan, which offers a Company stock investment option.

The Company actively encourages and supports the growth and development of its employees. Management generally seeks to fill positions by promotion and transfer from within the organization, whenever practical. Career development is advanced through ongoing mentoring and development programs, as well as internally developed training programs, customized corporate training engagements and educational reimbursement programs. Reimbursement is available to employees enrolled in pre-approved degree or certification programs at accredited institutions that teach skills or knowledge relevant to the financial services industry and in compliance with the Internal Revenue Code.

The safety, health and wellness of Republic's employees is considered a top priority. The COVID-19 pandemic presented a unique challenge with regard to maintaining employee safety while continuing successful operations. Through teamwork and the adaptability of its employees, the Company was able to transition, over a short period of time, the substantial majority of its non-customer-facing employees to effectively working from remote locations and ensure a safely-distanced working environment for employees performing customer-facing activities at banking and operational centers. All employees have been asked not to come to work when they experience signs or symptoms of a possible COVID-19 illness and have been provided additional paid time off to cover compensation during such absences. On an ongoing basis, the Company promotes the health and wellness of its employees by encouraging work-life balance, offering flexible work schedules, and striving to keep the employee portion of health care premiums competitive with local competition. Additionally, Republic strives to clearly and frequently communicate expectations that all employee conduct must adhere to the highest ethical standards encompassed by its corporate values, including through town hall meetings and senior leadership messages.

Information about our Executive Officers

See Part III, Item 10. "Directors, Executive Officers and Corporate Governance." for information about the Company's executive officers.

Competition

Traditional Banking

The Traditional Bank encounters intense competition in its market footprint in originating loans, attracting deposits, and selling other banking related financial services. Through its national branchless banking platform, MemoryBank, the Bank competes for digital and mobile clients in select pilot markets under the MemoryBank brand. The deregulation of the banking industry, the ability to create financial services holding companies to engage in a wide range of financial services other than banking and the widespread enactment of state laws that permit multi-bank holding companies, as well as the availability of nationwide interstate banking, has created a highly competitive environment for financial institutions. In one or more aspects of the Bank's business, the Bank competes with local and regional retail and commercial banks, other savings banks, credit unions, finance companies, mortgage companies, fintech companies, and other financial intermediaries operating in Kentucky, Indiana, Florida, Tennessee, Ohio, and in other states where the Bank offers its products. The Bank also competes with insurance companies, consumer finance companies, investment banking firms, and mutual fund managers. Some of the Company's competitors are not subject to the same degree of regulatory review and restrictions that apply to the Company and the Bank. Many of the Bank's primary competitors, some of which are affiliated with large bank holding companies or other larger financial based institutions, have substantially greater resources, larger established client bases, higher lending limits, more extensive banking center networks, numerous ATMs or ITMs, and greater advertising and marketing budgets. They may also offer services that the Bank does not currently provide. These competitors attempt to gain market share through their financial product mix, pricing strategies, and banking center locations. Legislative developments related to interstate branching and banking in general, by providing large banking institutions easier access to a broader marketplace, can act to create more pressure on smaller financial institutions to consolidate. It is anticipated that competition from both bank and non-bank entities will continue to remain strong in the foreseeable future.

The primary factors in competing for bank products are convenient locations, ATMs, ITMs, flexible hours, deposit interest rates, services, internet banking, mobile banking, range of lending services offered, and lending fees. Additionally, the COVID-19 pandemic has created additional competitive demands, such as providing remote-only service. The Bank believes that an emphasis on highly personalized service tailored to individual client needs, together with the local character of the Bank's business and its "community bank" management philosophy will continue to enhance the Bank's ability to compete successfully in its market footprint.

Warehouse Lending

The Bank faces strong competition from financial institutions across the United States for mortgage banking clients in need of warehouse lines of credit. Competitors may have substantially greater resources, larger established client bases, higher lending limits, as well as underwriting standards and on-going oversight requirements that could be viewed more favorably by some clients. A few or all of these factors can lead to a competitive disadvantage to the Company when attempting to retain or grow its Warehouse client base.

Mortgage Banking

The Bank encounters intense competition from mortgage bankers, mortgage brokers, and financial institutions for the origination and funding of mortgage loans. Many competitors have branch offices in the same areas where the Bank's loan officers operate. The Bank also competes with mortgage companies whose focus is often on telemarketing and consumer-direct lending.

Tax Refund Solutions

The TRS segment encounters direct competition for RT and EA market share from a limited number of banks in the industry. The Bank promotes these products to Tax Providers using various revenue-share and pricing incentives, as well as product features and overall service levels.

Republic Payment Solutions

The prepaid card industry is subject to intense and increasing competition. The Bank competes with a number of companies that market different types of prepaid card products, such as general-purpose-reloadable, gift, incentive, and corporate disbursement cards.

There is also competition from large retailers who are seeking to integrate more financial services into their product offerings. Increased competition is also expected from alternative financial services providers who are often well-positioned to service the "underbanked" and who may wish to develop their own prepaid card programs.

Republic Credit Solutions

The small-dollar consumer loan industry is highly competitive. Competitors for the Company's small-dollar loan programs include, but are not limited to, billers who accept late payments for a fee, overdraft privilege programs of other banks and credit unions, as well as payday lenders and fintech companies.

New entrants to the small-dollar consumer loan market must successfully implement underwriting and fraud prevention processes, overcome consumer brand loyalty, and have sufficient capital to withstand early losses associated with unseasoned loan portfolios. In addition, there are substantial regulatory and compliance costs, including the need for expertise to customize products associated with licenses to lend in various states across the United States.

Supervision and Regulation

The Company and the Bank are separate and distinct entities and are subject to extensive federal and state banking laws and regulations, which establish a comprehensive framework of activities in which the Company and the Bank may engage. These laws and regulations are primarily intended to provide protection to clients and depositors, not stockholders. The Company, as a public reporting company, is also subject to various securities laws and regulations.

As an umbrella supervisor under the GLBA's system of functional regulation, the FRB requires that FHCs operate in a safe and sound manner so that their financial condition does not threaten the viability of affiliated depository institutions. The FRB conducts periodic examinations to review the Company's safety and soundness, and compliance with various legal and safety and soundness requirements.

The Bank is a Kentucky-chartered commercial banking and trust corporation and as such, it is subject to supervision and regulation by the FDIC and the KDFI. The Bank also operates physical locations in Florida, Indiana, Ohio, and Tennessee; originates and purchases loans on a national basis; and accepts deposits on a national basis through its MemoryBank digital brand. All deposits, subject to regulatory prescribed limitations, held by the Bank are insured by the FDIC. The Bank is subject to restrictions, requirements, potential enforcement actions and examinations by the FDIC and KDFI. The FRB's regulation of the Company with monetary policies and operational rules directly impact the Bank. The Bank is a member of the FHLB System.

As a member of the FHLB system, the Bank must also comply with applicable regulations of the Federal Housing Finance Agency. Regulation by each of these agencies is intended primarily for the protection of the Bank's depositors and the DIF and not for the benefit of the Company's stockholders. The Bank's activities are also regulated under federal and state consumer protection laws applicable to the Bank's lending, deposit, and other activities. An adverse ruling or finding against the Company or the Bank under these laws could have a material adverse effect on results of operations.

The Company and the Bank are also subject to the regulations of the CFPB, which was established under the Dodd-Frank Act. The CFPB has consolidated rules and orders with respect to consumer financial products and services and has substantial power to define the rights of consumers and responsibilities of lending institutions, such as the Bank. The CFPB does not, however, examine or supervise the Bank for compliance with such regulations; rather, based on the Bank's size (less than $10 billion in assets), enforcement authority remains with the FDIC although the Bank may be required to submit reports or other materials to the CFPB upon its request. Notwithstanding jurisdictional limitations set forth in the Dodd-Frank Act, the CFPB and federal banking regulators may endeavor to work jointly in investigating and resolving cases as they arise.

Regulators have extensive discretion in connection with their supervisory and enforcement authority and examination policies, including, but not limited to, policies that can materially impact the classification of assets and the establishment of adequate loan loss reserves. Any change in regulatory requirements and policies, whether by the FRB, the FDIC, the KDFI, the CFPB or state or federal legislation, could have a material adverse impact on Company operations.

Regulators also have broad enforcement powers over banks and their holding companies, including, but not limited to: the power to mandate or restrict particular actions, activities, or divestitures; impose monetary fines and other penalties for violations of laws and regulations; issue cease and desist or removal orders; seek injunctions; publicly disclose such actions; and prohibit unsafe or unsound practices. This authority includes both informal and formal actions to effect corrective actions and/or sanctions. In addition, the Bank is subject to regulation and potential enforcement actions by other state and federal agencies.

Certain regulatory requirements applicable to the Company and the Bank are referred to below or elsewhere in this filing. The description of statutory provisions and regulations applicable to banks and their holding companies set forth in this filing does not purport to be a complete description of such statutes and regulations. Their effect on the Company and the Bank is qualified in its entirety by reference to the actual laws and regulations.

The Dodd-Frank Act

The Dodd-Frank Act, among other things, implemented changes that affected the oversight and supervision of financial institutions, provided for a new resolution procedure for large financial companies, created the CFPB, introduced more stringent regulatory capital requirements and significant changes in the regulation of OTC derivatives, reformed the regulation of credit rating agencies, increased controls and transparency in corporate governance and executive compensation practices, incorporated the Volcker Rule, required registration of advisers to certain private funds, and influenced significant changes in the securitization market. The Economic Growth, Regulatory Relief and Consumer Protection Act of 2018 (the "EGRRCPA") and its implementing regulations pulled back some of the more stringent requirements of the Dodd-Frank Act for community banks with total consolidated assets of less than $10 billion, such as the Bank. Due to exemptions in the Dodd-Frank Act, the EGRRCPA, and each Act's implementing regulations, the Company and Bank are not subject to several provisions of the Dodd-Frank Act including but not limited to 1) the Durbin Amendment that would otherwise limit the interchange fees the Bank could charge on debit card transactions, 2) the Volcker Rule that would affect the Company's ability to invest in or engage in certain trading activities, and 3) stricter regulatory capital requirements.

Incentive and Executive Compensation — In 2010, the FRB and other regulators jointly published final guidance for structuring incentive compensation arrangements at financial organizations. The guidance does not set forth any formulas or pay caps but contains certain principles that companies are required to follow with respect to employees and groups of employees that may expose the company to material amounts of risk. The three primary principles are (i) balanced risk-taking incentives, (ii) compatibility with effective controls and risk management, and (iii) strong corporate governance. The FRB monitors compliance with this guidance as part of its safety and soundness oversight.

I. The Company

Source of Strength Doctrine — The Dodd-Frank Act codifies the Federal Reserve Board's existing "source of strength" policy that holding companies act as a source of strength to their insured institution subsidiaries by providing capital, liquidity and other support in times of distress. FRB policies and regulations also prohibit bank holding companies from engaging in unsafe and unsound banking practices. The FDIC and the KDFI have similar restrictions with respect to the Bank. Under the Dodd-Frank Act and in line with prior FRB policy, a BHC is expected to act as a source of financial strength to its banking subsidiaries and to commit resources for their support. This support may restrict the Company's ability to pay dividends, and may be required at times when, absent this FRB policy, a holding company may not be inclined to provide it. A BHC may also be required to guarantee the capital restoration plan of an undercapitalized banking subsidiary and any applicable cross-guarantee provisions that may apply to the Company. In addition, any capital loans by the Company to its bank subsidiary are subordinate in right of payment to deposits and to certain other indebtedness of the bank subsidiary. In the event of a BHC's bankruptcy, any commitment by the BHC to a federal bank regulatory agency to maintain the capital of subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Acquisitions and Strategic Planning — The Company is required to obtain the prior approval of the FRB under the BHCA before it may, among other things, acquire all or substantially all of the assets of any bank, or ownership or control of any voting shares of any bank, if after such acquisition it would own or control, directly or indirectly, more than 5% of any class of the voting shares of such bank. In addition, the Bank must obtain regulatory approval before entering into certain transactions, such as adding new banking offices and mergers with, or acquisitions of, other financial institutions. This may affect the Company's or the Bank's acquisition or timely acquisition of interests in other banks, other merger and acquisition activity and banking office expansion.

The BHCA and the Change in Bank Control Act also generally require the approval of the Federal Reserve before any person or company can acquire control of a bank or BHC. Acquisition of control occurs if immediately after a transaction, the acquiring person or company owns, controls, or holds voting securities of the institution with the power to vote 25% or more of any class. Control is refutably presumed to exist if, immediately after a transaction, the acquiring person or company owns, controls, or holds voting securities of the institution with the power to vote 10% or more of any class, and (i) the institution has registered securities under Section 12 of the Securities Exchange Act of 1934; or (ii) no other person will own, control, or hold the power to vote a greater percentage of that class of voting securities immediately after the transaction.

Financial Activities — As an FHC, the Company is permitted to engage directly or indirectly in a broader range of activities than those permitted for a BHC under the BHCA. Permitted activities for an FHC include securities underwriting and dealing, insurance underwriting and brokerage, merchant banking and other activities that are declared by the FRB, in cooperation with the Treasury Department, to be "financial in nature or incidental thereto" or are declared by the FRB unilaterally to be "complementary" to financial activities. Permitted activities also include those determined to be "closely related to banking" activities by the FRB under the BHCA and permissible for any BHC. An FHC is allowed to conduct permissible new financial activities or acquire permissible non-bank financial companies with after-the-fact notice to the FRB. A BHC may elect to become an FHC if it and each of its banking subsidiaries is well capitalized, is well managed and has at least a "Satisfactory" rating under the CRA. To maintain FHC status, the Company and the Bank must continue to meet the well capitalized and well managed requirements. The failure to meet such requirements could result in material restrictions on the activities of the Company and may also adversely affect the Company's ability to enter into certain transactions (including mergers and acquisitions) or obtain necessary approvals in connection therewith, as well as loss of FHC status. If restrictions are imposed on the activities of an FHC, such information may not necessarily be available to the public.

II. The Bank

The Kentucky and federal banking statutes prescribe the permissible activities in which a Kentucky chartered bank may engage and where those activities may be conducted. Kentucky's statutes contain a super parity provision that permits a well-rated Kentucky bank to engage in any banking activity in which a national bank in Kentucky, a state bank, state thrift, or state savings association operating in any other state, a federal savings bank or a federal thrift meeting the qualified thrift lender test engages, provided it first obtains a legal opinion from counsel specifying the statutory or regulatory provisions that permit the activity.

Safety and Soundness – The federal banking regulatory agencies have prescribed, by regulation, guidelines for all insured depository institutions relating to: (i) internal controls, information systems and internal audit systems; (ii) loan documentation; (iii) credit underwriting; (iv) interest rate risk exposure; (v) asset growth; (vi) asset quality; (vii) earnings; and (viii) compensation, fees and benefits. The guidelines set forth safety and soundness standards that the federal banking regulatory agencies use to identify and address problems at FDIC member institutions before capital becomes impaired. If the FDIC determines that the Bank fails to meet any standard prescribed by the guidelines, the FDIC may require the Bank to submit to it an acceptable plan to achieve compliance with the standard. FDIC regulations establish deadlines for the submission and review of such safety and soundness compliance plans in response to any such determination. We are not aware of any conditions relating to these safety and soundness standards that would require us to submit a plan of compliance to the FDIC.

Branching — Kentucky law generally permits a Kentucky chartered bank to establish a branch office in any county in Kentucky. A Kentucky bank may also, subject to regulatory approval and certain restrictions, establish a branch office outside of Kentucky. Well-capitalized Kentucky state chartered banks that have been in operation at least three years and that satisfy certain criteria relating to, among other things, their composite and management exam ratings, may establish a branch in Kentucky without the approval of the Commissioner of the KDFI, upon notice to the KDFI and any other state bank with its main office located in the county where the new branch will be located. Branching by banks not meeting these criteria requires the approval of the Commissioner of the KDFI, who must ascertain and determine that the public convenience and advantage will be served and promoted and that there is a reasonable probability of the successful operation of the branch. In any case, the proposed branch must also be approved by the FDIC, which considers a number of factors, including financial condition, capital adequacy, earnings prospects, character of management, needs of the community and consistency with corporate powers. As a result of several legislative acts including the Dodd-Frank Act, the Bank, along with any other national or state-chartered bank generally may branch across state lines. Such unlimited branching authority has the potential to increase competition within the markets in which the Company and the Bank operate.

Affiliate Transaction Restrictions — Transactions between the Bank and its affiliates, and in some cases the Bank's correspondent banks, are subject to FDIC regulations, the FRB's Regulations O and W, and Sections 23A, 23B, 22(g) and 22(h) of the Federal Reserve Act ("FRA"). In general, these transactions must be on terms and conditions that are consistent with safe and sound banking practices and substantially the same, or at least as favorable to the bank or its subsidiary, as those for comparable transactions with non-affiliated parties. In addition, certain types of these transactions referred to as "covered transactions" are subject to quantitative limits based on a percentage of the Bank's capital, thereby restricting the total dollar amount of transactions the Bank may engage in with each individual affiliate and with all affiliates in the aggregate. Limitations are also imposed on loans and extensions of credit by a bank to its executive officers, directors, and principal stockholders and each of their related interests. The Dodd-Frank Act expanded the scope of these regulations, including by applying them to the credit exposure arising under derivative transactions, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions.

The FRB promulgated Regulation W to implement Sections 23A and 23B of the FRA. This regulation contains many of the foregoing restrictions and addresses derivative transactions, overdraft facilities, and other transactions between a bank and its non-bank affiliates.

Restrictions on Distribution of Subsidiary Bank Dividends and Assets — Bank regulators may declare a dividend payment to be unsafe and unsound even if the Bank continues to meet its capital requirements after the dividend. Dividends paid by the Bank provide substantially all of the Company's operating funds. Regulatory requirements limit the amount of dividends that may be paid by the Bank. Under federal regulations, the Bank cannot pay a dividend if, after paying the dividend, the Bank would be undercapitalized.

Under Kentucky and federal banking regulations, the dividends the Bank can pay during any calendar year are generally limited to its profits for that year, plus its retained net profits for the two preceding years, less any required transfers to surplus or to fund the retirement of preferred stock or debt, absent approval of the respective state or federal banking regulators. FDIC regulations also require all insured depository institutions to remain in a safe and sound condition, as defined in regulations, as a condition of having FDIC deposit insurance.

FDIC Deposit Insurance Assessments — All Bank deposits are insured to the maximum extent permitted by the DIF. These bank deposits are backed by the full faith and credit of the U.S. Government. As insurer, the FDIC is authorized to conduct examinations of, and to require reporting by, insured institutions. It also may prohibit any insured institution from engaging in any activity determined by regulation or order to pose a serious threat to the DIF.

The FDIC assesses all banks quarterly. A bank's assessment base and assessment rates are determined quarterly and are risk-based. For small banks (such as the Bank) post-Dodd-Frank and certain rule changes effective in 2016, individual assessment rates are individually assigned based on the FDIC's financial ratios method that estimates the probability of the bank's failure over three years using financial data and a weighted average of the bank's CAMELS component ratings, subject to adjustment. CAMELS composite ratings are used to set minimum and maximum assessment rates. The assessment base, post-Dodd-Frank, is the average consolidated total assets minus average tangible equity. Management cannot predict what insurance assessment rates will be in the future.

The FDIC may terminate the deposit insurance of any insured depository institution, including the Bank, if it determines that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC. It may also suspend deposit insurance temporarily if the institution has no tangible capital. If insurance is terminated, the accounts at the institution at the time of the termination, less subsequent withdrawals, shall continue to be insured for a period of six months to two years, as determined by the FDIC. Management is aware of no existing circumstances that would result in termination of the Bank's FDIC deposit insurance.

Anti-Money Laundering, Patriot Act; OFAC Sanctions – The Company and the Bank are subject to federal laws that are designed to counter money laundering and terrorist financing, and transactions with persons, companies or foreign governments sanctioned by the United States. These laws include the Bank Secrecy Act, the Money Laundering Control Act, and the USA Patriot Act, as administered by the United States Treasury Department's Office of Foreign Assets Control. These laws obligate depository institutions and broker-dealers to verify their customers' identity, conduct customer due diligence, report on suspicious activity, file reports of transactions in currency and conduct enhanced due diligence on certain accounts. They also prohibit U.S. persons from engaging in transactions with certain designated restricted countries and persons. Depository institutions and broker-dealers are required by their federal regulators to maintain robust policies and procedures in order to ensure compliance with these obligations. In cooperation with federal banking regulatory agencies, the Financial Crimes Enforcement Network is responsible for implementing, administering, and enforcing compliance with these laws.

Failure to comply with these laws or maintain an adequate compliance program can lead to significant monetary penalties and reputational damage. Federal regulators evaluate the effectiveness of an applicant in combating money laundering when determining whether to approve a proposed bank merger, acquisition, restructuring, or other expansionary activity.

Consumer Laws and Regulations —The Bank is subject to a number of federal and state consumer protection laws, including, but not limited to, the Fair Credit Reporting Act, the Truth in Lending Act, the Truth in Savings Act, the Electronic Fund Transfer Act, the Expedited Funds Availability Act, the Home Mortgage Disclosure Act, the Military Lending Act, the Real Estate Settlement Procedures Act, the Servicemembers Civil Relief Act, the Telephone Consumer Protection Act, and these laws' respective state-law counterparts, among many others. As discussed in more detail below, the Bank also complies with fair lending and privacy laws. Banks as well as nonbanks are subject to any rule, regulation or guideline created by the CFPB. The CFPB is an independent "watchdog" within the Federal Reserve System that regulates any person who offers or provides personal, family or household financial products or services. Congress established the CFPB to create one agency in charge of protecting consumers by overseeing the application and implementation of "Federal consumer financial laws," which includes (i) rules, orders and guidelines of the CFPB, (ii) all consumer financial protection functions, powers and duties transferred from other federal agencies, such as the Federal Reserve, the OCC, the FDIC, the Federal Trade Commission, and the Department of Housing and Urban Development, and (iii) a long list of consumer financial protection laws enumerated in the Dodd-Frank Act including those listed above.

The CFPB is authorized to prescribe rules applicable to any covered person or service provider identifying and prohibiting acts or practices that are unfair, deceptive or abusive in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. The CFPB has engaged in rulemaking and taken enforcement actions that directly impact the business operations of financial institutions offering consumer financial products or services including the Bank and its divisions. Depository institutions with $10 billion or less in assets, such as the Bank, will continue to be examined for compliance with the consumer protection laws and regulations by their primary bank regulators (the FDIC for the Bank), rather than the CFPB. The FDIC also regulates what it considers unfair and deceptive practices under Section 5 of the Federal Trade Commission Act.

Such laws and regulations and the other consumer protection laws and regulations to which the Bank has been subject have historically mandated certain disclosure requirements and regulated the manner in which financial institutions must deal with customers when taking deposits from, making loans to, or engaging in other types of transactions with, such customers. The continued effect of the CFPB on the development and promulgation of consumer protection rules and guidelines and the enforcement of federal "consumer financial laws" on the Bank, if any, cannot be determined with certainty at this time.

Community Reinvestment Act and the Fair Lending Laws – Banks have a responsibility under the CRA and related regulations of the FDIC to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. An institution's failure to comply with the provisions of the CRA could, at a minimum, result in regulatory restrictions on its activities and the denial of applications. In addition, an institution's failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in the FDIC, other federal regulatory agencies or the Department of Justice, taking enforcement actions against the institution. Failure by the Bank to fully comply with these laws could result in material penalties being assessed against the Bank. The Bank received a "Satisfactory" CRA Performance Evaluation in January 2020, its most recent evaluation. A copy of the public section of this CRA Performance Evaluation is available to the public upon request.

Privacy and Data Security – The FRB, FDIC, and other bank regulatory agencies have adopted guidelines for safeguarding confidential, personal customer information. These guidelines require each financial institution, under the supervision and ongoing oversight of its board of directors or an appropriate committee thereof, to create, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, protect against any anticipated threats or hazards to the security or integrity of such information and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. If the Bank fails to properly safeguard customer information or is the subject of a successful cyber-attack, it could result in material fines and/or liabilities that would materially affect the Company's results of operations.

In addition, various U.S. regulators, including the Federal Reserve and the SEC, have increased their focus on cyber-security through guidance, examinations and regulations. The Company has adopted a customer information security program that has been approved by the Company's Board of Directors.

The GLBA requires financial institutions to implement policies and procedures regarding the disclosure of nonpublic personal information about consumers to non-affiliated third parties. In general, the statute requires explanations to consumers on policies and procedures regarding the disclosure of such nonpublic personal information, and, except as otherwise required by law, prohibits disclosing such information except as provided in the banking subsidiary's policies and procedures. In addition to the GLBA, the Company and the Bank are also subject to state privacy laws.

Prohibitions Against Tying Arrangements — The Bank is subject to prohibitions on certain tying arrangements. A depository institution is prohibited, subject to certain exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the client obtain some additional product or service from the institution or its affiliates or not obtain services of a competitor of the institution.

Depositor Preference — The FDIA provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors (including depositors whose deposits are payable only outside of the U.S.), and the parent BHC, with respect to any extensions of credit they have made to such insured depository institution.

Federal Home Loan Bank System — The FHLB offers credit to its members, which include savings banks, commercial banks, insurance companies, credit unions, and other entities. The FHLB system is currently divided into eleven federally chartered regional FHLBs that are regulated by the Federal Housing Finance Agency. The Bank is a member and owns capital stock in the FHLB Cincinnati. The amount of capital stock the Bank must own to maintain its membership depends on its balance of outstanding advances. It is required to acquire and hold shares in an amount at least equal to 1% of the aggregate principal amount of its unpaid single-family, residential real estate loans and similar obligations at the beginning of each year, or 1/20th of its outstanding advances from the FHLB, whichever is greater. Advances are secured by pledges of loans, mortgage backed securities and capital stock of the FHLB. FHLBs also purchase mortgages in the secondary market through their MPP. The Bank has never sold loans to the MPP.

In the event of a default on an advance, the Federal Home Loan Bank Act establishes priority of the FHLB's claim over various other claims. If an FHLB falls below its minimum capital requirements, the FHLB may seek to require its members to purchase additional capital stock of the FHLB. If problems within the FHLB system were to occur, it could adversely affect the pricing or availability of advances, the amount and timing of dividends on capital stock issued by FHLB Cincinnati to its members, or the ability of members to have their FHLB capital stock redeemed on a timely basis. Congress continues to consider various proposals that could establish a new regulatory structure for the FHLB system, as well as for other government-sponsored entities. The Bank cannot predict at this time, which, if any, of these proposals may be adopted or what effect they would have on the Bank's business.

Federal Reserve System — Under regulations of the FRB, the Bank is required to maintain noninterest-earning reserves against its transaction accounts (primarily NOW and regular checking accounts). The Bank is in compliance with the foregoing reserve requirements. Required reserves must be maintained in the form of vault cash, a depository account at the FRB, or a pass-through account as defined by the FRB. The balances maintained to meet the reserve requirements imposed by the FRB may be used to satisfy liquidity requirements imposed by the FDIC. The Bank is also authorized to borrow from the FRB discount window.

Loans to One Borrower — Under current limits, loans and extensions of credit outstanding at one time to a single borrower and not fully secured generally may not exceed 15% of the institution's unimpaired capital and unimpaired surplus. Loans and extensions of credit fully secured by certain readily marketable collateral may represent an additional 10% of unimpaired capital and unimpaired surplus.

Loans to Insiders — The Bank's authority to extend credit to its directors, executive officers and principal shareholders, as well as to entities controlled by such persons, is governed by the requirements of Sections 22(g) and 22(h) of the FRA and Regulation O of the Federal Reserve Board. Among other things, these provisions require that extensions of credit to insiders: (a) be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with non-insiders and that do not involve more than the normal risk of repayment or present other features that are unfavorable to the Bank; and (b) not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the Bank's capital. In addition, extensions of credit to insiders in excess of certain limits must be approved by the Bank's Board of Directors.

Capital Adequacy Requirements

Capital Guidelines — The Company and the Bank are subject to capital regulations in accordance with Basel III, as administered by banking regulators. Regulatory agencies measure capital adequacy within a framework that makes capital requirements, in part, dependent on the individual risk profiles of financial institutions. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators, including prompt corrective action as described below, that, if undertaken, could have a direct material effect on Republic's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items, as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators regarding components, risk weightings and other factors.

Banking regulators have categorized the Bank as well-capitalized. For purposes of determining if prompt corrective action is called for, the regulations in accordance with Basel III define "well capitalized" as a 10.0% Total Risk-Based Capital ratio, a 6.5% Common Equity Tier 1 Risk-Based Capital ratio, an 8.0% Tier 1 Risk-Based Capital ratio, and a 5.0% Tier 1 Leverage ratio. Additionally, in order to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers, the Company and Bank must hold a capital conservation buffer of 2.5% composed of Common Equity Tier 1 Risk-Based Capital above their minimum risk-based capital requirements.

As of December 31, 2020* and 2019, the Company's capital ratios were as follows:

	2020		2019	
December 31, (dollars in thousands)	**Amount**	**Ratio**	Amount	Ratio
Total capital to risk-weighted assets				
Republic Bancorp, Inc.	**$ 896,053**	**18.52** %	$ 825,987	17.01 %
Republic Bank & Trust Company	**796,114**	**16.46**	723,248	14.91
Common equity tier 1 capital to risk-weighted assets				
Republic Bancorp, Inc.	**$ 803,682**	**16.61** %	$ 742,636	15.29 %
Republic Bank & Trust Company	**743,743**	**15.38**	679,897	14.01
Tier 1 (core) capital to risk-weighted assets				
Republic Bancorp, Inc.	**$ 843,682**	**17.43** %	$ 782,636	16.11 %
Republic Bank & Trust Company	**743,743**	**15.38**	679,897	14.01
Tier 1 leverage capital to average assets				
Republic Bancorp, Inc.	**$ 843,682**	**13.70** %	$ 782,636	13.93 %
Republic Bank & Trust Company	**743,743**	**12.11**	679,897	12.11

** The Company and the Bank elected to defer the impact of CECL on regulatory capital. The deferral period is five years, with the total estimated CECL impact 100% deferred for the first two years, then phased in over the next three years. If not for this election, the Company's regulatory capital ratios would have been approximately 15 basis points lower than those presented in the table above as of December 31, 2020.*

Corrective Measures for Capital Deficiencies — The banking regulators are required to take "prompt corrective action" with respect to capital deficient institutions. Agency regulations define, for each capital category, the levels at which institutions are well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. A bank is undercapitalized if it fails to meet any one of the ratios required to be adequately capitalized.

Undercapitalized, significantly undercapitalized and critically undercapitalized institutions are required to submit a capital restoration plan, which must be guaranteed by the holding company of the institution. In addition, agency regulations contain broad restrictions on certain activities of undercapitalized institutions including asset growth, acquisitions, branch establishment, and expansion into new lines of business. With certain exceptions, an insured depository institution is prohibited from making capital distributions, including dividends, and is prohibited from paying management fees to control persons if the institution would be undercapitalized after any such distribution or payment. A bank's capital classification will also affect its ability to accept brokered deposits. Under banking regulations, a bank may not lawfully accept, roll over or renew brokered deposits, unless it is either well capitalized or it is adequately capitalized and receives a waiver from its applicable regulator.

If a banking institution's capital decreases below acceptable levels, bank regulatory enforcement powers become more enhanced. A significantly undercapitalized institution is subject to mandated capital raising activities, restrictions on interest rates paid and transactions with affiliates, removal of management and other restrictions. Banking regulators have limited discretion in dealing with a critically undercapitalized institution and are normally required to appoint a receiver or conservator. Banks with risk-based capital and leverage ratios below the required minimums may also be subject to certain administrative actions, including the termination of deposit insurance upon notice and hearing, or a temporary suspension of insurance without a hearing if the institution has no tangible capital.

In addition, a BHC may face significant consequences if its bank subsidiary fails to maintain the required capital and management ratings, including entering into an agreement with the FRB that imposes limitations on its operations and may even require divestitures. Until such deficiencies are corrected, the FRB may impose any limitations or conditions on the conduct or activities of the FHC and its affiliates that the FRB determines are appropriate, and the FHC may not commence any additional activity or acquire control of any company under Section 4(k) of the BHCA without prior FRB approval. Unless the period for compliance is extended by the FRB, if an FHC fails to correct deficiencies in maintaining its qualification for FHC status within 180 days of notice to the FRB, the FRB may order divestiture of any depository institution controlled by the company. A company may comply with a divestiture order by ceasing to engage in any financial or other activity that would not be permissible for a BHC that has not elected to be treated as an FHC. The Company is currently classified as an FHC.

Under FDICIA, each federal banking agency has prescribed, by regulation, non-capital safety and soundness standards for institutions under its authority. These standards cover internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, such other operational and managerial standards as the agency determines to be appropriate, and standards for asset quality, earnings and stock valuation. An institution that fails to meet these standards must develop a plan acceptable to the agency, specifying the steps that the institution will take to meet the standards. Failure to submit or implement such a plan may subject the institution to regulatory sanctions.

Other Regulation and Legislative Initiatives

Any change in the laws and regulations affecting the Bank's operations is not predictable and could affect the Bank's operations and profitability. The U.S. Congress and state legislative bodies also continually consider proposals for altering the structure, regulation, and competitive relationships of financial institutions. It cannot be predicted whether, or in what form, any of these potential proposals or regulatory initiatives will be adopted, the impact the proposals will have on the financial institutions industry or the extent to which the business or financial condition and operations of the Company and its subsidiaries may be affected.

Statistical Disclosures

The statistical disclosures required by Part I Item 1 "*Business*" are located under Part II Item 7 *"Management's Discussion and Analysis of Financial Condition and Results of Operations."*

Item 1A. Risk Factors.

FACTORS THAT MAY AFFECT FUTURE RESULTS

An investment in Republic's common stock is subject to risks inherent in its business. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all the other information included in this filing. In addition to the risks and uncertainties described below, other risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially and adversely affect its business, financial condition, and results of operations in the future. The value or market price of the Company's common stock could decline due to any of these identified or other risks, and an investor could lose all or part of their investment.

There are factors, many beyond the Company's control, which may significantly change the results or expectations of the Company. Some of these factors are described below, however, many are described in the other sections of this Annual Report on Form 10-K.

COVID-19 AND THE PUBLIC RESPONSE

The COVID-19 pandemic and the public's response to this pandemic present unique risks to the Company's operations and the markets it serves. The Company's operations and the markets it serves have been and will continue to be significantly impacted by the COVID-19 pandemic and the public's response to this pandemic. The following are relevant to the Company and its operations:

- Adverse Economic Conditions – COVID-19 has led to a curtailment or suspension of social and economic activity in many areas of the U.S., including areas where the Bank operates. The length and breadth of these negative economic conditions is currently unknown. These conditions are expected to continue to have a significant negative impact on the Bank's ability and willingness to offer its traditional loan products. Instead of the Bank's traditional products, government-backed financial products, such as the SBA's PPP, have been and may continue to be a strong focus of the Bank's operations in the near term. Government-backed products may be substantially less profitable than the Bank's traditional products. Additionally, these economic conditions may lead to the impairment of the Company's intangible assets, including its goodwill and MSRs.

- Loan and Credit Losses – COVID-19 has led to economic restrictions on businesses deemed non-essential by various jurisdictions, with many businesses ceasing or substantially reducing operations. Employees for many businesses have been and may continue to be furloughed or laid off. The Bank's credit delinquencies and losses may rise steeply due to these events. Specifically, concentrations of credit in certain markets and in certain industries currently are and may continue to be more susceptible to delinquency and loss.

    - Geographic Concentrations – COVID-19 has impacted certain areas of the U.S. harder than others. The Company's market footprint is primarily in Kentucky, Florida, Ohio, Tennessee, and Indiana. These areas may be more susceptible to economic hardship in the near term.

    - Industry Concentrations – The Bank lends to clients in industries that have been deemed "non-essential" or that have had their business models upended by the pandemic. Further economic damage to these clients may leave them unable to repay their debt with the Bank.

    - Warehouse Lending – Through its Warehouse Lending segment, the Bank maintains a significant concentration of loans in the form of short-term, revolving credit facilities to mortgage bankers across the U.S. The Bank's Warehouse Lending clients may face increased stress on their liquidity and overall financial condition due to their mortgage-servicing obligations. Such increased stress may lead to default on their underlying credit facility with the Bank.

    - Borrower Accommodations – In immediate response to the pandemic, and in some instances, governmental requirements, the Bank temporarily suspended residential property foreclosure sales, evictions, and involuntary automobile repossessions. The Bank also temporarily granted fee waivers, payment deferrals, and other expanded assistance for credit card, automobile, mortgage, small business, and personal loan clients. The Bank has resumed some collection activity as permitted by federal and state law, agency guidance, and other requirements. Future governmental actions may extend borrower protections such as eviction moratoriums and borrower-relief programs. Also, if enough borrowers were unable to meet their loan payment obligations at the end of their accommodation periods and were also unable to further extend their accommodation arrangements with the Bank, the Bank's delinquent and nonperforming loans would substantially increase and negatively impact the Company's overall operating performance.

  - Accrued Interest on Accommodated Loans – If previously accommodated loans become delinquent after exiting their accommodation period, the Bank may place these loans into nonaccrual status sooner than the Bank's current 80-day delinquency threshold for such action. In lieu of accelerating nonaccrual status for previously accommodated loans that become delinquent, the Bank may create an ACL for interest receivable on these loans. The acceleration of a significant volume of loans into nonaccrual status or a substantial provision for the uncollectability of interest receivable would negatively impact the Company's overall financial performance.

- Reliance on Forecasted Information – The Company's model for estimating credit losses relies on forecasted economic projections. Such projections could be materially inaccurate, with different projections leading to a material adverse impact on the Company's financial position and results of operations.

- Capital and Liquidity – A prolonged period of economic stress leading to increased borrower defaults and corresponding servicing obligations could substantially weaken the Company's capital and liquidity. As a result, the Company may lose access to capital markets and may need to suspend paying dividends.

- Interconnectedness of Financial Institutions – The Company depends on other financial institutions. Negative events or publicity for other financial institutions may flow to the Bank due the interconnectedness of the financial industry.

- Governmental Restrictions on Operations – Certain loan collection efforts, such as loan foreclosures and evictions, have been and may continue to be prohibited by legal or regulatory bodies.

- Real Estate Market and Real Estate Lending – The COVID-19 pandemic may lead to a drop in real estate values and reduced demand for commercial and residential real estate.

- Ability of Key Personnel to Perform Their Duties – Key Company personnel may be personally and directly impacted by COVID-19 and may be unable to perform their duties.

- Cybersecurity – The Company and its third-party service providers have been and may continue to be subject to a heightened risk of cyber-attacks due to the number of employees working remotely.

- Consumer Behavior – Consumers may behave differently in the aftermath of the pandemic, placing less value on face-to-face interaction. The Bank is a community bank that places high value on personal connection.

- Reliance on Third Parties – The Company's third-party service providers may be unable to meet their service level commitments to the Company.

- Negative Interest Rates – There has been speculation regarding the COVID-19 conditions leading to negative interest rates in the U.S. The Bank has not traditionally modeled the impact of negative interest rates and this condition would be substantially negative to the Company's financial performance.

- Stock Price Fluctuations – The Company has and could continue to experience higher than historical volatility in its stock price as a direct result of COVID-19 driven economic conditions.

- Business Interruption Insurance – Business interruption insurance may fail to cover material COVID-19 related costs of the Company.

- Increased Litigation Risk – The Bank may experience an increase in litigation stemming from the COVID-19 pandemic.

- Company Reputation – The Company and the Bank’s reputation could be negatively impacted by the public’s perception of how the Company and Bank have operated during the pandemic.

ACCOUNTING POLICIES/ESTIMATES, ACCOUNTING STANDARDS, AND INTERNAL CONTROL

The Company’s accounting policies and estimates are critical components of the Company’s presentation of its financial statements. Management must exercise judgment in selecting and adopting various accounting policies and in applying estimates. Actual outcomes may be materially different from amounts previously estimated. Management has identified several accounting policies and estimates as being critical to the presentation of the Company’s financial statements. These policies are described in Part II Item 7 “*Management’s Discussion and Analysis of Financial Condition and Results of Operations”* under the section titled “*Critical Accounting Policies and Estimates.”* The Company’s management must exercise judgment in selecting and applying many accounting policies and methods to comply with generally accepted accounting principles and reflect management’s judgment of the most appropriate manner to report the Company’s financial condition and results. In some cases, management may select an accounting policy that might be reasonable under the circumstances yet might result in the Company’s reporting different results than would have been reported under a different alternative. Materially different amounts could be reported under different conditions or using different assumptions or estimates.

The Bank may experience goodwill impairment, which could reduce its earnings. The Bank performed its annual goodwill impairment test during the fourth quarter of 2020 as of September 30, 2020. The evaluation of the fair value of goodwill requires management judgment. If management’s judgment was incorrect and goodwill impairment was later deemed to exist, the Bank would be required to write down its goodwill resulting in a charge to earnings, which could materially, adversely affect its results of operations.

Changes in accounting standards could materially impact the Company’s financial statements. The FASB may change the financial accounting and reporting standards that govern the preparation of the Company’s financial statements. These changes can be difficult to predict and can materially impact how the Company records and reports its financial condition and results of operations. In addition, those who interpret the accounting standards, such as the SEC, the banking regulators and the Company’s independent registered public accounting firm may amend or reverse their previous interpretations or conclusions regarding how various standards should be applied. In some cases, the Company could be required to apply a new or revised standard retroactively, resulting in the Company recasting, or possibly restating, prior period financial statements. *See additional discussion regarding accounting standard updates in Part II Item 8 “Financial Statements and Supplemental Data” under the section titled “Accounting Standards Updates.”*

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

TRADITIONAL BANK LENDING AND THE ALLOWANCE FOR CREDIT LOSSES ON LOANS

The ACLL could be insufficient to cover the Bank's actual loan losses. The Bank makes various assumptions and judgments about the collectability of its loan portfolio, including the creditworthiness of its borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of its loans. In determining the amount of the ACLL, among other things, the Bank reviews its loss and delinquency experience, economic conditions, etc. If its assumptions are incorrect, the ACLL may not be sufficient to cover losses inherent in its loan portfolio, resulting in additions to its ACLL. In addition, regulatory agencies periodically review the ACLL and may require the Bank to increase its Provision or recognize further loan charge-offs. A material increase in the ACLL or loan charge-offs would have a material adverse effect on the Bank's financial condition and results of operations.

Deterioration in the quality of the Traditional Banking loan portfolio may result in additional charge-offs, which would adversely impact the Bank's operating results. When borrowers default on their loan obligations, it may result in lost principal and interest income and increased operating expenses associated with the increased allocation of management time and resources associated with the collection efforts. In certain situations where collection efforts are unsuccessful or acceptable "work-out" arrangements cannot be reached or performed, the Bank may charge-off loans, either in part or in whole. Additional charge-offs will adversely affect the Bank's operating results and financial condition.

The Bank's financial condition and earnings could be negatively impacted to the extent the Bank relies on borrower information that is false, misleading, or inaccurate. The Bank relies on the accuracy and completeness of information provided by vendors, clients, and other parties in deciding whether to extend credit and/or enter transactions with other parties. If the Bank relies on incomplete and/or inaccurate information, the Bank may incur additional charge-offs that adversely affect its operating results and financial condition.

The Bank's use of appraisals as part of the decision process to make a loan on or secured by real property does not ensure the value of the real property collateral. As part of the decision process to make a loan secured by real property, the Bank generally requires an independent third-party appraisal of the real property. An appraisal, however, is only an estimate of the value of the property at the time the appraisal is made. An error in fact or judgment could adversely affect the reliability of the appraisal. In addition, events occurring after the initial appraisal may cause the value of the real estate to decrease. As a result of any of these factors, the value of collateral securing a loan may be less than supposed, and if a default occurs, the Bank may not recover the outstanding balance of the loan. Additional charge-offs will adversely affect the Bank's operating results and financial condition.

The Bank is exposed to risk of environmental liabilities with respect to properties to which it takes title. In the course of its business, the Bank may own or foreclose and take title to real estate and could be subject to environmental liabilities with respect to these properties. The Bank may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if the Bank is the owner or former owner of a contaminated site, the Bank may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. These costs and claims could adversely affect the Bank.

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

The Bank is highly dependent upon programs administered by the FHLMC and the FNMA. Changes in existing U.S. government-sponsored mortgage programs or servicing eligibility standards could materially and adversely affect its business, financial position, results of operations and cash flows. The Bank's ability to generate revenues through mortgage loan sales to institutional investors depends to a significant degree on programs administered by Freddie Mac and Fannie Mae. These entities play powerful roles in the residential mortgage industry, and the Bank has significant business relationships with them. The Bank's status as an approved seller/servicer for both is subject to compliance with their selling and servicing guides.

Any discontinuation of, or significant reduction or material change in, the operation of Freddie Mac or Fannie Mae or any significant adverse change in the level of activity in the secondary mortgage market or the underwriting criteria of Freddie Mac or Fannie Mae would likely prevent the Bank from originating and selling most, if not all, of its mortgage loan originations.

Loans originated through the Bank's Consumer Direct channel will subject the Bank to credit and regulatory risks that the Bank does not have through its historical origination channels. The dollar volume of loans originated through the Bank's Consumer Direct channel is expected to be increasingly out-of-market. Loans originated out of the Bank's market footprint inherently carry additional credit and regulatory risk, as the Bank will experience an increase in the complexity of the customer authentication requirements for such loans. Failure to appropriately identify the end-borrower for such loans could lead to fraud losses. Failure to appropriately identify the end-borrower could result in regulatory sanctions resulting from failure to comply with various customer identification regulations. Failure to appropriately manage these additional risks could lead to additional regulatory and compliance risks and burdens and reduced profitability and/or operating losses through this origination channel.

BANK OWNED LIFE INSURANCE

The Bank holds a significant amount of BOLI, which creates credit risk relative to the insurers and liquidity risk relative to the product. At December 31, 2020, the Bank held BOLI on certain employees. The eventual repayment of the cash surrender value is subject to the ability of the various insurance companies to pay death benefits or to return the cash surrender value to the Bank if needed for liquidity purposes. The Bank continually monitors the financial strength of the various insurance companies that carry these policies. However, any one of these companies could experience a decline in financial strength, which could impair its ability to pay benefits or return the Bank's cash surrender value. If the Bank needs to liquidate these policies for liquidity purposes, it would be subject to taxation on the increase in cash surrender value and penalties for early termination, both of which would adversely impact earnings.

DEPOSITS AND RELATED ITEMS

Clients could pursue alternatives to bank deposits, causing the Bank to lose a relatively inexpensive source of funding. Checking and savings account balances and other forms of client deposits could decrease if clients perceive alternative investments, such as the stock market, as providing superior expected returns. If clients move money out of bank deposits in favor of alternative investments, the Bank could lose a relatively inexpensive source of funds, increasing its funding costs and negatively impacting its overall results of operations.

The loss of large deposit relationships could increase the Bank's funding costs. The Bank has several large deposit relationships that do not require collateral; therefore, cash from these accounts can generally be utilized to fund the loan portfolio. If any of these balances are moved from the Bank, the Bank would likely utilize overnight borrowing lines on a short-term basis to replace the balances. The overall cost of gathering brokered deposits and/or FHLB advances, however, could be substantially higher than the Traditional Bank deposits they replace, increasing the Bank's funding costs and reducing the Bank's overall results of operations.

The Bank's "Overdraft Honor" program represents a significant business risk, and if the Bank terminated the program, it would materially impact the earnings of the Bank. There can be no assurance that Congress, the Bank's regulators, or others, will not impose additional limitations on this program or prohibit the Bank from offering the program. The Bank's "Overdraft Honor" program permits eligible clients to overdraft their checking accounts up to a predetermined dollar amount for the Bank's customary overdraft fee(s). Limitations or adverse modifications to this program, either voluntary or involuntary, would significantly reduce net income.

WAREHOUSE LENDING

The Warehouse Lending business is subject to numerous risks that may result in losses. Risks associated with warehouse loans include, without limitation, (i) credit risks relating to the mortgage bankers that borrow from the Bank, including but not limited to bankruptcy, (ii) the risk of intentional misrepresentation or fraud by any of such mortgage bankers and their third-party service providers, (iii) changes in the market value of mortgage loans originated by the mortgage banker during the time in warehouse, the sale of which is the expected source of repayment of the borrowings under a warehouse line of credit, or (iv) unsalable or impaired mortgage loans so originated, which could lead to decreased collateral value and the failure of a purchaser of the mortgage loan to purchase the loan from the mortgage banker. Failure to mitigate these risks could have a material adverse impact on the Bank's financial statements and results of operations.

Outstanding Warehouse lines of credit can fluctuate significantly and negatively impact the Bank's liquidity and earnings. The Bank has a lending concentration in outstanding Warehouse lines of credit. Because outstanding Warehouse balances are contingent upon residential mortgage lending activity, changes in the residential real estate market nationwide can lead to wide fluctuations of balances in this product. Additionally, Warehouse Lending period-end balances are generally higher than the average balance during the period due to increased mortgage activity that occurs at the end of a month. A sudden increase in loans may materially impact the Company's liquidity position, while a sudden decrease in loans may materially impact the Company's results of operations.

Outstanding Warehouse lines of credit and their corresponding earnings could decline due to several factors, such as intense industry competition, overall mortgage demand and the interest rate environment. The Bank may experience decreased earnings on its Warehouse lines of credit due primarily to strong industry competition, a decrease in overall mortgage demand and an unfavorable interest rate environment. Such decreased earnings may materially impact the Company's results of operations.

The Company may lose Warehouse clients due to mergers and acquisitions in the industry. The Bank's Warehouse clients are primarily mortgage companies across the United States. Mergers and acquisitions affecting such clients may lead to an end to the client relationship with the Bank. The loss of a significant number of clients may materially impact the Company's results of operations.

REPUBLIC PROCESSING GROUP

The Company's lines of business and products not typically associated with traditional banking expose earnings to additional risks and uncertainties. The RPG operations are comprised of two reportable segments: TRS and RCS.

RPG's products represent a significant business risk and management believes the Company could be subject to legislative, regulatory, and public pressure to exit or otherwise modify these product lines, which may have a material adverse effect on the Company's operations.

Various states and consumer groups have, from time to time, questioned the fairness of the products offered by RPG. In addition, the 2020 election cycle led to a shift in political power within the executive and legislative branches of the federal government. Initiatives of President Biden and the new Congress, along with actions of the states, governmental agencies, and consumer groups, could result in regulatory, governmental, or legislative action or litigation, which could have a material adverse effect on the Company's operations. If the Company can no longer offer or must substantially alter its RPG products, it will have a material adverse effect on its profits.

TAX REFUND SOLUTIONS

The TRS segment represents a significant operational risk, and if the Bank were unable to properly service this business, it could materially impact earnings. To process its business, the Bank must implement and test new systems, as well as train new employees. The Bank relies heavily on communications and information systems to operate the TRS segment. Any failure, sustained interruption, or breach in security, including the cyber security, of these systems could result in failures or disruptions in client relationship management and other systems. Significant operational problems could also cause a material portion of the Bank's tax-preparer base to switch to a competitor to process their bank product transactions, significantly reducing the Bank's revenue without a corresponding decrease in expenses.

The Bank's EA and RT products represent a significant third-party management risk, and if RB&T's third-party service providers fail to comply with all the statutory and regulatory requirements for these products or if RB&T fails to properly monitor its third-party service providers offering these products, it could have a material negative impact on earnings. TRS and its third-party service providers operate in a highly regulated environment and deliver products and services that are subject to strict legal and regulatory requirements. Failure by RB&T's third-party service providers or failure of RB&T to properly monitor the compliance of its third- party service providers with laws and regulations could result in fines and penalties that materially and adversely affect RB&T's earnings. Such penalties could also include the discontinuance of any or all third-party program manager products and services.

The Bank's EA and RT products represent a significant compliance and regulatory risk, and if RB&T fails to comply with all statutory and regulatory requirements, it could have a material negative impact on earnings. Federal and state laws and regulations govern numerous matters relating to the offering of consumer loan products, such as the EA, and consumer deposit products such as the RT. Failure to comply with disclosure requirements or with laws relating to the permissibility of interest rates and fees charged could have a material negative impact on earnings. In addition, failure to comply with applicable laws and regulations could also expose RB&T to civil money penalties and litigation risk, including shareholder actions.

EAs represent a significant credit risk, and if RB&T is unable to collect a significant portion of its EAs, it would materially, negatively impact earnings. There is credit risk associated with an EA because the funds are disbursed to the taxpayer customer prior to RB&T receiving the taxpayer customer's refund as claimed on the return. Because there is no recourse to the taxpayer customer if the EA is not paid off by the taxpayer customer's tax refund, RB&T must collect all its payments related to EAs through the refund process. Losses will generally occur on EAs when RB&T does not receive payment due to several reasons, such as IRS revenue protection strategies, including audits of returns, errors in the tax return, tax return fraud and tax debts not previously disclosed to RB&T during its underwriting process. While RB&T's underwriting during the EA approval process takes these factors into consideration based on prior years' payment patterns, if the IRS significantly alters its revenue protection strategies, if refund payment patterns for a given tax season meaningfully change, if the federal government fails to timely deliver refunds, or if RB&T is incorrect in its underwriting assumptions, RB&T could experience higher loan loss provisions above those projected. The provision for loan losses is a significant determining factor of the RPG operations' overall net earnings.

Changes to the EA's product parameters by management could have a material negative impact on the performance of the EA. In response to changes in the legal, regulatory and competitive environment, management annually reviews and revises the EA's product parameters. Further changes in EA product parameters do not ensure positive results and could have an overall material negative impact on the performance of the EA and therefore on the Company's financial condition and results of operations.

Due diligence measures implemented by the federal and state governments, which delay the timing of individual tax refund payments or possibly deny those individual payments outright, could present an increased credit risk to the Company. To protect against fraudulent tax returns, the federal government and many state governments have enacted laws and procedures that provide for additional due diligence by the applicable governmental authority prior to issuing an income tax refund. This additional due diligence has generally driven longer periods between the filing of a tax return and the receipt of the corresponding refund. The federal government, specifically as a result of the Protecting Americans from Tax Hikes Act of 2015, mandates that taxpayers filing tax returns with certain characteristics will not receive their corresponding refunds before February 15 each year. These funding delays will negatively impact the Company's ability to make mid-season modifications to its EA underwriting model based on then-current year tax refund funding patterns, because the substantial majority of all EAs will have been issued prior to February 15. In addition, these enhanced due diligence measures implemented by the federal and state governments could prevent the taxpayer's refund from being issued altogether. These governmental changes by themselves, or in combination with management's changes to EA product parameters, could have a material negative impact on the performance of the EA product and therefore on the Company's financial condition and results of operations if the loss rate on the EA product increases materially.

Economic impact (stimulus) payments by governmental agencies may have a significant, negative impact on demand for TRS's EA product. During the COVID-19 pandemic, governmental agencies have provided, and may continue to provide further, economic support to certain consumers through stimulus payments and other benefits. Additionally, some federal stimulus payments were provided in January 2021 coinciding with the start of TRS's 2021 EA product offering. These stimulus payments, along with a higher national consumer savings rate since the onset of the pandemic, may lead to lower demand for TRS's EA product offerings because the majority of TRS's client base includes beneficiaries of such stimulus payments. A significant decline in demand for TRS's products would have a material negative impact on the Company's financial condition and results of operations.

EA and RT products are substantially offered through retail tax preparation locations. Usage of retail tax preparation services may be negatively impacted by COVID-19 related health concerns and/or state or local governmental lockdowns. TRS's EA and RT product offerings are substantially facilitated through third-party brick and mortar service providers. Usage of these brick and mortar service providers may be negatively impacted by COVID-19 related health concerns and state or local governmental lockdowns driving a decrease in TRS related EA and RT volume. A significant decrease in demand for TRS's EA and RT products would have a material negative impact on the Company's financial condition and results of operations.

A significant decline in the amount of EITC consumers receive could lead to a significant decline in usage of TRS's EA and RT tax products. Historically, a substantial number of clients utilizing TRS's EA and RT products are consumers that are eligible for the EITC when filing their income tax returns. Economic restrictions driven by the COVID-19 pandemic have substantially increased unemployment across the U.S. and many taxpayers did not have tax withheld from their unemployment benefits. These conditions may lead to a decrease in the amount of total EITC they receive. A decrease in the EITC amount could decrease demand for TRS's RT and EA products. A decrease in the demand for the RT and EA products could have a material negative impact on the Company's financial condition and results of operations.

REPUBLIC CREDIT SOLUTIONS

Consumer loans originated through the RCS segment represent a higher credit risk. Loss rates for some RCS products have consistently been higher than Traditional Bank loss rates for unsecured consumer loans. A material increase in RCS loan charge-offs would have a material adverse effect on the Bank's financial condition and results of operations and, if such increase in RCS loan charge-offs persisted for an extended period of time, could lead to the discontinuation of the underlying products.

RCS revenues and earnings are highly concentrated in its line-of-credit product. While the Company expanded its RCS product offerings in 2020, for the year ended December 31, 2020, RCS's revenues and earnings were concentrated in one line-of-credit product. The discontinuation of this line-of-credit product, or a substantial change in the terms under which the product is offered, would have a material adverse effect on the Company's financial condition and results of operations.

The Bank's RCS products represent a significant third-party management risk, and if RB&T's third-party service providers fail to comply with all the statutory and regulatory requirements for these products or if RB&T fails to properly monitor its third-party service providers offering these products, it could have a material negative impact on earnings. RCS and its third-party service providers operate in a highly regulated environment and deliver products and services that are subject to strict legal and regulatory requirements. Failure by RB&T's third-party service providers or failure of RB&T to properly monitor the compliance of its third-party service providers with laws and regulations could result in fines and penalties that materially and adversely affect RB&T's earnings.

RCS loans represent a significant compliance and regulatory risk, and if the Company fails to comply with all statutory and regulatory requirements it could have a material negative impact on the Company's earnings. Federal and state laws and regulations govern numerous matters relating to the offering of RCS loans. Changes in the federal or state legislative or regulatory framework governing and failure to comply with laws relating to the permissibility of interest rates and fees charged could have a material negative impact on the Company's earnings.

ASSET/LIABILITY MANAGEMENT AND LIQUIDITY

Fluctuations in interest rates could reduce profitability. The Bank's asset/liability management strategy may not be able to prevent changes in interest rates from having a material adverse effect on results of operations and financial condition. The Bank's primary source of income is from the difference between interest earned on loans and investments and the interest paid on deposits and borrowings. The Bank expects to periodically experience "gaps" in the interest rate sensitivities of its assets and liabilities, meaning that either interest-bearing liabilities will be more sensitive to changes in market interest rates than interest-earning assets, or vice versa. In either event, if market interest rates should move contrary to the Bank's position, earnings may be negatively affected.

A flattening or inversion of the interest rate yield curve may reduce profitability. Changes in the slope of the "yield curve," or the spread between short-term and long-term interest rates, could reduce the Bank's net interest margin. Normally, the yield curve is upward sloping, meaning short-term rates are lower than long-term rates. Because the Bank's interest-bearing liabilities tend to be shorter in duration than its interest-earning assets, when the yield curve flattens or even inverts, the Bank's net interest margin could decrease as its cost of funds rises higher and at a faster pace than the yield on its interest-earning assets. A rise in the Bank's cost of interest-bearing liabilities without a corresponding increase in the yield on its interest-earning assets, would have an adverse effect on the Bank's net interest margin and overall results of operations.

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

The Bank may be compelled to offer market-leading interest rates to maintain sufficient funding and liquidity levels. The Bank has traditionally relied on client deposits, brokered deposits and advances from the FHLB to fund operations. Such traditional sources may be unavailable, limited or insufficient in the future. If the Bank were to lose a significant funding source, such as a few major depositors, or if any of its lines of credit were canceled or curtailed, such as its borrowing line at the FHLB, or if the Bank cannot obtain brokered deposits, the Bank may be compelled to offer market-leading interest rates to meet its funding and liquidity needs. Obtaining funds at market-leading interest rates may have an adverse impact on the Company's net interest income and overall results of operations.

The planned discontinuance of LIBOR presents risks to the Company because the Company uses LIBOR as a reference rate for a portion of its financial instruments. LIBOR is used as a reference rate for a meaningful amount of the Company's financial instruments, which means it is the base on which relevant interest rates are determined. Transactions include those in which the Company lends and borrows money, purchases securities, and enters into derivatives to manage risk. The United Kingdom Financial Conduct Authority, the institution that regulates LIBOR, announced in July 2017 that it intends to stop persuading or compelling institutions to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021.

There are ongoing efforts to establish an alternative reference rate. The Secured Overnight Financing Rate ("SOFR") is considered the most likely alternative reference rate suitable for replacing LIBOR, but issues remain with respect to its implementation. As a result, the scope of its ultimate acceptance and the impact on rates, pricing and the ability to manage risk, including through derivatives, remain uncertain. No other alternative rate is currently under wide consideration. If SOFR or another rate does not achieve wide acceptance as the alternative to LIBOR, there likely will be disruption to all of the markets relying on the availability of a broadly accepted reference rate. Even if SOFR or another reference rate ultimately replaces LIBOR, risks will remain for the Company with respect to outstanding loans, derivatives or other instruments referencing LIBOR. Those risks arise in connection with transitioning those instruments to a new reference rate and the corresponding value transfer that may occur in connection with that transition. That is because a new reference rate likely will not exactly imitate LIBOR. As a result, for example, over the life of a transaction that transitions from LIBOR to a new reference rate, the Company's monetary obligations to its counterparties and its yield from transactions with clients may change, potentially adversely to the Company. For some instruments, the method of transitioning to a new reference rate may be challenging, especially if parties to an instrument cannot agree as to how to perform that transition. If a contract is not transitioned to a new reference rate and LIBOR ceases to exist, the impact on the Company's obligations is likely to vary by asset class and contract. In addition, prior to LIBOR discontinuance, instruments that continue to refer to LIBOR may be impacted if there is a change in the availability or calculation of LIBOR. Risks related to transitioning instruments to a new reference rate or to how LIBOR is derived, and its availability include impacts on the yield on loans or securities held by the Company, amounts paid on Company debt, or amounts received and paid on derivative instruments it has contracted. The value of loans, securities, or derivative instruments tied to LIBOR and the trading market for LIBOR-based securities could also be impacted upon its discontinuance or if it is limited.

While the Company expects LIBOR to continue to be available in substantially its current form until at least the end of 2021 or shortly before that, it is possible that LIBOR quotes will become unavailable prior to that point. This could result, for example, if a sufficient number of institutions decline to make submissions to the LIBOR administrator. In that case, the risks associated with the transition to an alternative reference rate will be accelerated and magnified. These risks may also be increased due to the shorter time for preparing for the transition.

COMPANY COMMON STOCK

The Company's common stock generally has a low average daily trading volume, which limits a stockholder's ability to quickly accumulate or quickly sell large numbers of shares of Republic's stock without causing wide price fluctuations. Republic's stock price can fluctuate widely in response to a variety of factors, as detailed in the next risk factor. A low average daily stock trading volume can lead to significant price swings even when a relatively small number of shares are being traded.

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

- Variations in the Company's and its competitors' operating results;
- Actual or anticipated quarterly or annual fluctuations in operating results, cash flows and financial condition;
- Changes in earnings estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to the Bank or other financial institutions;
- Announcements by the Company or its competitors of mergers, acquisitions and strategic partnerships;
- Additions or departure of key personnel;
- The announced exiting of or significant reductions in material lines of business within the Company;
- Changes or proposed changes in banking laws or regulations or enforcement of these laws and regulations;
- Events affecting other companies that the market deems comparable to the Company;
- Developments relating to regulatory examinations;
- Speculation in the press or investment community generally or relating to the Company's reputation or the financial services industry;
- Future issuances or re-sales of equity or equity-related securities, or the perception that they may occur;
- General conditions in the financial markets and real estate markets in particular, developments related to market conditions for the financial services industry;
- Domestic and international economic factors unrelated to the Company's performance;
- Developments related to litigation or threatened litigation;
- The presence or absence of short selling of the Company's common stock; and,
- Future sales of the Company's common stock or debt securities.

In addition, the stock market, in general, has historically experienced extreme price and volume fluctuations. This is due, in part, to investors' shifting perceptions of the effect of changes and potential changes in the economy on various industry sectors. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to their performance or prospects. These broad market fluctuations may adversely affect the market price of the Company's common stock, notwithstanding its actual or anticipated operating results, cash flows and financial condition. The Company expects that the market price of its common stock will continue to fluctuate due to many factors, including prevailing interest rates, other economic conditions, operating performance, and investor perceptions of the outlook for the Company specifically and the banking industry in general. There can be no assurance about the level of the market price of the Company's common stock in the future or that you will be able to resell your shares at times or at prices you find attractive.

The Company's insiders hold voting rights that give them significant control over matters requiring stockholder approval. The Company's Chairman/CEO and Vice Chairman hold substantial voting authority over the Company's Class A Common Stock and Class B Common Stock. Each share of Class A Common Stock is entitled to one vote and each share of Class B Common Stock is entitled to ten votes. This group generally votes together on matters presented to stockholders for approval. These actions may include, for example, the election of directors, the adoption of amendments to corporate documents, the approval of mergers and acquisitions, sales of assets and the continuation of the Company as a registered company with obligations to file periodic reports and other filings with the SEC. Consequently, other stockholders' ability to influence Company actions through their vote may be limited and the non-insider stockholders may not have sufficient voting power to approve a change in control even if a significant premium is being offered for their shares. Majority stockholders may not vote their shares in accordance with minority stockholder interests.

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

GOVERNMENT REGULATION / ECONOMIC FACTORS

The Company is significantly impacted by the regulatory, fiscal, and monetary policies of federal and state governments that could negatively impact the Company's liquidity position and earnings. These policies can materially affect the value of the Company's financial instruments and can also adversely affect the Company's clients and their ability to repay their outstanding loans. In addition, failure to comply with laws, regulations or policies, or adverse examination findings, could result in significant penalties, negatively impact operations, or result in other sanctions against the Company. The Board of Governors of the Federal Reserve System regulates the supply of money and credit in the U.S. Its policies determine, in large part, the Company's cost of funds for lending and investing and the return the Company earns on these loans and investments, all of which impact net interest margin.

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

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

Government responses to economic conditions, including but not limited to those caused by the COVID-19 pandemic, may adversely affect the Company's operations, financial condition, and earnings. Enacted financial reform legislation has changed and will continue to change the bank regulatory framework. Ongoing uncertainty and adverse developments in the financial services industry and the domestic and international credit markets, and the effect of new legislation and regulatory actions in response to these conditions, may adversely affect Company operations by restricting business activities, including the Company's ability to originate or sell loans, modify loan terms, or foreclose on property securing loans. These measures are likely to increase the Company's costs of doing business and may have a significant adverse effect on the Company's lending activities, financial performance, and operating flexibility. In addition, these risks could affect the performance and value of the Company's loan and investment securities portfolios, which also would negatively affect financial performance.

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

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

MANAGEMENT, INFORMATION SYSTEMS, ACQUISITIONS, ETC.

The Company is dependent upon the services of key qualified personnel. The Company is dependent upon the ability and experience of a number of its key management personnel who have substantial experience with Company operations, the financial services industry, and the markets in which the Company offers services. It is possible that the loss of the services of one or more of its key personnel would have an adverse effect on operations.

The Company's operations could be impacted if its third-party service providers experience difficulty. The Company depends on several relationships with third-party service providers, including core systems processing and web hosting. These providers are well-established vendors that provide these services to a significant number of financial institutions. If these third-party service providers experience difficulty or terminate their services and the Company is unable to replace them with other providers, its operations could be interrupted, which would adversely impact its business.

The Company's operations, including third-party and client interactions, are increasingly done via electronic means, and this has increased the risks related to cyber security. The Company is exposed to the risk of cyber-attacks in the normal course of business. In general, cyber incidents can result from deliberate attacks or unintentional events. Management has observed an increased level of attention in the industry focused on cyber-attacks that include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as by causing denial-of-service attacks on websites. Cyber-attacks may be carried out directly against the Company, or against the Company's clients or vendors by third parties or insiders using techniques that range from highly sophisticated efforts to electronically circumvent network security or overwhelm websites to more traditional intelligence gathering and social engineering aimed at obtaining information necessary to gain access. While the Company has not incurred any material losses related to cyber-attacks, the Bank may incur substantial costs and suffer other negative consequences if the Bank, the Bank's clients, or one of the Bank's third-party service providers fall victim to successful cyber-attacks. Such negative consequences could include: remediation costs for stolen assets or information; system repairs; consumer protection costs; increased cyber security protection costs that may include organizational changes; deploying additional personnel and protection technologies, training employees, and engaging third-party experts and consultants; lost revenues resulting from unauthorized use of proprietary information or the failure to retain or attract clients following an attack; litigation and payment of damages; and reputational damage adversely affecting client or investor confidence.

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

New lines of business or new products and services may subject the Company to additional risks. From time to time, the Company may develop and grow new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services, the Company may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved, and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of the

Company's system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on the Company's business, results of operations and financial condition. All service offerings, including current offerings and those that may be provided in the future, may become riskier due to changes in economic, competitive and market conditions beyond the Company's control.

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

The Company's ability to successfully complete acquisitions will affect its ability to grow and compete effectively in its market footprint. The Company has announced plans to pursue a policy of growth through acquisitions to supplement internal growth. The Company's efforts to acquire other financial institutions and financial service companies or branches may not be successful. Numerous potential acquirers exist for many acquisition candidates, creating intense competition, which affects the purchase price for which the institution can be acquired. In many cases, the Company's competitors have significantly greater resources than the Company has, and greater flexibility to structure the consideration for the transaction. The Company may also not be the successful bidder in acquisition opportunities that it pursues due to the willingness or ability of other potential acquirers to propose a higher purchase price or more attractive terms and conditions than the Company is willing or able to propose. The Company intends to continue to pursue acquisition opportunities in its market footprint. The risks presented by the acquisition of other financial institutions could adversely affect the Bank's financial condition and results of operations.

Successful Company acquisitions present many risks that could adversely affect the Company's financial condition and results of operations. An institution that the Company acquires may have unknown asset quality issues or unknown or contingent liabilities that the Company did not discover or fully recognize in the due diligence process, thereby resulting in unanticipated losses. The acquisition of other institutions also typically requires the integration of different corporate cultures, loan and deposit products, pricing strategies, data processing systems and other technologies, accounting, internal audit and financial reporting systems, operating systems and internal controls, marketing programs and personnel of the acquired institution, to make the transaction economically advantageous. The integration process is complicated and time consuming and could divert the Company's attention from other business concerns and may be disruptive to its clients and the clients of the acquired institution. The Company's failure to successfully integrate an acquired institution could result in the loss of key clients and employees and prevent the Company from achieving expected synergies and cost savings. Acquisitions and failed acquisitions also result in professional fees and may result in creating goodwill that could become impaired, thereby requiring the Company to recognize further charges. The Company may finance acquisitions with borrowed funds, thereby increasing the Company's leverage and reducing liquidity, or with potentially dilutive issuances of equity securities.

REPUBLIC INSURANCE SERVICES, INC.

Transactions between the Company and its insurance subsidiary, the Captive, may be subject to certain IRS responsibilities and penalties. The Company's Captive is a Nevada-based, wholly-owned insurance subsidiary of the Company that provides property and casualty insurance coverage to the Company and the Bank as well as a group of other third-party insurance captives for which insurance may not be available or economically feasible. The Treasury Department of the United States and the IRS by way of Notice 2016-66 have stated that transactions believed similar in nature to transactions between the Company and the Captive may be deemed "transactions of interest" because such transactions may have potential for tax avoidance or evasion. If the IRS ultimately concludes such transactions do create tax avoidance or evasion issues, the Company could be subject to the payment of penalties and interest.

Item 1B. Unresolved Staff Comments.

None

Item 2. Properties.

The Company's executive offices, principal support and operational functions are located at 601 West Market Street in Louisville, Kentucky. As of December 31, 2020, Republic had 28 banking centers located in Kentucky, seven banking centers in Florida, three banking centers in Indiana, two banking centers in Tennessee, and two banking centers in Ohio.

The location of Republic's facilities, their respective approximate square footage, and their form of occupancy are as follows:

Bank Offices	Approximate Square Footage	Owned (O)/ Leased (L)
Kentucky Banking Centers:		
Louisville Metropolitan Area		
2801 Bardstown Road, Louisville	5,000	L (1)
601 West Market Street, Louisville	57,000	L (1)
661 South Hurstbourne Parkway, Louisville	42,000	L (1)
9600 Brownsboro Road, Louisville	15,000	L (1)
5250 Dixie Highway, Louisville	5,000	O/L (2)
10100 Brookridge Village Boulevard, Louisville	5,000	O/L (2)
9101 U.S. Highway 42, Prospect	3,000	O/L (2)
11330 Main Street, Middletown	6,000	O/L (2)
3902 Taylorsville Road, Louisville	4,000	O/L (2)
3811 Ruckriegel Parkway, Louisville	4,000	O/L (2)
5125 New Cut Road, Louisville	4,000	O/L (2)
4808 Outer Loop, Louisville	4,000	O/L (2)
438 Highway 44 East, Shepherdsville	4,000	O/L (2)
1420 Poplar Level Road, Louisville	3,000	O
4921 Brownsboro Road, Louisville	3,000	L
3950 Kresge Way, Suite 108, Louisville	1,000	L
3726 Lexington Road, Louisville	4,000	L
1720 West Broadway, Suite 103, Louisville	3,000	L
Lexington		
3098 Helmsdale Place	5,000	O/L (2)
3608 Walden Drive	4,000	O/L (2)
2401 Harrodsburg Road	6,000	O
641 East Euclid Avenue	3,000	O
333 West Vine Street	4,000	L
Northern Kentucky		
535 Madison Avenue, Covington	4,000	L
25 Town Center Blvd., Suite 104, Crestview Hills	3,000	L
8513 U.S. Highway 42, Florence	4,000	L
(continued)		

Bank Offices	Approximate Square Footage	Owned (O)/ Leased (L)
(continued)		
Georgetown, 430 Connector Road	5,000	O/L (2)
Shelbyville, 1614 Midland Trail	6,000	L (2)
Florida Banking Centers:		
12933 Walsingham Road, Largo	4,000	O
10577 State Road 54, New Port Richey	3,000	L
6300 4th Street N, St. Petersburg	10,000	O
6600 Central Avenue, St. Petersburg	9,000	O
7800 Seminole Blvd., Seminole	3,000	O
6906 E. Fowler Avenue, Temple Terrace	2,000	L
1300 North West Shore Blvd. Suite 150, Tampa	3,000	L
Southern Indiana Banking Centers:		
4571 Duffy Road, Floyds Knobs	4,000	O/L(2)
3141 Highway 62, Jeffersonville	4,000	O
3001 Charlestown Crossing Way, New Albany	2,000	L
Tennessee Banking Centers:		
113 Seaboard Lane, Franklin	2,000	L
2034 Richard Jones Road, Nashville	3,000	L
Tennessee Loan Production Office:		
8 Cadillac Drive, Brentwood	4,000	L (3)
Ohio Banking Center:		
4030 Smith Road, Norwood	5,000	L
9110 West Chester Towne Center Dr., West Chester	3,000	L
Support and Operations:		
200 South Seventh Street, Louisville, KY	64,000	L(1)
Closed Banking Centers Currently Marketed for Sale:		
9100 Hudson Avenue, Hudson, FL	4,000	O

(1) Locations are leased from partnerships in which the Company's Chairman and Chief Executive Officer, Steven E. Trager, its Vice Chairman and President, A. Scott Trager, or family members of Steven E. Trager and A. Scott Trager, have a financial interest. See additional discussion included under Part III Item 13 "Certain Relationships and Related Transactions, and Director Independence." For additional discussion regarding Republic's lease obligations, see Part II Item 8 "Financial Statements and Supplementary Data" Footnote 6 "Right-of-Use Assets and Operating Leases Liabilities."

(2) The banking centers at these locations are owned by Republic; however, the banking center is located on land that is leased through long-term agreements with third parties.

(3) Location was closed in January 2021.

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market and Dividend Information

At February 19, 2021, the Company's Class A Common Stock was held by 804 shareholders of record and the Class B Common Stock was held by 98 shareholders of record. Republic's Class A Common Stock is traded on the NASDAQ under the symbol "RBCAA." There is no established public trading market for the Company's Class B Common Stock.

The Company intends to continue its historical practice of paying quarterly cash dividends; however, there is no assurance by the Board of Directors that such dividends will continue to be paid in the future. The payment of dividends in the future is dependent upon future income, financial position, capital requirements, the discretion and judgment of the Board of Directors and numerous other considerations.

For additional discussion regarding regulatory restrictions on dividends, see Part II Item 8 "Financial Statements and Supplementary Data" Footnote 14 "Stockholders' Equity and Regulatory Capital Matters."

Republic has made available to its employees participating in its 401(k) Plan the opportunity, at the employee's sole discretion, to invest funds held in their accounts under the plan in shares of Class A Common Stock of Republic. Shares are purchased by the independent trustee administering the plan from time to time in the open market in the form of broker's transactions. As of December 31, 2020, the trustee held 255,102 shares of Class A Common Stock and 2,405 shares of Class B Common Stock on behalf of the plan.

Details of Republic's Class A Common Stock purchases during the fourth quarter of 2020 are included in the following table:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 - October 31	—	$ —	—	
November 1 - November 30	—	—	—	
December 1 - December 31	**29,000**	**37.31**	**29,000**	
Total	**29,000**	**$ 37.31**	**29,000**	**58,423**

During 2020, the Company repurchased 114,437 shares. In addition, in connection with employee stock awards, there were 272 shares withheld upon vesting of stock grants to cover withholding taxes and 16,643 shares withheld upon exercise of stock options to satisfy the withholding taxes and exercise price. During 2011, the Company's Board of Directors amended its existing share repurchase program by approving the repurchase of 300,000 additional shares from time to time, as market conditions are deemed attractive to the Company. The repurchase program will remain effective until the total number of shares authorized is repurchased or until Republic's Board of Directors terminates the program. As of December 31, 2020, the Company had 58,423 shares which could be repurchased under its current share repurchase programs. On January 27, 2021, the Board of Directors of Republic Bancorp, Inc. increased the Company's existing authorization to purchase shares of its Class A Common Stock to 1,000,000 shares.

During 2020, there were approximately 7,000 shares of Class A Common Stock issued upon conversion of shares of Class B Common Stock by stockholders of Republic in accordance with the share-for-share conversion provision option of the Class B Common Stock. The exemption from registration of the newly issued Class A Common Stock relied upon was Section (3)(a)(9) of the Securities Act of 1933.

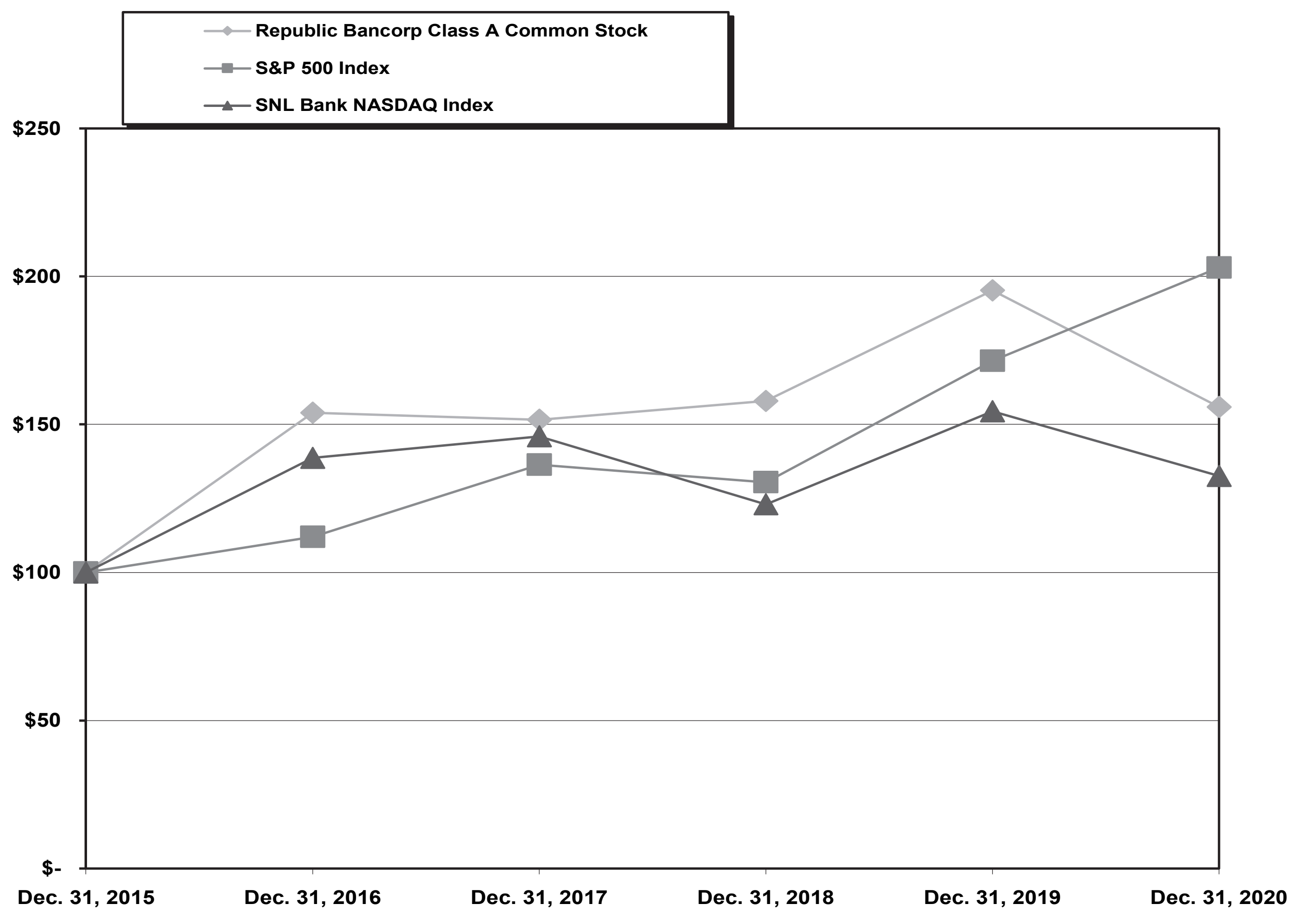
There were no equity securities of the registrant sold without registration during the quarter covered by this report.

STOCK PERFORMANCE GRAPH

The following stock performance graph does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates the performance graph by reference therein.

The following stock performance graph sets forth the cumulative total shareholder return (assuming reinvestment of dividends) on Republic's Class A Common Stock as compared to the NASDAQ Bank Stocks Index and the S&P 500 Index. The graph covers the period beginning December 31, 2015 and ending December 31, 2020. The calculation of cumulative total return assumes an initial investment of $100 in Republic's Class A Common Stock, the NASDAQ Bank Index and the S&P 500 Index on December 31, 2015. The stock price performance shown on the graph below is not necessarily indicative of future stock price performance.

	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020
Republic Class A Common Stock (RBCAA)	$ 100.00	$ 153.94	$ 151.56	$ 157.88	$ 195.31	$ 155.91
S&P 500 Index	100.00	111.96	136.40	130.42	171.49	203.04
SNL Bank NASDAQ Index	100.00	138.65	145.97	123.04	154.47	132.56



Item 6. Selected Financial Data.

The following table sets forth Republic Bancorp Inc.'s selected financial data from 2016 through 2020. This information should be read in conjunction with Part II Item 7 "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and Part II Item 8 "*Financial Statements and Supplementary Data.*" Certain amounts presented in prior periods have been reclassified to conform to the current period presentation.

	As of and for the Years Ended December 31,				
(in thousands)	**2020**	2019	2018	2017	2016
Balance Sheet Data:					
Cash and cash equivalents	**$ 485,587**	$ 385,303	$ 351,474	$ 299,351	$ 289,309
Investment securities	**580,270**	537,074	543,771	591,458	534,139
Loans held for sale	**51,643**	31,468	21,809	16,989	15,170
Gross loans	**4,813,103**	4,433,151	4,148,227	4,014,034	3,810,778
Allowance for credit losses	**(61,067)**	(43,351)	(44,675)	(42,769)	(32,920)
Right-of-use assets	**43,345**	35,206	—	—	—
Goodwill	**16,300**	16,300	16,300	16,300	16,300
Bank owned life insurance	**68,018**	66,433	64,883	63,356	61,794
Total assets	**6,168,325**	5,620,319	5,240,404	5,085,362	4,816,309
Noninterest-bearing deposits	**1,890,416**	1,033,379	1,003,969	1,022,042	971,952
Interest-bearing deposits	**2,842,765**	2,752,629	2,452,176	2,411,116	2,188,740
Total deposits	**4,733,181**	3,786,008	3,456,145	3,433,158	3,160,692
Securities sold under agreements to repurchase and other short-term borrowings	**211,026**	167,617	182,990	204,021	173,473
Operating lease liabilities	**44,340**	36,530	—	—	—
Federal Home Loan Bank advances	**235,000**	750,000	810,000	737,500	802,500
Subordinated note	**41,240**	41,240	41,240	41,240	41,240
Total liabilities	**5,345,002**	4,856,075	4,550,470	4,452,938	4,211,903
Total stockholders' equity	**823,323**	764,244	689,934	632,424	604,406
Average Balance Sheet Data:					
Federal funds sold and other interest-earning deposits	**$ 283,151**	$ 260,131	$ 255,708	$ 188,427	$ 130,889
Investment securities, including FHLB stock	**584,300**	564,631	542,258	574,027	572,599
Gross loans, including loans held for sale	**4,796,841**	4,470,347	4,094,918	3,831,406	3,568,383
Allowance for credit losses	**(60,008)**	(50,624)	(47,774)	(39,202)	(29,880)
Total assets	**6,011,865**	5,577,643	5,130,628	4,826,208	4,485,829
Noninterest-bearing deposits	**1,672,442**	1,120,608	1,147,432	1,073,181	894,049
Interest-bearing deposits	**2,913,486**	2,755,946	2,445,385	2,267,663	2,058,592
Total interest-bearing liabilities	**3,415,231**	3,629,682	3,268,860	3,091,970	2,964,981
Total stockholders' equity	**802,726**	734,281	666,979	628,329	597,463
Income Statement Data - Total Company:					
Total interest income	**$ 252,258**	$ 280,883	$ 256,181	$ 218,778	$ 173,992
Total interest expense	**19,943**	44,757	30,123	20,258	17,938
Net interest income	**232,315**	236,126	226,058	198,520	156,054
Provision for expected credit loss expense	**31,278**	25,758	31,368	27,704	14,493
Total noninterest income	**87,053**	75,008	63,425	58,414	57,509
Total noninterest expense	**185,457**	172,183	163,852	150,844	130,107
Income before income tax expense	**102,633**	113,193	94,263	78,386	68,963
Income tax expense	**19,387**	21,494	16,411	32,754	23,060
Net income	**83,246**	91,699	77,852	45,632	45,903
Income Statement Data - Core Bank (1):					
Total interest income	**$ 203,717**	$ 223,914	$ 203,764	$ 179,986	$ 156,252
Total interest expense	**17,017**	39,340	27,238	19,284	17,831
Net interest income	**186,700**	184,574	176,526	160,702	138,421
Provision for expected credit loss expense	**16,870**	3,066	3,568	3,773	3,945
Total noninterest income	**59,378**	48,219	35,380	32,410	33,350
Total noninterest expense	**164,208**	153,051	144,162	132,794	116,190
Income before income tax expense	**65,000**	76,676	64,176	56,545	51,636
Income tax expense	**10,852**	13,223	9,986	23,097	16,777
Net income	**54,148**	63,453	54,190	33,448	34,859

(continued)

Item 6. Selected Financial Data. *(continued)*

(in thousands, except per share data, FTEs and # of banking centers)	As of and for the Years Ended December 31, 2020	2019	2018	2017	2016
Per Share Data:					
Basic weighted average shares outstanding	**21,039**	21,023	20,960	20,921	20,942
Diluted weighted average shares outstanding	**21,069**	21,135	21,065	21,007	20,954
Period-end shares outstanding:					
Class A Common Stock	**18,697**	18,737	18,675	18,607	18,615
Class B Common Stock	**2,199**	2,206	2,213	2,243	2,245
Basic earnings per share:					
Class A Common Stock	**$ 4.00**	$ 4.41	$ 3.76	$ 2.21	$ 2.22
Class B Common Stock	**3.64**	4.01	3.41	2.01	2.02
Diluted earnings per share:					
Class A Common Stock	**$ 3.99**	$ 4.39	$ 3.74	$ 2.20	$ 2.22
Class B Common Stock	**3.63**	3.99	3.40	2.00	2.01
Cash dividends declared per share:					
Class A Common Stock	**$ 1.144**	$ 1.056	$ 0.968	$ 0.869	$ 0.825
Class B Common Stock	**1.040**	0.960	0.880	0.790	0.750
Market value per share at December 31,	**$ 36.07**	$ 46.80	$ 38.72	$ 38.02	$ 39.54
Book value per share at December 31, (2)	**39.40**	36.49	33.03	30.33	28.97
Tangible book value per share at December 31, (2)	**38.27**	35.41	31.98	29.27	27.89
Performance Ratios:					
Return on average assets	**1.38 %**	1.64 %	1.52 %	0.95 %	1.02 %
Return on average equity	**10.37**	12.49	11.67	7.26	7.68
Efficiency ratio (3)	**58**	57	57	59	61
Yield on average interest-earning assets	**4.45**	5.30	5.24	4.76	4.07
Cost of average interest-bearing liabilities	**0.58**	1.23	0.92	0.66	0.60
Cost of average deposits (4)	**0.33**	0.75	0.47	0.29	0.21
Net interest spread	**3.87**	4.07	4.32	4.10	3.47
Net interest margin - Total Company	**4.10**	4.46	4.62	4.32	3.65
Net interest margin - Core Bank	**3.39**	3.61	3.70	3.55	3.30
Capital Ratios - Total Company:					
Average stockholders' equity to average total assets	**13.35 %**	13.16 %	13.00 %	13.02 %	13.32 %
Total risk-based capital	**18.52**	17.01	16.80	16.04	16.37
Common equity tier 1 capital	**16.61**	15.29	14.92	14.15	14.59
Tier 1 risk-based capital	**17.43**	16.11	15.81	15.06	15.55
Tier 1 leverage capital	**13.70**	13.93	14.11	13.21	13.54
Dividend payout ratio	**29**	24	26	39	37
Dividend yield	**3.17**	2.26	2.50	2.29	2.09
Other Information:					
Period-end FTEs (5) - Total Company	**1,094**	1,080	1,051	997	938
Period-end FTEs - Core Bank	**997**	997	968	915	869
Number of banking centers	**42**	41	45	45	44

(continued)

Item 6. Selected Financial Data. *(continued)*

(dollars in thousands)	As of and for the Years Ended December 31, 2020	2019	2018	2017	2016
Credit Quality Data and Ratios:					
Credit Quality Asset Balances:					
Nonperforming Assets - Total Company:					
Loans on nonaccrual status	**$ 23,548**	$ 23,332	$ 15,993	$ 14,118	$ 15,892
Loans past due 90-days-or-more and still on accrual	**47**	157	145	956	167
Total nonperforming loans	**23,595**	23,489	16,138	15,074	16,059
Other real estate owned	**2,499**	113	160	115	1,391
Total nonperforming assets	**$ 26,094**	$ 23,602	$ 16,298	$ 15,189	$ 17,450
Nonperforming Assets - Core Bank (1):					
Loans on nonaccrual status	**$ 23,548**	$ 23,332	$ 15,993	$ 14,118	$ 15,892
Loans past due 90-days-or-more and still on accrual	**5**	—	13	19	85
Total nonperforming loans	**23,553**	23,332	16,006	14,137	15,977
Other real estate owned	**2,499**	113	160	115	1,391
Total nonperforming assets	**$ 26,052**	$ 23,445	$ 16,166	$ 14,252	$ 17,368
Delinquent loans:					
Delinquent loans - Core Bank	**$ 9,713**	$ 13,042	$ 8,875	$ 8,460	$ 6,821
Delinquent loans - RPG (6)	**10,234**	7,762	7,087	5,641	2,137
Total delinquent loans - Total Company	**$ 19,947**	$ 20,804	$ 15,962	$ 14,101	$ 8,958
Credit Quality Ratios - Total Company:					
Nonperforming loans to total loans	**0.49 %**	0.53 %	0.39 %	0.38 %	0.42 %
Nonperforming assets to total loans (including OREO)	**0.54**	0.53	0.39	0.38	0.46
Nonperforming assets to total assets	**0.42**	0.42	0.31	0.30	0.36
ACLL to total loans	**1.27**	0.98	1.08	1.07	0.86
ACLL to nonperforming loans	**259**	185	277	284	205
Delinquent loans to total loans (7)	**0.41**	0.47	0.38	0.35	0.24
Net loan charge-offs to average loans	**0.42**	0.61	0.72	0.47	0.25
Credit Quality Ratios - Core Bank:					
Nonperforming loans to total loans	**0.50 %**	0.54 %	0.40 %	0.36 %	0.42 %
Nonperforming assets to total loans (including OREO)	**0.56**	0.54	0.40	0.36	0.46
Nonperforming assets to total assets	**0.45**	0.43	0.32	0.28	0.36
ACLL to total loans	**1.11**	0.70	0.78	0.77	0.74
ACLL to nonperforming loans	**221**	129	197	213	175
Delinquent loans to total loans	**0.21**	0.30	0.22	0.21	0.18
Net charge-offs to average loans	**0.03**	0.11	0.06	0.04	0.05

Item 6. Selected Financial Data. *(continued)*

(1) "Core Bank" or "Core Banking" operations consist of the Traditional Banking, Warehouse Lending and Mortgage Banking segments. See Footnote 25 "Segment Information" under Part II Item 8 "Financial Statements and Supplemental Data" for additional information regarding the segments that constitute the Company's Core Banking operations.

(2) The following table provides a reconciliation of total stockholders' equity in accordance with GAAP to tangible stockholders' equity in accordance with applicable regulatory requirements, a non-GAAP measure. The Company provides the tangible book value per share, another non-GAAP measure, in addition to those defined by banking regulators, because of its widespread use by investors as a means to evaluate capital adequacy.

Years Ended December 31, (dollars in thousands)	2020	2019	2018	2017	2016
Total stockholders' equity - GAAP (a)	**$ 823,323**	$ 764,244	$ 689,934	$ 632,424	$ 604,406
Less: Goodwill	**16,300**	16,300	16,300	16,300	16,300
Less: Mortgage servicing rights	**7,095**	5,888	4,919	5,044	5,180
Less: Core deposit intangible	**189**	469	654	858	1,070
Tangible stockholders' equity - Non-GAAP (c)	**$ 799,739**	$ 741,587	$ 668,061	$ 610,222	$ 581,856
Total assets - GAAP (b)	**$ 6,168,325**	$ 5,620,319	$ 5,240,404	$ 5,085,362	$ 4,816,309
Less: Goodwill	**16,300**	16,300	16,300	16,300	16,300
Less: Mortgage servicing rights	**7,095**	5,888	4,919	5,044	5,180
Less: Core deposit intangible	**189**	469	654	858	1,070
Tangible assets - Non-GAAP (d)	**$ 6,144,741**	$ 5,597,662	$ 5,218,531	$ 5,063,160	$ 4,793,759
Total stockholders' equity to total assets - GAAP (a/b)	**13.35 %**	13.60 %	13.17 %	12.44 %	12.55 %
Tangible stockholders' equity to tangible assets - Non-GAAP (c/d)	**13.02 %**	13.25 %	12.80 %	12.05 %	12.14 %
Number of shares outstanding (e)	**20,896**	20,943	20,888	20,850	20,860
Book value per share - GAAP (a/e)	**$ 39.40**	$ 36.49	$ 33.03	$ 30.33	$ 28.97
Tangible book value per share - Non-GAAP (c/e)	**38.27**	35.41	31.98	29.27	27.89

(3) The efficiency ratio, a non-GAAP measure with no GAAP comparable, equals total noninterest expense divided by the sum of net interest income and noninterest income. The ratio excludes net gains (losses) on sales, calls and impairment of investment securities, if applicable, and the Company's net gain from its November 2019 branch divestiture.

Years Ended December 31, (dollars in thousands)	2020	2019	2018	2017	2016
Net interest income - GAAP	**$ 232,315**	$ 236,126	$ 226,058	$ 198,520	$ 156,054
Noninterest income - GAAP	**87,053**	75,008	63,425	58,414	57,509
Less: Net gain on branch divestiture	**—**	7,829	—	—	—
Less: Net gain (loss) on sales, calls, and impairment of debt and equity securities	**49**	78	(122)	(136)	—
Total adjusted income - Non-GAAP (a)	**$ 319,319**	$ 303,227	$ 289,605	$ 257,070	$ 213,563
Noninterest expense - GAAP (b)	**$ 185,457**	$ 172,183	$ 163,852	$ 150,844	$ 130,107
Efficiency Ratio - Non-GAAP (b/a)	**58 %**	**57** %	**57** %	**59** %	**61** %

(4) The cost of average deposits ratio equals total interest expense on deposits divided by total average interest-bearing deposits plus total average noninterest-bearing deposits.

(5) FTEs – Full-time-equivalent employees.

(6) RPG operations consist of the TRS and RCS segments.

(7) The delinquent loans to total loans ratio equals loans 30-days-or-more past due divided by total loans. Depending on loan class, loan delinquency is determined by the number of days or the number of payments past due.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The consolidated financial statements include the accounts of Republic Bancorp, Inc. (the "Parent Company") and its wholly-owned subsidiaries, Republic Bank & Trust Company and Republic Insurance Services, Inc. As used in this filing, the terms "Republic," the "Company," "we," "our," and "us" refer to Republic Bancorp, Inc., and, where the context requires, Republic Bancorp, Inc. and its subsidiaries. The term the "Bank" refers to the Company's subsidiary bank: Republic Bank & Trust Company. The term the "Captive" refers to the Company's insurance subsidiary: Republic Insurance Services, Inc. All significant intercompany balances and transactions are eliminated in consolidation.

Republic is a financial holding company headquartered in Louisville, Kentucky. 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 U.S. 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 is a Delaware statutory business trust that is a wholly-owned unconsolidated finance subsidiary of Republic Bancorp, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations of Republic should be read in conjunction with Part II Item 8 "*Financial Statements and Supplementary Data*."

Forward-looking statements discuss matters that are not historical facts. As forward-looking statements discuss future events or conditions, the statements often include words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would," "potential," or similar expressions. Do not rely on forward-looking statements. Forward-looking statements detail management's expectations regarding the future and are not guarantees. Forward-looking statements are assumptions based on information known to management only as of the date the statements are made and management undertakes no obligation to update forward-looking statements, except as required by applicable law.

Broadly speaking, forward-looking statements include:

- the potential impact of the COVID-19 pandemic on Company operations;
- projections of revenue, income, expenses, losses, earnings per share, capital expenditures, dividends, capital structure, or other financial items;
- descriptions of plans or objectives for future operations, products, or services;
- forecasts of future economic performance; and
- descriptions of assumptions underlying or relating to any of the foregoing.

Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results, performance, or achievements to be materially different from future results, performance, or achievements expressed or implied by the forward-looking statements. Actual results may differ materially from those expressed or implied as a result of certain risks and uncertainties, including, but not limited to the following:

- the impact of the COVID-19 pandemic on the Company's operations and credit losses;
- the ability of borrowers who received COVID-19 loan accommodations to resume repaying their loans upon maturity of such accommodations;
- natural disasters impacting the Company's operations;
- changes in political and economic conditions;
- the magnitude and frequency of changes to the FFTR implemented by the FOMC of the FRB;
- long-term and short-term interest rate fluctuations as well as the overall steepness of the U.S. Treasury yield curve;
- competitive product and pricing pressures in each of the Company's five reportable segments;
- equity and fixed income market fluctuations;
- client bankruptcies and loan defaults;

- inflation;
- recession;
- future acquisitions;
- integrations of acquired businesses;
- changes in technology;
- changes in applicable laws and regulations or the interpretation and enforcement thereof;
- changes in fiscal, monetary, regulatory and tax policies;
- changes in accounting standards;
- monetary fluctuations;
- changes to the Company's overall internal control environment;
- success in gaining regulatory approvals when required;
- the Company's ability to qualify for future R&D federal tax credits;
- information security breaches or cyber security attacks involving either the Company or one of the Company's third-party service providers; and
- other risks and uncertainties reported from time to time in the Company's filings with the SEC, including Part 1 Item 1A "*Risk Factors.*"

Accounting Standards Updates

For disclosure regarding the impact to the Company's financial statements of ASUs, see Footnote 1 "Summary of Significant Accounting Policies" of Part II Item 8 "Financial Statements and Supplementary Data."

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Republic's consolidated financial statements and accompanying footnotes have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported periods.

Management continually evaluates the Company's accounting policies and estimates that it uses to prepare the consolidated financial statements. In general, management's estimates and assumptions are based on historical experience, accounting and regulatory guidance, and information obtained from independent third-party professionals. Actual results may differ from those estimates made by management.

Critical accounting policies are those that management believes are the most important to the portrayal of the Company's financial condition and operating results and require management to make estimates that are difficult, subjective and complex. Most accounting policies are not considered by management to be critical accounting policies. Several factors are considered in determining whether or not a policy is critical in the preparation of the financial statements. These factors include, among other things, whether the estimates have a significant impact on the financial statements, the nature of the estimates, the ability to readily validate the estimates with other information including independent third parties or available pricing, sensitivity of the estimates to changes in economic conditions and whether alternative methods of accounting may be utilized under GAAP. Management has discussed each critical accounting policy and the methodology for the identification and determination of critical accounting policies with the Company's Audit Committee.

Republic believes its critical accounting policies and estimates relate to the following:

ACLL and Provision — At December 31, 2020, the Bank maintained an ACLL for expected credit losses inherent in the Bank's loan portfolio, which includes overdrawn deposit accounts. Management evaluates the adequacy of the ACLL monthly, and presents and discusses the ACLL with the Audit Committee and the Board of Directors quarterly.

Effective January 1, 2020, the Company adopted ASC 326 *Financial Instruments – Credit Losses,* which replaced the pre-January 1, 2020 "probable-incurred" method for calculating the Company's ACL with the CECL method. CECL is applicable to financial assets measured at amortized cost, including loan and lease receivables and held-to-maturity debt securities. CECL also applies to certain off-balance sheet credit exposures.

When measuring an ACL, CECL primarily differs from the probable-incurred method by: a) incorporating a lower "expected" threshold for loss recognition versus a higher "probable" threshold; b) requiring life-of-loan considerations; and c) requiring reasonable and supportable forecasts. The Company's CECL method is a "static-pool" method that analyzes historical closed pools of loans over their expected lives to attain a loss rate, which is then adjusted for current conditions and reasonable, supportable forecasts prior to being applied to the current balance of the analyzed pools. Due to its reasonably strong correlation to the Company's historical net loan losses, the Company has chosen to use the U.S. national unemployment rate as its primary forecasting tool. For its CRE loan pool, the Company also uses one-year forecasts of vacancy rates for CRE in the Company's market footprint.

Management's evaluation of the appropriateness of the ACLL is often the most critical accounting estimate for a financial institution, as the ACLL requires significant reliance on the use of estimates and significant judgment as to the reliance on historical loss rates, consideration of quantitative and qualitative economic factors, and the reliance on a reasonable and supportable forecast.

Adjustments to the historical loss rate for current conditions include differences in underwriting standards, portfolio mix, delinquency level, or term, as well as for changes in environmental conditions, such as changes in property values or other relevant factors. One-year forecast adjustments to the historical loss rate are based on the U.S. national unemployment rate and vacancy rates for CRE in the Company's market footprint. Subsequent to the one-year forecasts, loss rates are assumed to immediately revert back to long-term historical averages.

Prospectively, the impact of utilizing the CECL approach to calculate the ACLL will be significantly influenced by the composition, characteristics and quality of the Company's loan portfolio, as well as the prevailing economic conditions and forecasts utilized. Material changes to these and other relevant factors may result in greater volatility to the ACLL, and therefore, greater volatility to the Company's reported earnings.

See additional detail regarding the Company's adoption of ASC 326 and the CECL method under Footnote 1 "Summary of Significant Accounting Policies" and Footnote 4 "Loans and Allowance for Credit Losses" of Part II Item 8 "Financial Statements and Supplementary Data."

<u>Management's Evaluation of the ACLL</u>

Management evaluates the ACLL for its Core Banking operations separately from its non-traditional RPG operations. Core Banking operations consist of the Company's Traditional Banking, Warehouse, and Mortgage Banking segments. RPG operations consist of the Company's TRS and RCS segments.

In prior periods under the probable-incurred standard, management conducted two annual calculations to evaluate the reasonableness of its Core Bank ACLL:

- an absorption rate, which considered annual net loan losses for the year just ended as a percent of the beginning-of-the-year ACLL; and
- an exhaustion rate, which calculated how many years of charge-offs the beginning-of-year ACLL could withstand based on gross charge-offs for the year just ended.

Management considered these historic absorption and exhaustion formulas less meaningful at December 31, 2020 because of its January 1, 2020 CECL adoption and because Core Bank loan losses were substantially restrained during 2020 by pandemic-related financial relief provided to borrowers.

See additional detail regarding pandemic-related financial relief provided to the Bank's loan clients under Footnote 4 "Loans and Allowance for Credit Losses" of Part II Item 8 "Financial Statements and Supplementary Data."

Management evaluated the reasonableness of its Core Bank ACLL as of December 31, 2020 by evaluating modified absorption and exhaustion rates that account for CECL life-of-loan considerations and the economic hardship and uncertainty brought about by the COVID-19 pandemic. The modified absorption rate considered total Core Bank net loan losses from 2008 to 2013 as a percent of the end-of-year Core Bank ACLL. The modified exhaustion rate considered how many years of gross Core Bank loan charge-offs the end-of-year Core Bank ACLL could withstand based on average annual net Core Bank loan losses from 2008 to 2013. The years

2008 to 2013 represent a six-year period during which the U.S. unemployment rate rose above 8% and the Core Bank incurred a historically high period of loan losses. Management believes Core Bank losses from 2008 to 2013 are more representative of current economic conditions than more recent years just prior to the onset of the COVID-19 pandemic. At December 31, 2020, four years represented the weighted average term of the Core Bank loan portfolio, with this term adjusted to approximately six years after exclusion of the Bank's PPP portfolio, which is short-term and government guaranteed, and the Bank's Warehouse portfolio, which is also generally short-term. The Core Bank's modified absorption rate was 84% and its modified exhaustion rate was 6.1 years at December 31, 2020. Management considers these rates reasonable under current economic conditions. The table below reflects the Core Bank's modified and standard exhaustion and absorption rates for each of the last three years:

Years Ended December 31,	**2020**	2019	2018
Core Bank:			
Modified Exhaustion Rate (end of year ACLL / median annual charge-offs from 2008 to 2013)	**6.07** Yrs.	3.50 Yrs.	3.67 Yrs.
Standard Exhaustion Rate (beginning of year ACLL / charge-offs for year)	**13.27** Yrs.	5.52 Yrs.	8.36 Yrs.
Modified Absorption Rate (total net charge-offs from 2008 to 2013 / end of year ACLL)	**84 %**	146 %	139 %
Standard Absorption Rate (net charge-offs for the year / beginning of year ACLL)	**4 %**	15 %	7 %

Based on management's evaluation, a Core Bank ACLL of $52 million, or 1.11% of total Core Bank loans, was an adequate estimate of expected losses within the loan portfolio as of December 31, 2020 and resulted in Core Banking Provision for its loans of $16.7 million during 2020. This compares to an ACLL of $30 million as of December 31, 2019 and a loan Provision of $3.1 million for 2019 under the probable incurred accounting standard. If the mix and amount of future charge-off percentages differ significantly from those assumptions used by management in making its determination, an adjustment to the Core Bank ACLL and the resulting effect on the income statement could be material.

The RPG ACLL at December 31, 2020 primarily relates to loans originated and held for investment through the RCS segment. RCS generally originates small-dollar, consumer credit products. In some instances, the Bank originates these products, sells 90% of the balances within three days of loan origination, and retains a 10% interest. RCS loans typically earn a higher yield but also have higher credit risk compared to loans originated through Core Banking operations, with a significant portion of RCS clients considered subprime or near-prime borrowers.

At December 31, 2020, management evaluated the ACLL on its only active RCS product that has incurred meaningful losses since inception, its line-of-credit product. Due to the general short-term nature of this product, management utilized its traditional absorption and exhaustion calculations using 2020 charge-offs and net losses with the beginning-of-the-year ACLL. The absorption and exhaustion rates were 43% and 2.1 years, respectively, and considered reasonable.

RPG maintained an ACLL for loan products offered through its RCS segment at December 31, 2020, including its line-of-credit product and its healthcare-receivables products. At December 31, 2020, the ACLL to total loans estimated for each RCS product ranged from as low as 0.25% for its healthcare-receivables portfolio to as high as 48.96% for its line-of-credit portfolio. A lower reserve percentage was provided for RCS's healthcare receivables at December 31, 2020, as such receivables have recourse back to the Company's third-party service providers in the transactions. Based on management's calculation, an ACLL of $9.0 million, or 6.7%, of total RPG loans was an adequate estimate of expected losses within the RPG portfolio as of December 31, 2020.

RPG's TRS segment offered its EA tax-credit product during the first two months of 2020, 2019, and 2018. An ACLL for losses on EAs is estimated during the limited, short-term period the product is offered. EAs are generally repaid within 35 days of origination. Provisions for EA losses are estimated when advances are made, with all estimated provisions made in the first quarter of each year. No ACLL for EAs existed as of December 31, 2020 and 2019, as all EAs originated during the first two months of each year had either been paid off or charged-off by June 30th of each 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.

In response to changes in the legal, regulatory and competitive environment, management annually reviews and revises the EA's product parameters. Further changes in EA product parameters do not ensure positive results and could have an overall material negative impact on the performance of the EA and therefore on the Company's financial condition and results of operations.

See additional discussion regarding the EA product under the sections titled:

- *Part I Item 1A "Risk Factors"*
- *Part II Item 8 "Financial Statements and Supplementary Data," Footnote 4 "Loans and Allowance for Credit Losses"*

RPG recorded a net charge of $14.4 million, $22.7 million, and $27.8 million to the Provision during 2020, 2019, and 2018, with the Provision for each year primarily due to net losses on EAs and growth in short-term, consumer loans originated through the RCS segment. If the number of future charge-offs on EAs and RCS loans differ significantly from assumptions used by management in making its determination, an adjustment to the RPG ACLL and the resulting effect on the income statement could be material.

2019 Branch Divestiture

In July 2019, the Bank entered into a definitive agreement to sell its four banking centers located in the Kentucky cities of Owensboro, Elizabethtown, and Frankfort to Limestone Bank ("Limestone"), a subsidiary of Limestone Bancorp, Inc. The agreement provided that Limestone acquire loans, with balances of approximately $128 million as of November 15, 2019 (the "Closing Date"), and assume deposits with balances of approximately $132 million as of the Closing Date, associated with the four banking centers.

In addition to the sale of loans and assumption of deposits, Limestone also acquired substantially all of the fixed assets of these locations, which had a book value of $1.3 million as of the Closing Date. Based on the Closing Date deposits, the all-in blended premium for the transaction was 6.1% of the total deposits transferred. The final calculated premium was based on the trailing 10-day average amount of the deposits as of the Closing Date, as well as the branch location for the deposits.

OVERVIEW

Total Company net income was $83.2 million and Diluted EPS was $3.99 for 2020, compared to net income of $91.7 million and Diluted EPS of $4.39 for 2019. Unusual or infrequently occurring items impacting Fiscal 2020 and/or Fiscal 2019 included the following:

- Fiscal 2020 included $2.1 million in early termination penalties upon the Company's early pay-off of $60 million in FHLB advances.

- Fiscal 2019 included non-recurring after-tax benefits from the Company's November 2019 branch divestiture, including a $6.3 million after-tax gain and a $711,000 after-tax credit to the Provision related to divested loans.

Table 1 below presents Republic's financial performance for the years ended December 31, 2020, 2019, and 2018:

Table 1 — Summary

Years Ended December 31, (dollars in thousands, except per share data)	2020	2019	2018	Percent Increase/(Decrease) 2020/2019	2019/2018
Income before income tax expense	**$ 102,633**	$ 113,193	$ 94,263	**(9)%**	20 %
Net income	**83,246**	91,699	77,852	**(9)**	18
Diluted EPS of Class A Common Stock	**3.99**	4.39	3.74	**(9)**	17
ROA	**1.38 %**	1.64 %	1.52 %	**(16)**	8
ROE	**10.37**	12.49	11.67	**(17)**	7

Additional discussion follows in this section of the filing under *"Results of Operations."*

General highlights by reportable segment for the year ended December 31, 2020 consisted of the following:

Traditional Banking segment

- Traditional Banking net income decreased $30.8 million or 61%. Fiscal 2019 included the after-tax benefits from the Company's November 2019 branch divestiture, including a $6.3 million after-tax gain and a $711,000 credit to the Provision related to divested loans.

- Driven primarily by net interest margin compression partially offset by PPP loan fees, net interest income decreased $8.7 million, or 5%, to $159.4 million during 2020. The Traditional Banking net interest margin decreased to 3.42% from 2019 to 2020.

- Driven by COVID-19 related concerns in combination with the new allowance methodology as required by the adoption of ASC 326, the Traditional Banking Provision was $16.3 million for 2020 compared to $2.4 million for 2019. The Provision for 2019 benefited from a pre-tax credit of $900,000 associated with loans divested in the Company's branch divestiture.

- Noninterest income decreased $11.1 million, or 29% during 2020. Fiscal 2019 included a $7.8 million pre-tax net gain on the Company's branch divestiture.

- Noninterest expense increased $5.4 million, or 4% during 2020. Fiscal 2020 included $2.1 million in non-recurring FHLB early termination penalties.

- Gross Traditional Bank loans increased by $120 million, or 3% from December 31, 2019 to December 31, 2020, with growth largely driven by PPP loans.

- Traditional Bank period-end deposits grew $642 million, or 18%, from December 31, 2019 to December 31, 2020.

- Total nonperforming Traditional Bank loans to total Traditional Bank loans was 0.63% at December 31, 2020 compared to 0.65% at December 31, 2019.

- Delinquent Traditional Bank loans to total Traditional Bank loans was 0.26% at December 31, 2020 compared to 0.36% at December 31, 2019.

- As of December 31, 2020, $712 million of the Traditional Bank's loan portfolio had been granted a COVID-19 hardship accommodation earlier in 2020, with $14 million remaining under an accommodation at December 31, 2020.

Warehouse Lending segment

- Warehouse net income increased $7.1 million, or 77%, during 2020.

- Warehouse net interest income increased $10.2 million and its net interest margin rose to 3.19%, a 78 basis point increase from 2019 to 2020.

- The Warehouse Provision was a net charge of $613,000 for 2020 compared to net charge of $622,000 for 2019.

- Average committed Warehouse lines increased to $1.2 billion during 2020 from $1.1 billion during 2019.

- Average line usage was 66% during 2020 and 59% during 2019.

Mortgage Banking segment

- Within the Mortgage Banking segment, mortgage banking income increased $22.3 million, or 235%, during 2020.

- Overall, Republic's originations of secondary market loans totaled $783 million during 2020 compared to $356 million during the same period in 2019, with the Company's cash gain recognized as a percent of total loans sold increasing by approximately 150 basis points from 2019 to 2020.

Tax Refund Solutions segment

- TRS net income decreased $520,000, or 4%, during 2020.

- TRS net interest income increased $1.3 million, or 6%, during 2020.

- Total EA originations were $388 million for 2020 compared to $389 million for 2019.

- The TRS Provision was $13.2 million for 2020, compared to $11.2 million for 2019.

- Noninterest income was $22.8 million for 2020 compared to $21.9 million for 2019.

- Net RT revenue decreased $861,000, or 4%, during 2020.

- Noninterest expense was $17.5 million for 2020 compared to $16.5 million for 2019.

Republic Credit Solutions segment

- RCS net income increased $1.4 million, or 9%, during 2020.

- RCS net interest income decreased $7.3 million, or 24%, during 2020.

- The RCS Provision was $1.2 million for 2020 compared to $11.4 million for 2019.

- Noninterest income remained at $4.9 million from 2019 to 2020.

- Noninterest expense increased $1.1 million, or 44%, during 2020.

- Total nonperforming RCS loans to total RCS loans was 0.04% at December 31, 2020 compared to 0.10% at December 31, 2019.

- Delinquent RCS loans to total RCS loans was 9.23% at December 31, 2020 compared to 7.25% at December 31, 2019.

RESULTS OF OPERATIONS

This section provides a comparative discussion of Republic's Results of Operations for the two-year period ended December 31, 2020, unless otherwise specified. Refer to Results of Operations on pages 55-68 of the Company's Annual Report on Form 10-K for the year ended December 31, 2019 (the "2019 Form 10-K") for a discussion of the 2019 versus 2018 results.

Net Interest Income

Banking operations are significantly dependent upon net interest income. Net interest income is the difference between interest income on interest-earning assets, such as loans and investment securities and the interest expense on interest-bearing liabilities used to fund those assets, such as interest-bearing deposits, securities sold under agreements to repurchase, and FHLB advances. Net interest income is impacted by both changes in the amount and composition of interest-earning assets and interest-bearing liabilities, as well as market interest rates.

A large amount of the Company's financial instruments track closely with or are primarily indexed to either the FFTR, Prime, or LIBOR. These market rates trended higher from December 2015 through December 2019 but moved lower again during 2020 as the FOMC reduced the FFTR by 75 basis points during the year. The FOMC has provided on-going guidance that additional changes to the FFTR will be data dependent, depending upon market conditions.

Additional increases in short-term interest rates and overall market rates are generally believed by management to be favorable to the Bank's net interest income and net interest margin in the near term, while additional decreases in short-term interest rates and overall market rates are generally believed by management to be unfavorable to the Bank's net interest income and net interest margin in the near term. Increases in short-term interest rates, however, could have a negative impact on net interest income and net interest margin if the Bank is unable to maintain its deposit balances and the cost of those deposits at the levels assumed in its interest-rate-risk model. In addition, a further flattening or inversion of the yield curve, causing the spread between long-term interest rates and short-term interest rates to decrease, could negatively impact the Company's net interest income and net interest margin. Unknown variables, which may impact the Company's net interest income and net interest margin in the future, include, but are not limited to, the actual steepness of the yield curve, future demand for the Bank's financial products and the Bank's overall future liquidity needs.

Total Company net interest income decreased $3.8 million, or 2%, during 2020 compared to the same period in 2019. Total Company net interest margin decreased to 4.10% during 2020 compared to 4.46% in 2019.

The most significant components affecting the total Company's net interest income and net interest margin by reportable segment follow:

Traditional Banking segment

The Traditional Banking segment's net interest income decreased $8.7 million, or 5%, during 2020 compared to 2019. The Traditional Banking net interest margin decreased to 3.42% for 2020 compared to 3.76% for 2019.

The following factors primarily impacted the Traditional Bank's net interest income and net interest margin during 2020:

- The Traditional Bank's net interest spread, the weighted average rate earned on its interest-earning assets less the weighted average cost paid on its interest-bearing liabilities, compressed 30 basis points and its net interest margin compressed 33 basis points primarily because the Core Bank's liabilities had less room to reprice downward than its interest-earning asset counterparts.

- Because the Bank is already paying zero interest on its noninterest-bearing funding sources, such as noninterest-bearing deposits and common stockholders' equity, it had no ability to reprice any of these funding sources downward to offset the negative impact of the decline in yield on its interest-earning assets, which these noninterest-bearing sources fund.

- Also negatively impacting net interest income from Traditional Banking was a decline in loan balances, excluding PPP loans. The decrease in Traditional Bank loans included the negative impact of the sale of $128 million of the Traditional Bank's loans in November 2019 as part of the Company's branch divestiture.

- Partially offsetting the decline in net interest income driven by items noted above, interest income increased by approximately $12.2 million from the origination of $528 million of PPP loans during the year, as well as, the SBA's forgiveness and early payoff of $127 million of these loans. The PPP portfolio contributed $342 million in average Traditional Bank loans for 2020. As part of the SBA's forgiveness and early payoff, all unearned fees associated with these loans are credited to interest income upon their payoff. Approximately $2.8 million of PPP fee income recognized in interest income during 2020 was from the forgiveness and early payoff of the loans. As of December 31, 2020, approximately $8.6 million of PPP fees remained unearned on the Company's balance sheet to be earned and recognized over the remaining life of these loans.

For additional information on the potential future effect of changes in short-term interest rates on Republic's net interest income, see the table titled "Bank Interest Rate Sensitivity at December 31, 2020 and 2019" under "Financial Condition."

Warehouse Lending segment

Net interest income increased $10.2 million, or 64%, for 2020 compared to 2019. Average outstanding Warehouse balances grew from $654 million during 2019 to $813 million during 2020, as falling mortgage rates during 2020 drove a surge in consumer refinance volume for Warehouse clients. Overall, committed Warehouse lines-of-credit grew from $1.1 billion to $1.2 billion and usage rates on those lines were 59% and 66%, respectively, during the same periods. In addition, the Warehouse net interest margin increased to 3.19% for 2020 compared to 2.42% for 2019, as many of the Bank's Warehouse client reached contractual interest rate floors on their lines-of-credit during the second quarter of 2020 preventing further declines in the segment's loan yields, while the segment's cost of funds continued to decline.

Warehouse Lending net interest income is greatly influenced by the overall mortgage market and the competitive environment. The Mortgage Bankers Association's economic forecast released in January 2021 projected mortgage originations to decrease 24% across the United States from 2020 to 2021. If this economic forecast turns out to be substantially accurate, management believes that usage rates among the Bank's Warehouse Lending clients may also decrease. This predicted decrease in mortgage volume would likely increase the competitive environment and may negatively impact the Bank's ability to maintain its existing Warehouse Lending clients and to attract new mortgage companies to its warehouse platform, thus making it difficult to increase net interest income overall within the Warehouse Lending segment.

Tax Refund Solutions segment

TRS's net interest income increased $1.3 million for 2020 compared to 2019. TRS's EA product earned $19.7 million in interest income during 2020, a $557,000 increase resulting primarily from modifications to the product's pricing tiers. EA pricing includes a direct fee to the taxpayer, with the annual percentage rate to the taxpayer for his or her portion of the total fee being less than 36% for all offering tiers.

See additional discussion regarding the EA product under the sections titled:

- *Part I Item 1A "Risk Factors"*
- *Part II Item 8 "Financial Statements and Supplementary Data," Footnote 4 "Loans and Allowance for Credit Losses"*

Republic Credit Solutions segment

RCS's net interest income decreased $7.3 million, or 24%, from 2019 to 2020. The decrease was driven primarily by a decline in fee income from RCS's line-of-credit product. Loan fees on RCS's line-of-credit product recorded as interest income decreased to $18.5 million during 2020 compared to $25.6 million during 2019 and accounted for 78% and 79% of all RCS interest income on loans during the periods. The decrease in loan fees was the direct result of a decline in outstanding line-of-credit balances, as the Company reduced marketing for the product in response to the COVID-19 pandemic.

Future long-term growth in interest income from RCS's line-of-credit product is restricted by a current on-balance-sheet Board-approved risk limit of $40 million for the Company. As of December 31, 2020, the total outstanding on-balance-sheet amount, including loans held for sale, related to this product was $19 million.

Table 2 — Total Company Average Balance Sheets and Interest Rates

	Years Ended December 31,								
	2020			2019			2018		
(dollars in thousands)	**Average Balance**	**Interest**	**Average Rate**	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS									
Interest-earning assets:									
Federal funds sold and other interest-earning deposits	**$ 283,151**	**$ 911**	**0.32 %**	$ 260,131	$ 5,781	2.22 %	$ 255,708	$ 4,752	1.86 %
Investment securities, including FHLB stock (1)	**584,300**	**10,303**	**1.76**	564,631	15,038	2.66	542,258	13,808	2.55
TRS Easy Advance loans (2)	**38,843**	**19,671**	**50.64**	33,931	19,114	56.33	31,112	17,832	57.32
RCS line-of-credit producti (2)	**20,217**	**18,522**	**91.62**	28,110	25,591	91.04	29,622	26,267	88.67
Other RPG loans (3) (7)	**105,569**	**6,101**	**5.78**	92,721	7,478	8.07	62,301	5,980	9.60
Outstanding Warehouse lines of credit (4) (7)	**812,862**	**31,199**	**3.84**	653,865	30,815	4.71	496,380	25,526	5.14
Paycheck Protection Program loans (5) (7)	**341,704**	**12,178**	**3.56**	—	—	—	—	—	—
All other Core Bank loans (6) (7)	**3,477,646**	**153,373**	**4.41**	3,661,720	177,066	4.84	3,475,503	162,016	4.66
Total interest-earning assets	**5,664,292**	**252,258**	**4.45**	5,295,109	280,883	5.30	4,892,884	256,181	5.24
Allowance for credit losses	**(60,008)**			(50,624)			(47,774)		
Noninterest-earning assets:									
Noninterest-earning cash and cash equivalents	**125,904**			99,580			109,798		
Premises and equipment, net	**42,991**			45,276			46,300		
Bank owned life insurance	**67,264**			65,682			64,132		
Other assets (1)	**171,422**			122,620			65,288		
Total assets	**$ 6,011,865**			$ 5,577,643			$ 5,130,628		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest-bearing liabilities:									
Transaction accounts	**$ 1,291,980**	**$ 1,201**	**0.09 %**	$ 1,141,084	$ 5,626	0.49 %	$ 1,120,633	$ 4,341	0.39 %
Money market accounts	**739,524**	**1,930**	**0.26**	772,854	7,477	0.97	639,560	4,026	0.63
Time deposits	**400,704**	**7,868**	**1.96**	409,301	8,254	2.02	348,670	5,699	1.63
Reciprocal money market and time deposits	**274,725**	**1,776**	**0.65**	207,126	2,739	1.32	301,291	2,289	0.76
Brokered deposits	**206,553**	**2,314**	**1.12**	225,581	5,039	2.23	35,231	662	1.88
Total interest-bearing deposits	**2,913,486**	**15,089**	**0.52**	2,755,946	29,135	1.06	2,445,385	17,017	0.70
SSUARs	**204,797**	**177**	**0.09**	236,883	1,211	0.51	225,145	1,125	0.50
Federal Reserve PPP Liquidity Facility	**43,932**	**153**	**0.35**	—	—	—	—	—	—
Federal Home Loan Bank advances	**211,776**	**3,524**	**1.66**	595,613	12,791	2.15	557,090	10,473	1.88
Subordinated note	**41,240**	**1,000**	**2.42**	41,240	1,620	3.93	41,240	1,508	3.66
Total interest-bearing liabilities	**3,415,231**	**19,943**	**0.58**	3,629,682	44,757	1.23	3,268,860	30,123	0.92
Noninterest-bearing liabilities and Stockholders' equity:									
Noninterest-bearing deposits	**1,672,442**			1,120,608			1,147,432		
Other liabilities	**121,466**			93,072			47,357		
Stockholders' equity	**802,726**			734,281			666,979		
Total liabilities and stockholders' equity	**$ 6,011,865**			$ 5,577,643			$ 5,130,628		
Net interest income		**$ 232,315**			$ 236,126			$ 226,058	
Net interest spread			**3.87 %**			4.07 %			4.32 %
Net interest margin			**4.10 %**			4.46 %			4.62 %

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

(2) Interest income for Easy Advances and the RCS line-of-credit product is composed entirely of loan fees.

(3) Interest income includes loan fees of $1.4 million, $1.4 million and $900,000 for 2020, 2019, and 2018.

(4) Interest income includes loan fees of $3.4 million, $2.9 million and $3.0 million for 2020, 2019, and 2018.

(5) Interest income includes loan fees of $8.6 million for 2020.

(6) Interest income includes loan fees of $3.4 million, $5.4 million and $5.7 million for 2020, 2019, and 2018.

(7) Average balances for loans include the principal balance of nonaccrual loans and loans held for sale, and are inclusive of all loan premiums, discounts, fees and costs.

Table 3 illustrates the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities impacted Republic's interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior rate), (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume) and (iii) net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

Table 3 — Total Company Volume/Rate Variance Analysis

	Year Ended December 31, 2020 Compared to Year Ended December 31, 2019			Year Ended December 31, 2019 Compared to Year Ended December 31, 2018		
	Total Net	**Increase / (Decrease) Due to**		Total Net	Increase / (Decrease) Due to	
(in thousands)	**Change**	**Volume**	**Rate**	Change	Volume	Rate
Interest income:						
Federal funds sold and other interest-earning deposits	**$ (4,870)**	**$ 471**	**$ (5,341)**	$ 1,029	$ 84	$ 945
Investment securities, including FHLB stock	**(4,735)**	**507**	**(5,242)**	1,230	582	648
TRS Easy Advance loans*	**557**	**(1,936)**	**2,493**	1,282	(1,817)	3,099
RCS line-of-credit product	**(7,069)**	**(7,231)**	**162**	(676)	(1,365)	689
Other RPG loans	**(1,377)**	**939**	**(2,316)**	1,498	2,569	(1,071)
Outstanding Warehouse lines of credit	**384**	**6,704**	**(6,320)**	5,289	7,563	(2,274)
Paycheck Protection Program loans	**12,178**	**12,178**	**—**	—	—	—
All other Core Bank loans	**(23,693)**	**(8,616)**	**(15,077)**	15,050	8,872	6,178
Net change in interest income	**(28,625)**	**3,016**	**(31,641)**	24,702	16,488	8,214
Interest expense:						
Transaction accounts	**(4,425)**	**659**	**(5,084)**	1,285	80	1,205
Money market accounts	**(5,547)**	**(309)**	**(5,238)**	3,451	965	2,486
Time deposits	**(386)**	**(172)**	**(214)**	2,555	1,088	1,467
Reciprocal money market and time deposits	**(963)**	**716**	**(1,679)**	450	(872)	1,322
Brokered deposits	**(2,725)**	**(394)**	**(2,331)**	4,377	4,229	148
SSUARs	**(1,034)**	**(144)**	**(890)**	86	60	26
Federal Reserve PPP Liquidity Facility	**153**	**153**	**—**	—	—	—
Federal Home Loan Bank advances	**(9,267)**	**(6,868)**	**(2,399)**	2,318	758	1,560
Subordinated note	**(620)**	**—**	**(620)**	112	—	112
Net change in interest expense	**(24,814)**	**(6,359)**	**(18,455)**	14,634	6,308	8,326
Net change in net interest income	**$ (3,811)**	**$ 9,375**	**$ (13,186)**	$ 10,068	$ 10,180	$ (112)

**Volume for Easy Advances is based on total loans originated during the period presented.*

Provision

Effective January 1, 2020, the Company adopted ASC 326 *Financial Instruments – Credit Losses,* which replaces the pre-January 1, 2020 "probable-incurred" method for calculating the Company's ACL with the CECL method. CECL is applicable to financial assets measured at amortized cost, including loan and lease receivables and held-to-maturity debt securities. CECL also applies to certain off-balance sheet credit exposures.

See additional detail regarding the Company's adoption of ASC 326 and the CECL method under Footnote 1 "Summary of Significant Accounting Policies" of Part II Item 8 "Financial Statements and Supplementary Data."

The Company recorded a Provision of $31.3 million during 2020, compared to $25.8 million in 2019. The most significant components comprising the Company's Provision by reportable segment follow:

<u>Traditional Banking segment</u>

The Traditional Banking Provision during 2020 was $16.3 million compared to $2.4 million in 2019. An analysis of the Provision for 2020 compared to 2019 follows:

- Related to the Bank's pass-rated and non-rated loans, the Bank recorded net charges of $15.2 million and $562,000 to the Provision for 2020 and 2019. For 2020, the Traditional Bank recorded approximately $19.6 million of additional Provision due to the expected economic impact of the COVID-19 pandemic. The Company's analysis included the following:

    - the pandemic's impact on national unemployment;
    - an analysis of the Bank's loans to industries more directly harmed by the pandemic, such as the hospitality industry;
    - the number and amount in loans receiving pandemic related accommodations from the Bank; and,
    - a forecasted rise in vacancy rates for CRE within the Traditional Bank's market footprint.

    Offsetting the increase in the Provision due to the impact of the COVID-19 pandemic was a reduction in the Provision of approximately $4.4 million driven by a $274 million decrease in Traditional Bank non-PPP period-end balances during 2020.

    The Provision in 2019 included the impact of a $900,000 credit upon the final settlement of the Company's branch divestiture.

- The Bank recorded net charges to the Provision of $916,000 and $2.2 million for 2020 and 2019 related to loans rated Substandard, Special Mention, or PCD. The charge during 2020 was driven by approximately $68 million of loans downgraded to Special Mention during 2020 partially offset by a $470,000 recovery recorded upon the payoff of a large CRE relationship that had been partially charged-off in a prior period. Downgrades to Special Mention during 2020 were primarily driven by economic concerns resulting from the COVID-19 pandemic. The charge during 2019 includes $2.8 million of Provision for two commercial relationships that defaulted during the period.

- Related to the Bank's corporate bonds held within its investment securities portfolio, the Bank recorded $127,000 of Provision during 2020, driven by higher PD and LGD assumptions stemming from COVID-19 economic concerns. The Company began provisioning for credit loss for its investment securities in 2020 as part of its adoption of ASC 326; therefore, no similar Provision was recognized during 2019.

As a percentage of total loans, the Traditional Banking ACLL was 1.34% from December 31, 2020 compared to 0.78% at December 31, 2019. The Company believes, based on information presently available, that it has adequately provided for Traditional Bank loan losses at December 31, 2020.

See the sections titled "Allowance for Credit Losses" and "Asset Quality" in this section of the filing under "Financial Condition" for additional discussion regarding the Provision and the Bank's delinquent, nonperforming, impaired, and TDR loans.

See additional detail regarding the impact of COVID-19 under:

- *Part I Item 1A "Risk Factors"*

- *Part II Item 8 "Financial Statements and Supplementary Data"*
  - *Footnote 2 "Investment Securities"*
  - *Footnote 4 "Loans and Allowance for Credit Losses"*
  - *Footnote 13 "Off Balance Sheet Risks, Commitments, and Contingent Liabilities"*

Warehouse Lending segment

The Warehouse Provision was a net charge of $613,000 for 2020 compared to a net charge of $622,000 for 2019. Provision expense for both 2020 and 2019 reflects the changes in general reserves for fluctuations in outstanding balances during the periods. Outstanding Warehouse balances increased $246 million during 2020 and $249 million during 2019.

As a percentage of total Warehouse outstanding balances, the Warehouse ACLL was 0.25% at December 31, 2020 and 2019. The Company believes, based on information presently available, that it has adequately provided for Warehouse loan losses at December 31, 2020.

Tax Refund Solutions segment

TRS recorded a net charge to the Provision of $13.2 million during 2020 compared to a net charge of $11.2 million in 2019.

The higher net charges to the Provision during 2020 resulted from EA repayment rates from the U.S. Treasury that significantly lagged those during the same period in 2019. Management believes the significant decline in repayment rates from the U.S. Treasury during 2020, particularly during the second quarter, was directly related to the impact of the COVID-19 pandemic.
TRS originated $388 million of EAs during 2020 compared to $389 million in 2019. The Company's net loss on EAs to total EA originations for 2020 increased 62 basis points from 2019 to 3.36%. Each 0.10% in estimated loan loss reserves for EAs during 2020 equates to approximately $388,000 in Provision expense, while each 0.10% during 2019 equated to approximately $389,000.

As of December 31, 2020 and 2019, all unpaid EAs originated during each year had been charged-off.

See additional detail regarding the EA product under Footnote 4 "Loans and Allowance for Credit Losses" of Part II Item 8 "Financial Statements and Supplemental Data."

Republic Credit Solutions segment

RCS recorded a Provision of $1.2 million during 2020, a decrease of $10.2 million compared to same period in 2019. The decrease in the Provision was driven by a reduction in both net charge-offs and outstanding balances for RCS's line-of-credit product, as the Company reduced marketing for RCS's line-of-credit product in response to the COVID-19 pandemic. RCS began incrementally increasing its marketing for its line-of-credit product during the third quarter of 2020.

While RCS loans generally return higher yields, they also present a greater credit risk than Traditional Banking loan products. As a percentage of total RCS loans, the RCS ACLL was 7.94% and 12.45% at December 31, 2020 and 2019. The Company believes, based on information presently available, that it has adequately provided for RCS loan losses at December 31, 2020.

The following table presents RCS Provision by product:

Table 4 — RCS Provision by Product

Years Ended December 31, (in thousands)	2020	2019	2018	Percent Increase/(Decrease) 2020/2019	2019/2018
Product:					
Line of credit	$ 1,178	$ 11,388	$ 14,100	(90)%	(19)%
Credit card	—	—	2,728	—	(100)
Hospital receivables	41	55	53	(25)	4
Total	$ 1,219	$ 11,443	$ 16,881	(89)	(32)

Noninterest Income

Table 5 — Analysis of Noninterest Income

Years Ended December 31, (dollars in thousands)	2020	2019	2018	Percent Increase/(Decrease) 2020/2019	2019/2018
Service charges on deposit accounts	$ 11,615	$ 14,197	$ 14,273	(18)%	(1)%
Net refund transfer fees	20,297	21,158	20,029	(4)	6
Mortgage banking income	31,847	9,499	4,825	235	97
Interchange fee income	11,188	11,859	11,159	(6)	6
Program fees	7,095	4,712	6,225	51	(24)
Increase in cash surrender value of bank owned life insurance	1,585	1,550	1,527	2	2
Net gains (losses) on other real estate owned	(40)	540	729	(107)	(26)
Net gain on branch divestiture	—	7,829	—	(100)	NM
Other	3,466	3,664	4,658	(5)	(21)
Total noninterest income	$ 87,053	$ 75,008	$ 63,425	16	18

NM - Not meaningful

Total Company noninterest income increased $12.0 million, or 16%, for 2020 compared to 2019. The following were the most significant components comprising the total Company's noninterest income by reportable segment:

Traditional Banking segment

Traditional Banking noninterest income decreased $11.1 million, or 29%, for 2020 compared to 2019. The most significant categories affecting the change in noninterest income for 2019 follow:

- Traditional Bank noninterest income for 2019 includes a pre-tax $7.8 million net gain resulting from the final settlement of the Company's branch divestiture during November 2020.

- Service charges on deposit accounts decreased $2.6 million and interchange income decreased $622,000 from 2019 to 2020. Both decreases largely reflect a change in client savings and spending patterns during the pandemic-driven economic restrictions. In general, in the second quarter of 2020, client spending decreased meaningfully from the same period in 2019, while client deposit balances increased, thus producing less overdraft activity and less interchange revenue for the Bank.

Client spending patterns did begin returning to more normalized levels during the third quarter of 2020, however, management is uncertain at this time if this pattern will continue given the on-going spread of COVID-19 nationally.

Mortgage Banking segment

Within the Mortgage Banking segment, mortgage banking income increased $22.3 million, or 235%, during 2020 compared to 2019. Falling mortgage rates during 2020 drove strong growth in the Company's consumer refinance activity, particularly within the Company's relatively new Consumer Direct channel. Overall, the Company originated $783 million of secondary market mortgage loans during 2020 compared to $356 million for 2019.

In addition to the strong mortgage banking origination volume during 2020, the Company's profit margin, measured as cash gains recognized as a percent of total loans sold, increased by approximately 150 basis points from 2.3% in 2019 to 3.8% in 2020. The stronger profit margin resulted from favorable market conditions on pricing during 2020. If, and when, consumer refinance volume begins to slow down in the future, management believes market conditions for pricing will become more competitive and return to a range of 2.0%-3.0%, which is more in-line with historical profit margins.

Mortgage banking income is greatly influenced by the overall mortgage market and the competitive environment. The Mortgage Bankers Association's economic forecast released in January 2021 projected mortgage originations to decrease 24% across the United States from 2020 to 2021. If this economic forecast turns out to be substantially accurate, management believes that its mortgage banking income may also decrease. This predicted decrease in mortgage volume would likely increase the competitive environment and may negatively impact the Bank's ability to maintain its existing origination volume and its existing profit margin on its loans sold.

Tax Refund Solutions segment

Within the TRS segment, noninterest income increased $918,000, or 4%, during 2020 compared to 2019. This increase reflected a $1.6 million increase in prepaid card program fees as a result of the Company's May 1, 2020 acquisition of approximately $250 million in prepaid card balances offset by a $861,000 decrease in net RT fees. RTs processed decreased 8% from 2019 to 2020.

Republic Credit Solutions segment

Within the RCS segment, noninterest income remained at $4.9 million, with a $627,000 increase in program fees offset by a $659,000 decrease in other income resulting from a one-time gain recorded on discontinuation of RCS's credit card product during 2019. RCS program fees increased primarily from $1.7 million in fees from RCS's new installment loan product launched in December 2019 partially offset by a $1.3 million reduction in fees for RCS's line-of-credit product. The Company reduced marketing for RCS's installment loan and line-of-credit products during the first quarter of 2020 in response to the COVID-19 pandemic. RCS began incrementally increasing its marketing for its line-of-credit product during the third quarter of 2020.

The following table presents RCS program fees by product:

Table 6 — RCS Program Fees by Product

Years Ended December 31, (in thousands)	2020	2019	2018	Percent Increase/(Decrease) 2020/2019	2019/2018
Product:					
Line of credit	**$ 3,119**	$ 4,392	$ 4,486	**(29)%**	(2)%
Credit card	—	—	1,703	—	(100)
Hospital receivables	**102**	232	144	**(56)**	61
Installment loans*	**1,681**	(349)	(403)	**(582)**	(13)
Total	**$ 4,902**	$ 4,275	$ 5,930	**15**	(28)

**The Company has elected the fair value option for this product, with mark-to-market adjustments recorded as a component of program fees.*

Noninterest Expense

Table 7 — Analysis of Noninterest Expense

Years Ended December 31, (dollars in thousands)	2020	2019	2018	Percent Increase/(Decrease) 2020/2019	2019/2018
Salaries and employee benefits	**$ 106,166**	$ 99,181	$ 91,189	**7 %**	9 %
Occupancy and equipment, net	**27,498**	26,124	25,365	**5**	3
Communication and transportation	**4,942**	4,447	4,785	**11**	(7)
Marketing and development	**4,031**	5,023	4,432	**(20)**	13
FDIC insurance expense	**1,010**	743	1,494	**36**	(50)
Bank franchise tax expense	**5,369**	5,293	4,951	**1**	7
Data processing	**12,066**	9,189	9,613	**31**	(4)
Interchange related expense	**4,303**	4,870	4,480	**(12)**	9
Supplies	**1,717**	1,693	1,444	**1**	17
Other real estate owned and other repossession expense	**46**	326	94	**(86)**	247
Legal and professional fees	**4,244**	3,357	3,459	**26**	(3)
FHLB advances early termination penalties	**2,108**	—	—	**NM**	NM
Other	**11,957**	11,937	12,546	**—**	(5)
Total noninterest expense	**$ 185,457**	$ 172,183	$ 163,852	**8**	5

Total Company noninterest expense increased $13.3 million, or 8%, during 2020 compared to 2019. The most significant components comprising the change in noninterest expense by reportable segment follow:

<u>Traditional Banking segment</u>

For 2020 compared to 2019, Traditional Banking noninterest expense increased $5.4 million, or 4%. The following were the most significant categories affecting the change in noninterest expense:

- Salaries and employee benefits expense increased $2.5 million, or 3%, driven primarily by annual merit increases.
- Data Processing expense increased $2.5 million, or 31%, driven by the Company's increased investment in technology in 2020, with a substantial part of this investment related to systems to facilitate processing for PPP clients.
- Occupancy and Equipment costs increased $1.2 million, or 5%, over 2019 costs driven primarily by two new banking centers and an increase in the Core Bank's fleet of Interactive Teller Machines.
- The Traditional Bank incurred $2.1 million in early termination penalties upon payoff of $60 million of FHLB term advances during the fourth quarter of 2020. These advances had a weighted average cost of 2.21%.
- Offsetting the above were decreases in Marketing and Development, Interchange, and Travel and Entertainment expenses, with each of these expenses driven downward as a direct result of pandemic-related influences.

<u>Republic Credit Solutions segment</u>

RCS noninterest expense increased $1.1 million, or 44%, during 2020 compared to 2019. The fluctuation resulted from a $700,000 contingent legal reserve reversed during the fourth quarter of 2019 due to a positive settlement of the matter.

Income Tax Expense

The Company's effective tax rate was approximately 19% in 2020 and 2019.

See additional detail regarding the Company's Income Tax Expense under Footnote 19 "Income Taxes" of Part II Item 8 "Financial Statements and Supplemental Data."

FINANCIAL CONDITION

Cash and Cash Equivalents

Cash and cash equivalents include cash, deposits with other financial institutions with original maturities less than 90 days and federal funds sold. Republic had $486 million in cash and cash equivalents at December 31, 2020 compared to $385 million at December 31, 2019. During 2019 and 2020, the Bank maintained a relatively high cash balance on its balance sheet for liquidity purposes.

For cash held at the FRB, the Bank earns a yield on amounts more than required reserves. This yield decreased from 1.55% at January 1, 2020 to 0.10% at December 31, 2020. For cash held within the Bank's banking center and ATM networks, the Bank does not earn interest.

The Company's Captive maintains cash reserves to cover insurable claims. Captive cash reserves totaled approximately $3 million and $3 million at December 31, 2020 and 2019.

Investment Securities

Table 8 — Investment Securities Portfolio

December 31, (in thousands)	**2020**	2019	2018	2017	2016
Available-for-sale debt securities (fair value):					
U.S. Treasury securities and U.S. Government agencies	**$ 246,909**	$ 134,640	$ 216,873	$ 307,592	$ 294,544
Private label mortgage backed security	**2,957**	3,495	3,712	4,449	4,777
Mortgage backed securities - residential	**211,202**	255,847	169,209	106,374	73,004
Collateralized mortgage obligations	**48,952**	63,371	72,811	87,163	87,654
Corporate bonds	**10,043**	10,002	9,058	15,125	15,158
Trust preferred security	**3,800**	4,000	4,075	3,600	3,200
Total available-for-sale debt securities	**523,863**	471,355	475,738	524,303	478,337
Held-to-maturity debt securities (carrying value):					
U.S. Treasury securities and U.S. Government agencies	**—**	—	—	—	506
Mortgage backed securities - residential	**99**	104	132	151	158
Collateralized mortgage obligations	**13,061**	16,970	19,544	23,437	27,142
Corporate bonds	**39,808**	44,995	45,088	40,175	25,058
Obligations of state and political subdivisions	**356**	462	463	464	—
Total held-to-maturity debt securities	**53,324**	62,531	65,227	64,227	52,864
Equity securities with a readily determinable fair value (fair value):					
Freddie Mac preferred stock	**560**	714	410	473	483
Community Reinvestment Act mutual fund	**2,523**	2,474	2,396	2,455	2,455
Total equity securities with a readily determinable fair value	**3,083**	3,188	2,806	2,928	2,938
Total investment securities	**$ 580,270**	$ 537,074	$ 543,771	$ 591,458	$ 534,139

AFS debt securities primarily consists of U.S. Treasury securities and U.S. Government agency obligations, including agency MBS and agency CMOs. The agency MBSs primarily consist of hybrid mortgage investment securities, as well as other adjustable rate mortgage investment securities, underwritten and guaranteed by the GNMA, the FHLMC and the FNMA. Agency CMOs held in the investment portfolio are substantially all floating rate securities that adjust monthly. The Bank uses a portion of the investment securities portfolio as collateral to Bank clients for SSUARs. The remaining eligible securities that are not pledged to secure client SSUARs may be pledged to the FHLB as collateral for the Bank's borrowing line.

During 2020, the Bank purchased $299 million in investment debt securities, allocated among $54 million in MBSs and $245 million in U.S. government agencies. The mortgage-backed securities that were purchased had an expected weighted-average yield of approximately 2.02% and a weighted average expected life at purchase of 4.0 years. The U.S. Government agencies purchased had an expected weighted average yield of approximately 0.68% and a weighted average life of 3.5 years.

From 2013 to 2019, the Bank purchased various floating-rate corporate bonds. These 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 10% of the Bank's investment portfolio as of December 31, 2020 and 2019. During 2019, one of these bonds was downgraded to BBB+ (S&P/Fitch), driving a significant decrease in the bond's market value. As of December 31, 2020, this bond had generally recovered its lost value and reflected an unrealized gain of $43,000.

Strategies for the investment securities portfolio are influenced by economic and market conditions, loan demand, deposit mix, and liquidity needs. For the past several years, the Bank has continued to utilize a general strategy within the investment portfolio of purchasing securities with shorter-term durations. The Bank has used this general strategy for liquidity purposes and as an interest rate risk management tool in what has been a long period of historically low interest rates. Management believes the Bank will likely continue with this general strategy into the foreseeable future as market interest rates are expected to continue to rise in 2021.

Table 9 — Mortgage Backed Securities

December 31, (in thousands)	**2020**	2019	2018	2017	2016
Private label mortgage backed security	**$ 2,957**	$ 3,495	$ 3,712	$ 4,449	$ 4,777
Mortgage backed securities - residential	**211,306**	255,957	169,349	106,535	73,174
Collateralized mortgage obligations	**62,189**	80,414	92,487	110,819	114,922
Total fair value of mortgage backed securities	**$ 276,452**	$ 339,866	$ 265,548	$ 221,803	$ 192,873

Table 10 — Available-for-Sale Debt Securities

December 31, 2020 (dollars in thousands)	**Amortized Cost**	**Fair Value**	**Weighted Average Yield**	**Weighted Average Maturity in Years**
U.S. Treasury securities and U.S. Government agencies:				
Due in one year or less	**$ 14,943**	**$ 15,118**	**1.73 %**	**0.72**
Due from one year to five years	**230,261**	**231,791**	**0.77**	**3.02**
Total U.S. Treasury securities and U.S. Government agencies	**245,204**	**246,909**	**0.82**	**2.88**
Corporate bonds:				
Due from one year to five years	**10,000**	**10,043**	**2.88**	**2.29**
Total Corporate bonds	**10,000**	**10,043**	**2.88**	**2.29**
Trust preferred security, due beyond ten years	**3,631**	**3,800**	**5.48**	**16.43**
Private label mortgage backed security	**1,707**	**2,957**	**7.96**	**12.59**
Total mortgage backed securities - residential	**203,786**	**211,202**	**2.13**	**12.07**
Total collateralized mortgage obligations	**48,190**	**48,952**	**1.39**	**19.83**
Total available-for-sale debt securities	**$ 512,518**	**$ 523,863**	**1.50**	**8.25**

Table 11 — Held-to-Maturity Debt Securities

December 31, 2020 (dollars in thousands)	**Carrying Value**	**Fair Value**	**Weighted Average Yield**	**Weighted Average Maturity in Years**
Corporate bonds:				
Due from one year to five years	**$ 35,031**	**$ 35,455**	**1.83 %**	**2.42**
Due from five years to ten years	**4,955**	**5,030**	**1.17**	**5.10**
Total corporate bonds	**39,986**	**40,485**	**1.75**	**2.75**
Obligations of state and political subdivisions:				
Due from one year or less	**110**	**111**	**1.88**	**0.58**
Due from one year to five years	**246**	**253**	**1.85**	**2.09**
Total obligations of state and political subdivisions	**356**	**364**	**1.81**	**1.62**
Total mortgage backed securities - residential	**99**	**104**	**3.76**	**14.06**
Total collateralized mortgage obligations	**13,061**	**13,237**	**0.87**	**18.89**
Total held-to-maturity debt securities	**$ 53,502**	**$ 54,190**	**1.54**	**6.71**

Loan Portfolio

Table 12 — Loan Portfolio Composition

December 31, (in thousands)	2020	2019	2018	2017	2016
Traditional Banking:					
Residential real estate:					
Owner occupied	**$ 879,800**	$ 949,568	$ 1,001,832	$ 1,038,357	$ 1,149,176
Nonowner occupied	**264,780**	258,803	242,846	205,081	156,605
Commercial real estate	**1,349,085**	1,303,000	1,248,940	1,207,293	1,060,496
Construction & land development	**98,674**	159,702	175,178	150,065	119,650
Commercial & industrial	**325,596**	465,674	424,514	341,692	259,026
Paycheck Protection Program	**392,319**	—	—	—	—
Lease financing receivables	**10,130**	14,040	15,031	16,580	13,614
Aircraft	**101,375**	70,443	36,586	3,725	1,514
Home equity	**240,640**	293,186	332,548	347,655	341,285
Consumer:					
Credit cards	**14,196**	17,836	19,095	16,078	13,414
Overdrafts	**587**	1,522	1,102	974	803
Automobile loans	**30,300**	52,923	63,475	65,650	52,579
Other consumer	**8,167**	9,234	15,897	16,776	18,230
Total Traditional Banking	**3,715,649**	3,595,931	3,577,044	3,409,926	3,186,392
Warehouse lines of credit*	**962,796**	717,458	468,695	525,572	585,439
Total Core Banking	**4,678,445**	4,313,389	4,045,739	3,935,498	3,771,831
Republic Processing Group*:					
Tax Refund Solutions:					
Easy Advances	**—**	—	—	—	—
Other TRS loans	**23,765**	14,365	13,744	11,648	6,695
Republic Credit Solutions	**110,893**	105,397	88,744	66,888	32,252
Total Republic Processing Group	**134,658**	119,762	102,488	78,536	38,947
Total loans**	**4,813,103**	4,433,151	4,148,227	4,014,034	3,810,778
Allowance for credit losses	**(61,067)**	(43,351)	(44,675)	(42,769)	(32,920)
Total loans, net	**$ 4,752,036**	$ 4,389,800	$ 4,103,552	$ 3,971,265	$ 3,777,858

* *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.*

Gross loans increased by $380 million, or 9%, during 2020 to $4.8 billion at December 31, 2020. The most significant components comprising the change in loans by reportable segment follow:

Traditional Banking segment

Traditional Banking loans increased $120 million, or 3%, during 2020. The following primarily drove the change in loan balances during 2020:

- The Bank originated $528 million of PPP loans during 2020. Approximately $401 million of these loans remained outstanding at December 31, 2020. These loans are reported in Table 11 above, net of $9 million in unaccreted origination fees.

- Aircraft loans grew $31 million during 2020. In mid-2020 the Bank increased its financing threshold for aircraft-secured loans to $2.0 million

- The C&I category decreased $140 million during 2020. The Company's strategic wind down of its auto dealer floor plan program drove approximately $30 million of this decrease. The remaining decrease reflected paydowns and payoffs of C&I loans during the period. C&I loan production to offset these paydowns has been negatively impacted by pandemic driven credit conditions.

- The C&D category decreased $61 million, driven by paydowns and payoffs of C&D loans during the period. C&D loan production to offset these payoffs and paydowns was negatively impacted by pandemic driven conditions.

- The owner-occupied residential real estate and home equity categories decreased $70 million and $53 million. These decreases largely reflect a sharp drop in long-term market interest rates during 2020 that drove an increase in refinance volume for residential mortgages, with much of the refinance activity going into fixed rate products sold on the secondary market.

Regarding the Company's PPP loans, these loans have a stated maturity of two years, an annualized fixed coupon rate of 1.0% to the client, are 100% guaranteed by the SBA, and 100% forgivable to the client if certain program metrics are met. The Bank earns an origination fee of 1%, 3%, or 5% based on the size of the loan.

Republic carried approximately $9 million in unaccreted PPP loan fees as of December 31, 2020, which it expects to accrete into income over the remaining life of the loans. While no guarantee can be made as to the overall life of these loans, management believes the loans are likely to remain on the Company's balance sheet less than one year, as it expects the substantial majority of its clients to request forgiveness for their loans from the SBA as soon as possible, presuming these clients achieve the required program metrics.

The Economic Aid Act was enacted in December 2020 in further response to the COVID-19 pandemic. Among other things, the Economic Aid Act provides relief to borrowers to access additional credit through the SBA's PPP program. The Bank began actively participating in the new program during the first quarter of 2021 and had funded approximately $100 million in additional PPP loans through February 19, 2021.

Warehouse Lending segment

Outstanding Warehouse loans increased $245 million from December 31, 2019 to December 31, 2020. Due to the volatility and seasonality of the mortgage market, it is difficult to project future outstanding balances of Warehouse lines of credit. As was the case in 2020, the growth of the Bank's Warehouse Lending business greatly depends on the overall mortgage market and typically follows industry trends. Since its entrance into this business in 2011, the Bank has experienced volatility in the Warehouse portfolio consistent with overall demand for mortgage products. Weighted average quarterly usage rates on the Bank's Warehouse lines have ranged from a low of 31% during the fourth quarter of 2013 to a high of 71% during the fourth quarter of 2019. On an annual basis, weighted average usage rates on the Bank's Warehouse lines have ranged from a low of 40% during 2013 to a high of 66% during 2020.

Republic Credit Solutions segment

Outstanding RCS loans increased $5 million from December 31, 2019 to December 31, 2020 primarily reflecting a $16 million increase in hospital receivables partially offset by a $10 million decrease in outstanding balances for RCS's line-of-credit product. As previously mentioned, the decrease in balances for RCS's line-of-credit product was the direct result of a reduction in marketing for the product in response to the COVID-19 pandemic. RCS began incrementally increasing its marketing for its line-of-credit product during the third quarter of 2020.

See additional detail regarding the impact of COVID-19 under:

- *Part I Item 1A "Risk Factors"*
- *Part II Item 8 "Financial Statements and Supplementary Data"*
  - *Footnote 2 "Investment Securities"*
  - *Footnote 4 "Loans and Allowance for Credit Losses"*
  - *Footnote 13 "Off Balance Sheet Risks, Commitments, and Contingent Liabilities"*

The table below illustrates the Bank's fixed and variable rate loan maturities:

Table 13 — Selected Loan Distribution

December 31, 2020 (in thousands)	Total	One Year Or Less	Over One Through Five Years	Over Five Years
Fixed rate loan maturities:				
Residential real estate	$ 562,769	$ 28,163	$ 15,413	$ 519,193
Commercial real estate	519,063	23,188	82,210	413,665
Construction & land development	28,664	8,204	1,064	19,396
Commercial & industrial	161,709	20,657	102,170	38,882
Paycheck Protection Program	392,319	—	392,319	—
Lease financing receivables	10,130	1,184	8,946	—
Aircraft	101,375	—	—	101,375
Warehouse lines of credit	—	—	—	—
Home equity	921	863	—	58
Consumer	108,516	77,234	27,618	3,664
Total fixed rate loans	$ 1,885,466	$ 159,493	$ 629,740	$ 1,096,233
Variable rate loan maturities:				
Residential real estate	$ 581,811	$ 1,855	$ 15,644	$ 564,312
Commercial real estate	830,022	45,509	153,159	631,354
Construction & land development	70,010	11,442	21,096	37,472
Commercial & industrial	187,652	49,383	87,761	50,508
Paycheck Protection Program	—	—	—	—
Lease financing receivables	—	—	—	—
Aircraft	—	—	—	—
Warehouse lines of credit	962,796	962,796	—	—
Home equity	239,719	19,491	44,841	175,387
Consumer	55,627	14,196	—	41,431
Total variable rate loans	$ 2,927,637	$ 1,104,672	$ 322,501	$ 1,500,464
Total:				
Residential real estate	$ 1,144,580	$ 30,018	$ 31,057	$ 1,083,505
Commercial real estate	1,349,085	68,697	235,369	1,045,019
Construction & land development	98,674	19,646	22,160	56,868
Commercial & industrial	349,361	70,040	189,931	89,390
Paycheck Protection Program	392,319	—	392,319	—
Lease financing receivables	10,130	1,184	8,946	—
Aircraft	101,375	—	—	101,375
Warehouse lines of credit	962,796	962,796	—	—
Home equity	240,640	20,354	44,841	175,445
Consumer	164,143	91,430	27,618	45,095
Total loans	$ 4,813,103	$ 1,264,165	$ 952,241	$ 2,596,697
Loans at maturity interval to overall total loans	100 %	26 %	20 %	54 %

Allowance for Credit Losses

At December 31, 2020, the Bank maintained an ACLL for expected credit losses inherent in the Bank's loan portfolio, which includes overdrawn deposit accounts. The Bank also maintained an ACLS and an ACLC for expected losses in its securities portfolio and its off-balance sheet credit exposures, respectively. Management evaluates the adequacy of the ACLL monthly, and the adequacy of the ACLS and ACLC quarterly. All ACLs are presented and discussed with the Audit Committee and the Board of Directors quarterly.

Effective January 1, 2020, the Company adopted ASC 326 *Financial Instruments – Credit Losses,* which replaces the pre-January 1, 2020 "probable-incurred" method for calculating the Company's ACL with the CECL method. CECL is applicable to financial assets measured at amortized cost, including loan and lease receivables and held-to-maturity debt securities. CECL also applies to certain off-balance sheet credit exposures.

When measuring an ACL, CECL primarily differs from the probable-incurred method by: a) incorporating a lower "expected" threshold for loss recognition versus a higher "probable" threshold; b) requiring life-of-loan considerations; and c) requiring reasonable and supportable forecasts. The Company's CECL method is a "static-pool" method that analyzes historical closed pools of loans over their expected lives to attain a loss rate, which is then adjusted for current conditions and reasonable and supportable forecasts prior to being applied to the current balance of the analyzed pools. Due to its reasonably strong correlation to the Company's historical net loan losses, the Company has chosen to use the U.S. national unemployment rate as its primary forecasting tool.

In accordance with the adoption of ASC 326 and CECL, the Company recorded on January 1, 2020 a $6.7 million, or 16%, increase in the ACLL for its loans, a $51,000 ACLS for its investment debt securities, and a $456,000 ACLC for its off-balance sheet credit exposures. Of the $6.7 million increase in ACLL, approximately $1.4 million was a gross-up reclassification of non-accretable discount on previously-PCI, now-PCD loans, and the remaining $5.3 million was a difference in ACL between CECL and the probable-incurred method. The Company also made a cumulative effect entry of $4.3 million to reduce its opening balance of retained earnings upon adoption of ASC 326, with no impact on 2020 earnings for these adoption entries. The adoption date increase in ACLL for the Company's loans primarily reflects additional ACLL for longer duration loan portfolios, such as the Company's residential real estate and consumer loan portfolios. No additional segmentation of the Bank's loan portfolios was deemed necessary upon adoption.

See additional detail regarding the Company's adoption of ASC 326 and the CECL method under Footnote 1 "Summary of Significant Accounting Policies" and Footnote 4 "Loans and Allowance for Credit Losses" of Part II Item 8 "Financial Statements and Supplementary Data."

The Company's ACLL increased $18 million from $43 million at December 31, 2019 to $61 million at December 31, 2020. As a percent of total loans, the total Company's ACLL increased to 1.27% at December 31, 2020 compared to 0.98% at December 31, 2019. An analysis of the ACL by reportable segment follows:

<u>Traditional Banking segment</u>

The Traditional Banking ACLL increased $21 million to $50 million at December 31, 2020, driven partially by the Company's January 1, 2020 CECL adoption entry of approximately $7 million and partially by approximately $20 million of reserves for the expected impact of the COVID-19 pandemic, which primarily included the following considerations:

- the pandemic's impact on national unemployment;
- an analysis of loans to industries more directly harmed by the pandemic, such as the hospitality industry;
- the number and amount in loans receiving pandemic related accommodations from the Bank; and,
- a forecasted rise in vacancy rates for CRE within the Traditional Bank's market footprint.

Offsetting the increase in the ACLL due to the pandemic was a reduction in the ACLL of approximately $5 million driven by a $274 million decrease in non-PPP Traditional Bank period-end balances from January 1, 2020 to December 31, 2020. The Traditional Bank ACLL to total Traditional Bank loans increased 56 basis points to 1.34% when comparing December 31, 2020 to December 31, 2019.

Following the Company's $51,000 ASC 326 adoption entry on January 1, 2020 establishing an ACLS for its debt securities, the Company increased its ACLS $127,000 during 2020 to $178,000 based on higher PD and LGD expectations on its corporate bond portfolios. These higher PD and LGD expectations generally reflect economic concerns from the COVID-19 pandemic.

Following the Company's ASC 326 adoption entry on January 1, 2020 for an ACLC on its off-balance sheet credit exposures of $456,000, the Company increased its ACLC $533,000 during 2020 to $989,000 at December 31, 2020. The higher ACLC at December 31, 2020 reflects higher assumed usage rates on outstanding lines and higher assumed loss rates on credit converted balances over their expected lives. The ACLC is recorded on the liability side of the balance sheet, with any provision for loss recorded within other noninterest expense.

Warehouse Lending segment

The Warehouse ACLL increased to approximately $2.4 million, and the Warehouse ACLL to total Warehouse loans remained at 0.25% when comparing December 31, 2020 to December 31, 2019. As of December 31, 2020, the Warehouse ACLL was entirely qualitative in nature with no adjustments to the qualitative reserve percentage required for 2020. Warehouse lines are generally short-term, sound quality facilities secured by marketable collateral; therefore, the Company made no adjustment to the Warehouse ACLL upon adoption of CECL. Additionally, the Company made no ACLL adjustment for Warehouse lines for COVID-19 concerns at December 31, 2020, as its Warehouse clients are experiencing relatively high demand for refinance transactions as borrowers take advantage of the low interest rate environment.

Republic Credit Solutions segment

The RCS ACLL decreased $4 million to $9 million at December 31, 2020 from $13 million at December 31, 2019. The decrease in ACLL was driven by a $10 million decrease in outstanding balances for RCS's line-of-credit product partially offset by a higher estimated loss rate on this product to account for COVID-19 economic concerns. As previously mentioned, the decrease in balances for RCS's line-of-credit product was the direct result of a reduction in marketing for the product in response to the COVID-19 pandemic.

RCS maintained an ACLL for two distinct credit products offered at December 31, 2020, including its line-of-credit product and its healthcare-receivables product. At December 31, 2020, the ACLL to total loans estimated for each RCS product ranged from as low as 0.25% for its healthcare-receivables product to as high as 49% for its line-of-credit product. The lower reserve percentage of 0.25% was provided for RCS's healthcare receivables, as such receivables have recourse back to the third-party providers.

For additional discussion regarding Republic's methodology for determining the adequacy of the ACLL, see the section titled "Critical Accounting Policies and Estimates" in this section of the filing.

See additional detail regarding Republic Credit Solution's loan products under Item 1 "Business."

Table 14 — Summary of Loan and Lease Loss Experience

Years Ended December 31, (dollars in thousands)	**2020**	2019	2018	2017	2016
ACLL at beginning of period	**$ 43,351**	$ 44,675	$ 42,769	$ 32,920	$ 27,491
Adoption of ASC 326	**6,734**	—	—	—	—
Charge-offs:					
Traditional Banking:					
Residential real estate	**(169)**	(683)	(1,187)	(330)	(416)
Commercial real estate	**(795)**	(1,407)	(7)	—	(514)
Construction & land development	**—**	—	—	—	(44)
Commercial & industrial	**(310)**	(1,505)	(200)	(189)	(330)
Home equity	**(14)**	(64)	(115)	(222)	(351)
Consumer	**(1,481)**	(2,054)	(2,099)	(2,042)	(1,727)
Total Traditional Banking	**(2,769)**	(5,713)	(3,608)	(2,783)	(3,382)
Warehouse lines of credit	**—**	—	—	—	—
Total Core Banking	**(2,769)**	(5,713)	(3,608)	(2,783)	(3,382)
Republic Processing Group:					
Tax Refund Solutions:					
Easy Advances	**(19,575)**	(13,425)	(12,478)	(8,121)	(3,474)
Other TRS loans	**(234)**	(692)	(74)	—	—
Republic Credit Solutions	**(6,163)**	(12,566)	(17,692)	(10,659)	(5,000)
Total Republic Processing Group	**(25,972)**	(26,683)	(30,244)	(18,780)	(8,474)
Total charge-offs	**(28,741)**	(32,396)	(33,852)	(21,563)	(11,856)
Recoveries:					
Traditional Banking:					
Residential real estate	**182**	414	285	272	429
Commercial real estate	**472**	4	131	139	152
Construction & land development	**—**	—	30	6	78
Commercial & industrial	**122**	9	51	34	127
Home equity	**115**	72	311	182	151
Consumer	**508**	628	604	596	636
Total Traditional Banking	**1,399**	1,127	1,412	1,229	1,573
Warehouse lines of credit	**—**	—	—	—	—
Total Core Banking	**1,399**	1,127	1,412	1,229	1,573
Republic Processing Group:					
Tax Refund Solutions:					
Easy Advances	**6,542**	2,782	1,718	1,332	426
Other TRS loans	**2**	213	10	241	301
Republic Credit Solutions	**629**	1,192	1,250	906	492
Total Republic Processing Group	**7,173**	4,187	2,978	2,479	1,219
Total recoveries	**8,572**	5,314	4,390	3,708	2,792
Net loan recoveries (charge-offs)	**(20,169)**	(27,082)	(29,462)	(17,855)	(9,064)
Provision - Core Banking	**16,743**	3,066	3,568	3,773	3,945
Provision - RPG	**14,408**	22,692	27,800	23,931	10,548
Total Provision	**31,151**	25,758	31,368	27,704	14,493
ACLL at end of period	**$ 61,067**	$ 43,351	$ 44,675	$ 42,769	$ 32,920
Credit Quality Ratios - Total Company:					
ACLL to total loans	**1.27 %**	0.98 %	1.08 %	1.07 %	0.86 %
ACLL to nonperforming loans	**259**	185	277	284	205
Net loan charge-offs (recoveries) to average loans	**0.42**	0.61	0.72	0.47	0.25
Credit Quality Ratios - Core Banking:					
ACLL to total loans	**1.11 %**	0.70 %	0.78 %	0.77 %	0.74 %
ACLL to nonperforming loans	**221**	129	197	213	175
Net loan charge-offs to average loans	**0.03**	0.11	0.06	0.04	0.05

The following table sets forth management’s allocation of the ACLL by loan class. The ACLL allocation is based on management’s assessment of economic conditions, historical loss experience, loan volume, past due and nonaccrual loans, and various other qualitative factors. Additionally, management began including life-of-loan and forecast considerations into its ACLL allocation upon adoption of the CECL method on January 1, 2020. Since these factors and management’s assumptions are subject to change, the allocation is not necessarily indicative of future loan portfolio performance or future ACLL allocation.

Table 15 — Management’s Allocation of the Allowance for Credit Losses on Loans

	2020		2019		2018		2017		2016	
December 31, (in thousands)	**ACLL**	**Percent of Loans to Total Loans***	ACLL	Percent of Loans to Total Loans*	ACLL	Percent of Loans to Total Loans*	ACLL	Percent of Loans to Total Loans*	ACLL	Percent of Loans to Total Loans*
Traditional Banking:										
Residential real estate:										
Owner occupied	**$ 9,715**	**19 %**	$ 4,729	22 %	$ 6,035	26 %	$ 6,474	25 %	$ 7,531	31 %
Nonowner occupied	**2,466**	**6**	1,737	6	1,662	6	1,396	5	1,139	4
Commercial real estate	**23,606**	**28**	10,486	29	10,030	30	9,043	30	8,078	28
Construction & land development	**3,274**	**2**	2,152	4	2,555	4	2,364	4	1,850	3
Commercial & industrial	**2,797**	**7**	2,882	11	2,873	10	2,198	9	1,511	7
Paycheck Protection Program	**—**	**8**	—	—	—	—	—	—	—	—
Lease financing receivables	**106**	**—**	147	—	158	—	174	—	136	—
Aircraft	**253**	**2**	176	1	91	—	9	—	4	—
Home equity	**4,990**	**5**	2,721	7	3,477	8	3,754	9	3,757	9
Consumer:										
Credit cards	**929**	**—**	1,020	—	1,140	—	607	—	490	—
Overdrafts	**587**	**—**	1,169	—	1,102	—	974	—	675	—
Automobile loans	**399**	**1**	612	1	724	2	687	2	526	1
Other consumer	**577**	**—**	374	1	500	1	1,153	1	767	1
Total Traditional Banking	**49,699**	**78**	28,205	82	30,347	87	28,833	85	26,464	84
Warehouse lines of credit	**2,407**	**20**	1,794	16	1,172	11	1,314	13	1,464	15
Total Core Banking	**52,106**	**98**	29,999	98	31,519	98	30,147	98	27,928	99
Republic Processing Group:										
Tax Refund Solutions:										
Easy Advances	**—**	**—**	—	—	—	—	—	—	—	—
Other TRS loans	**158**	**—**	234	—	107	—	12	—	25	—
Republic Credit Solutions	**8,803**	**2**	13,118	2	13,049	2	12,610	2	4,967	1
Total Republic Processing Group	**8,961**	**2**	13,352	2	13,156	2	12,622	2	4,992	1
Total	**$ 61,067**	**100**	$ 43,351	100	$ 44,675	100	$ 42,769	100	$ 32,920	100

**See Table 12 in this section of the filing for loan portfolio balances. Values of less than 50 basis points are rounded down to zero.*

Management believes, based on information presently available, that it has adequately provided for loan and lease losses at December 31, 2020.

For additional discussion regarding Republic’s methodology for determining the adequacy of the ACLL, see the section titled “Critical Accounting Policies and Estimates” in this section of the filing.

Asset Quality

COVID-19 Loan Accommodations

The CARES Act provided several forms of economic relief designed to defray the impact of COVID-19. In April 2020, through its own independent relief efforts and CARES Act provisions, the Company began offering loan accommodations through deferrals and forbearances. These accommodations were generally under three-month terms for commercial clients, with residential and consumer accommodations in line with prevailing regulatory and legal parameters. Loans that received an accommodation were generally not considered troubled debt restructurings by the Company if such loans were not greater than 30 days past due as of December 31, 2019.

The following table presents loan balances under COVID-19 accommodations as of June 30, 2020 and a rollforward of accommodated balances through December 31, 2020. Borrowers needing additional accommodation typically receive an additional three-month deferral or forbearance period, but may receive other forms of accommodation based on facts and circumstances.

Table 16 — Rollforward of COVID-19 Loan Accommodations

	Jun. 30, 2020	Six Months Ended Dec. 31, 2020			Dec. 31, 2020 COVID-19 Accommodations			
	COVID-19	Additional	(Payments) Draws Made		Out of Accommodation		Still under Accommodation	
(in thousands)	Accm.*	Accm.	Net (Pay)/Draw	(Payoffs)	Current	Past Due**	Single Accm.	Multiple Accm.
Traditional Banking:								
Residential real estate:								
Owner occupied	$ 51,570	$ 9,147	$ (959)	$ (7,148)	$ 47,471	$ 89	$ 2,358	$ 2,692
Nonowner occupied	58,754	—	(1,391)	(4,543)	52,820	—	—	—
Commercial real estate	491,314	5,196	(12,504)	(27,871)	447,145	4,079	2,859	2,052
Commercial & industrial	141,720	—	(13,947)	(13,672)	114,089	12	—	—
Construction & land development	28,927	—	491	(9,214)	16,246	—	3,958	—
Lease financing receivables	2,443	—	(289)	—	2,154	—	—	—
Aircraft	3,215	—	—	(171)	3,044	—	—	—
Home equity	13,776	671	(553)	(3,392)	10,330	—	150	22
Consumer	1,463	58	(246)	(1,203)	—	38	34	—
Total Traditional Banking	$ 793,182	$ 15,072	$ (29,398)	$ (67,214)	$ 693,299	$ 4,218	$ 9,359	$ 4,766

**Accm.= Accommodation(s)*
***Loans 30-days-or-more past due on their contractual payments following exit from their accommodation period.*

While less than 1% of accommodated balances out of their accommodation period were contractually past due as of December 31, 2020, the ultimate impact of the above accommodated loan balances on the Company's Classified, Special Mention, nonperforming, and delinquent loans is currently uncertain. When evaluating its borrowers for further accommodation, the Bank considers prudent options based on the borrower's credit risk; applicable federal and state laws and regulations, including COVID-related accommodations provided by the CARES Act and states and localities; and the Bank's ability to ease cash flow pressures on the affected borrowers while improving the Bank's likelihood of collection on its loans. If enough borrowers were unable to meet their loan payment obligations at the end of their accommodation periods and were also unable to further extend their accommodation arrangements with the Bank, the Bank's Classified, Special Mention, nonperforming, and delinquent loans would substantially increase and negatively impact the Company's overall operating performance.

As of December 31, 2020, approximately 80% of the Traditional Banking segment's loans granted COVID-19 accommodations during 2020 were either within the CRE or C&I categories. Table 17 below presents by industry CRE and C&I loans that received COVID-19 accommodations during 2020, with balances as of December 31, 2020:

Table 17 — Traditional Bank Commercial Real Estate and Commercial & Industrial Loans Granted COVID-19 Accommodations by Industry

December 31, 2020 (dollars in thousands)	Total CRE & C&I	% Concentration
Industry:		
Lessors of Nonresidential Buildings (except Miniwarehouses)	$ 167,142	29 %
Hotels (except Casino Hotels) and Motels	66,254	12
Lessors of Residential Buildings and Dwellings	50,960	9
Full-Service Restaurants	36,867	6
Offices of Physicians (except Mental Health Specialists)	36,558	6
Limited-Service Restaurants	34,663	6
Fitness and Recreational Sports Centers	28,281	5
Offices of Dentists	13,809	2
Sports Teams and Clubs	11,644	2
Car Washes	11,458	2
Religious Organizations	11,084	2
Golf Courses and Country Clubs	6,421	1
Public Relations Agencies	5,672	1
General Freight Trucking, Long-Distance, Truckload	5,614	1
Child Day Care Services	4,486	1
All other industries	79,323	15
Total CRE and C&I	$ 570,236	100 %

Classified and Special Mention Loans

The Bank applies credit quality indicators, or "ratings," to individual loans based on internal Bank policies. Such internal policies are informed by regulatory standards. Loans rated "Loss," "Doubtful," "Substandard," and PCI/PCD-Substandard are considered "Classified." Loans rated "Special Mention" or PCI/PCD-Special Mention are considered Special Mention. The Bank's Classified and Special Mention loans increased approximately $65 million during 2020. This increase was driven by $51 million of CRE loans and $21 million of C&I loans primarily associated with hospitality and leisure industries that were downgraded during the fourth quarter of 2020 due to pandemic-related economic concerns. In January 2021, the Bank downgraded an additional $15 million of CRE loans and $5 million of C&I loans to Special Mention, with these January 2021 downgrades primarily associated with hospitality and leisure industries.

See Footnote 4 "Loans and Allowance for Credit Losses" of Part II Item 8 "Financial Statements and Supplementary Data" for additional discussion regarding Classified and Special Mention loans.

Table 18 — Classified and Special Mention Loans

December 31, (in thousands)	2020	2019	2018	2017	2016
Loss	$ —	$ —	$ —	$ —	$ —
Doubtful	—	—	—	—	—
Substandard	**30,193**	33,297	19,860	21,202	21,412
PCI/PCD* - Substandard	**1,887**	1,289	1,559	1,771	2,366
Total Classified Loans	**32,080**	34,586	21,419	22,973	23,778
Special Mention	**89,206**	21,754	21,205	23,813	30,702
PCI/PCD* - Special Mention	**895**	797	1,121	1,833	7,908
Total Special Mention Loans	**90,101**	22,551	22,326	25,646	38,610
Total Classified and Special Mention Loans	**$ 122,181**	$ 57,137	$ 43,745	$ 48,619	$ 62,388

* *The Bank's PCI loans at December 31, 2019 were reclassified to PCD loans on January 1, 2020 in connection with the Company's adoption of ASC 326. See Footnote 1 "Basis of Presentation and Summary of Significant Accounting Policies" of Part I Item 1 "Financial Statements" for additional discussion regarding the Company's adoption of ASC 326.*

Nonperforming Loans

Nonperforming loans include loans on nonaccrual status and loans past due 90-days-or-more and still accruing. The nonperforming loan category included TDRs totaling approximately $7 million and $10 million at December 31, 2020 and 2019.

Nonperforming loans to total loans decreased to 0.49% at December 31, 2020 from 0.53% at December 31, 2019, as the total balance of nonperforming loans increased by $106,000, while total loans increased $380 million, or 9%, during 2020. As previously mentioned, the ultimate impact of loans accommodated due to COVID-19 on the Company's nonperforming loans is currently uncertain.

Table 19 — Nonperforming Loans and Nonperforming Assets Summary

December 31, (in thousands)	2020	2019	2018	2017	2016
Loans on nonaccrual status*	**$ 23,548**	$ 23,332	$ 15,993	$ 14,118	$ 15,892
Loans past due 90-days-or-more and still on accrual**	**47**	157	145	956	167
Total nonperforming loans	**23,595**	23,489	16,138	15,074	16,059
Other real estate owned	**2,499**	113	160	115	1,391
Total nonperforming assets	**$ 26,094**	$ 23,602	$ 16,298	$ 15,189	$ 17,450
Credit Quality Ratios - Total Company:					
Nonperforming loans to total loans	**0.49 %**	0.53 %	0.39 %	0.38 %	0.42 %
Nonperforming assets to total loans (including OREO)	**0.54**	0.53	0.39	0.38	0.46
Nonperforming assets to total assets	**0.42**	0.42	0.31	0.30	0.36
Credit Quality Ratios - Core Bank:					
Nonperforming loans to total loans	**0.50 %**	0.54 %	0.40 %	0.36 %	0.42 %
Nonperforming assets to total loans (including OREO)	**0.56**	0.54	0.40	0.36	0.46
Nonperforming assets to total assets	**0.45**	0.43	0.32	0.28	0.36

**Loans on nonaccrual status include impaired loans. See Footnote 4 "Loans and Allowance for Credit Losses" of Part II Item 8 "Financial Statements and Supplementary Data" for additional discussion regarding impaired loans.*
*** Loans past due 90-days-or-more and still accruing consist of smaller-balance consumer loans.*

Table 20 — Nonperforming Loan Composition

Years Ended December 31, (in thousands)	2020 Balance	2020 Percent of Total Loan Class	2019 Balance	2019 Percent of Total Loan Class	2018 Balance	2018 Percent of Total Loan Class	2017 Balance	2017 Percent of Total Loan Class	2016 Balance	2016 Percent of Total Loan Class
Traditional Banking:										
Residential real estate:										
Owner occupied	**$ 14,328**	**1.63 %**	$ 12,220	1.29 %	$ 11,182	1.12 %	$ 9,230	0.89 %	$ 10,955	0.96 %
Nonowner occupied	**81**	**0.03**	623	0.24	669	0.28	257	0.13	852	0.54
Commercial real estate	**6,762**	**0.50**	6,865	0.53	2,318	0.19	3,247	0.27	2,725	0.26
Construction & land development	**—**	**—**	143	0.09	—	—	67	0.04	77	0.06
Commercial & industrial	**55**	**0.02**	1,424	0.30	630	0.15	—	—	154	0.06
Paycheck Protection Program	**—**	**—**	—	—	—	—	—	—	—	—
Lease financing receivables	**—**	**—**	—	—	—	—	—	—	—	—
Aircraft	**—**	**—**	—	—	—	—	—	—	—	—
Home equity	**2,141**	**0.89**	1,865	0.64	1,095	0.33	1,217	0.35	1,069	0.31
Consumer:										
Credit cards	**5**	**0.04**	—	—	—	—	—	—	—	—
Overdrafts	**—**	**—**	—	—	—	—	—	—	—	—
Automobile loans	**170**	**0.56**	179	0.34	75	0.12	68	0.10	—	—
Other consumer	**11**	**0.13**	13	0.02	37	0.08	51	0.25	145	0.73
Total Traditional Banking	**23,553**	**0.63**	23,332	0.65	16,006	0.45	14,137	0.41	15,977	0.50
Warehouse lines of credit	**—**	**—**	—	—	—	—	—	—	—	—
Total Core Banking	**23,553**	**0.50**	23,332	0.54	16,006	0.40	14,137	0.36	15,977	0.42
Republic Processing Group:										
Tax Refund Solutions:										
Easy Advances	**—**	**—**	—	—	—	—	—	—	—	—
Other TRS loans	**—**	**—**	53	0.37	4	0.03	—	—	—	—
Republic Credit Solutions	**42**	**0.04**	104	0.10	128	0.14	937	1.40	82	0.25
Total Republic Processing Group	**42**	**0.03**	157	0.13	132	0.13	937	1.19	82	0.21
Total nonperforming loans	**$ 23,595**	**0.49**	$ 23,489	0.53	$ 16,138	0.39	$ 15,074	0.38	$ 16,059	0.42

Table 21 — Stratification of Nonperforming Loans

December 31, 2020 (dollars in thousands)	**Number of Nonperforming Loans and Recorded Investment**							
	No.	**Balance <= $100**	**No.**	**Balance > $100 & <= $500**	**No.**	**Balance > $500**	**No.**	**Total Balance**
Traditional Banking:								
Residential real estate:								
Owner occupied	**146**	**$ 5,110**	**27**	**$ 4,966**	**5**	**$ 4,252**	**178**	**$ 14,328**
Nonowner occupied	**3**	**81**	**—**	**—**	**—**	**—**	**3**	**81**
Commercial real estate	**2**	**45**	**3**	**925**	**3**	**5,792**	**8**	**6,762**
Construction & land development	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Commercial & industrial	**2**	**55**	**—**	**—**	**—**	**—**	**2**	**55**
Paycheck Protection Program	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Lease financing receivables	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Aircraft	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Home equity	**26**	**867**	**6**	**1,274**	**—**	**—**	**32**	**2,141**
Consumer:								
Credit cards	**NM**	**5**	**—**	**—**	**—**	**—**	**NM**	**5**
Overdrafts	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Automobile loans	**14**	**170**	**—**	**—**	**—**	**—**	**14**	**170**
Other consumer	**7**	**11**	**—**	**—**	**—**	**—**	**7**	**11**
Total Traditional Banking	**200**	**6,344**	**36**	**7,165**	**8**	**10,044**	**244**	**23,553**
Warehouse lines of credit	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total Core Banking	**200**	**6,344**	**36**	**7,165**	**8**	**10,044**	**244**	**23,553**
Republic Processing Group:								
Tax Refund Solutions:								
Easy Advances	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other TRS loans	**NM**	**—**	**—**	**—**	**—**	**—**	**NM**	**—**
Republic Credit Solutions	**NM**	**42**	**—**	**—**	**—**	**—**	**NM**	**42**
Total Republic Processing Group	**NM**	**42**	**—**	**—**	**—**	**—**	**NM**	**42**
Total	**200**	**$ 6,386**	**36**	**$ 7,165**	**8**	**$ 10,044**	**244**	**$ 23,595**

NM – Not meaningful. Loans from Republic Processing Group are generally small dollar homogenous consumer loans.

December 31, 2019 (dollars in thousands)	Number of Nonperforming Loans and Recorded Investment							
	No.	Balance <= $100	No.	Balance > $100 & <= $500	No.	Balance > $500	No.	Total Balance
Traditional Banking:								
Residential real estate:								
Owner occupied	137	$ 5,005	24	$ 4,525	3	$ 2,690	164	$ 12,220
Nonowner occupied	3	84	—	—	1	539	4	623
Commercial real estate	2	45	2	609	4	6,211	8	6,865
Construction & land development	—	—	1	143	—	—	1	143
Commercial & industrial	—	—	2	397	1	1,027	3	1,424
Lease financing receivables	—	—	—	—	—	—	—	—
Aircraft	—	—	—	—	—	—	—	—
Home equity	23	795	5	1,070	—	—	28	1,865
Consumer:								
Credit cards	—	—	—	—	—	—	—	—
Overdrafts	—	—	—	—	—	—	—	—
Automobile loans	13	179	—	—	—	—	13	179
Other consumer	7	13	—	—	—	—	7	13
Total Traditional Banking	185	6,121	34	6,744	9	10,467	228	23,332
Warehouse lines of credit	—	—	—	—	—	—	—	—
Total Core Banking	185	6,121	34	6,744	9	10,467	228	23,332
Republic Processing Group:								
Tax Refund Solutions:								
Easy Advances	—	—	—	—	—	—	—	—
Other TRS loans	NM	53	—	—	—	—	NM	53
Republic Credit Solutions	NM	104	—	—	—	—	NM	104
Total Republic Processing Group	NM	157	—	—	—	—	NM	157
Total	185	$ 6,278	34	$ 6,744	9	$ 10,467	228	$ 23,489

NM – Not meaningful. Loans from Republic Processing Group are generally small dollar homogenous consumer loans.

Interest income that would have been recorded if nonaccrual loans were on a current basis in accordance with their original terms was $1.3 million, $1.5 million and $852,000 in 2020, 2019, and 2018.

Based on the Bank's review as of December 31, 2020, management believes that its reserves are adequate to absorb expected losses on all nonperforming credits.

Table 22 — Rollforward of Nonperforming Loan

Years Ended December 31, (in thousands)	**2020**	2019	2018	2017	2016
Nonperforming loans at the beginning of the period	**$ 23,489**	$ 16,138	$ 15,074	$ 16,059	$ 21,936
Loans added to nonperforming status during the period that remained nonperforming at the end of the period	**8,993**	13,806	8,129	7,204	3,784
Loans removed from nonperforming status during the period that were nonperforming at the beginning of the period *(see table below)*	**(7,959)**	(4,242)	(5,079)	(8,196)	(8,086)
Principal balance paydowns of loans nonperforming at both period ends	**(817)**	(2,225)	(1,175)	(782)	(1,742)
Net change in principal balance of other loans nonperforming at both period ends*	**(111)**	12	(811)	789	167
Nonperforming loans at the end of the period	**$ 23,595**	$ 23,489	$ 16,138	$ 15,074	$ 16,059

**Includes relatively small consumer portfolios, e.g., RCS loans.*

Table 23 — Detail of Loans Removed from Nonperforming Status

Years Ended December 31, (in thousands)	**2020**	2019	2018	2017	2016
Loans charged off	**$ (1,142)**	$ (339)	$ (46)	$ (287)	$ (329)
Loans transferred to OREO	**(2,254)**	(1,174)	(569)	(574)	(2,986)
Loans refinanced at other institutions	**(4,420)**	(2,610)	(4,043)	(3,841)	(4,771)
Loans returned to accrual status	**(143)**	(119)	(421)	(3,494)	—
Total loans removed from nonperforming status during the period that were nonperforming at the beginning of the period	**$ (7,959)**	$ (4,242)	$ (5,079)	$ (8,196)	$ (8,086)

Delinquent Loans

Delinquent loans to total loans decreased to 0.41% at December 31, 2020, from 0.47% at December 31, 2019, primarily due to an $857,000, or 4%, decrease in delinquent loans and a $380 million, or 9%, increase in total loans during 2020.

Core Bank delinquent loans to total Core Bank loans decreased to 0.21% at December 31, 2020 from 0.30% at December 31, 2019. With the exception of small-dollar consumer loans, all Traditional Bank loans past due 90-days-or-more as of December 31, 2020 and December 31, 2019 were on nonaccrual status. As previously mentioned, the ultimate impact of loans accommodated due to COVID-19 on the Company's delinquent loans is currently uncertain.

Table 24 — Delinquent Loan Composition*

December 31, (dollars in thousands)	2020 Balance	2020 Percent of Total Loan Class	2019 Balance	2019 Percent of Total Loan Class	2018 Balance	2018 Percent of Total Loan Class	2017 Balance	2017 Percent of Total Loan Class	2016 Balance	2016 Percent of Total Loan Class
Traditional Banking:										
Residential real estate:										
Owner occupied	**$ 3,260**	**0.37 %**	$ 4,434	0.47 %	$ 5,525	0.61 %	$ 4,782	0.46 %	$ 4,554	0.40 %
Nonowner occupied	**—**	**—**	539	0.21	1,008	0.42	146	0.07	46	0.03
Commercial real estate	**5,457**	**0.40**	3,300	0.25	1,099	0.09	1,727	0.14	425	0.04
Construction & land development	**—**	**—**	—	—	—	—	67	0.04	—	—
Commercial & industrial	**12**	**0.00**	1,355	0.28	25	0.01	15	0.00	342	0.13
Paycheck Protection Program	**—**	**—**	—	—	—	—	—	—	—	—
Lease financing receivables	**—**	**—**	—	—	—	—	—	—	—	—
Aircraft	**—**	**—**	—	—	—	—	—	—	—	—
Home equity	**702**	**0.29**	2,918	1.00	784	0.24	1,221	0.35	970	0.28
Consumer:										
Credit cards	**73**	**0.51**	155	0.87	129	0.68	74	0.46	18	0.13
Overdrafts	**147**	**25.04**	283	18.59	230	20.87	233	23.92	161	20.05
Automobile loans	**56**	**0.18**	49	0.09	28	0.04	60	0.09	—	—
Other consumer	**6**	**0.07**	9	0.01	47	0.10	135	0.66	305	1.54
Total Traditional Banking	**9,713**	**0.26**	13,042	0.36	8,875	0.25	8,460	0.25	6,821	0.21
Warehouse lines of credit	**—**	**—**	—	—	—	—	—	—	—	—
Total Core Banking	**9,713**	**0.21**	13,042	0.30	8,875	0.22	8,460	0.21	6,821	0.18
Republic Processing Group:										
Tax Refund Solutions:										
Easy Advances	**—**	**—**	—	—	—	—	—	—	—	—
Other TRS loans	**—**	**—**	119	0.83	10	0.07	—	—	—	—
Republic Credit Solutions	**10,234**	**9.23**	7,643	7.25	7,077	7.97	5,641	8.43	2,137	6.63
Total Republic Processing Group	**10,234**	**7.60**	7,762	6.48	7,087	6.91	5,641	7.18	2,137	5.49
Total delinquent loans	**$ 19,947**	**0.41**	$ 20,804	0.47	$ 15,962	0.38	$ 14,101	0.35	$ 8,958	0.24

**Represents total loans 30-days-or-more past due. Delinquent status may be determined by either the number of days past due or number of payments past due.*

Table 25 — Rollforward of Delinquent Loans

Years Ended December 31, (in thousands)	2020	2019	2018	2017	2016
Delinquent loans at the beginning of the period	**$ 20,804**	$ 15,962	$ 14,101	$ 8,958	$ 11,731
Loans added to delinquency status during the period and remained in delinquency status at the end of the period	**6,681**	9,947	7,092	7,015	5,399
Loans removed from delinquency status during the period that were in delinquency status at the beginning of the period *(see table below)*	**(8,617)**	(6,747)	(6,332)	(5,181)	(10,205)
Principal balance paydowns of loans delinquent at both period ends	**(146)**	(120)	(334)	(170)	(94)
Net change in principal balance of other loans delinquent at both period ends*	**1,225**	1,762	1,435	3,479	2,127
Delinquent loans at the end of period	**$ 19,947**	$ 20,804	$ 15,962	$ 14,101	$ 8,958

**Includes relatively small consumer portfolios, e.g., RCS loans.*

Table 26 — Detail of Loans Removed from Delinquent Status

Years Ended December 31, (in thousands)	2020	2019	2018	2017	2016
Loans charged off	**$ (115)**	$ (453)	$ (50)	$ (114)	$ (150)
Loans transferred to OREO	**(2,254)**	(1,370)	(502)	(526)	(2,805)
Loans refinanced at other institutions	**(4,052)**	(1,988)	(3,523)	(2,529)	(3,926)
Loans paid current	**(2,196)**	(2,936)	(2,257)	(2,012)	(3,324)
Total loans removed from delinquency status during the period that were in delinquency status at the beginning of the period	**$ (8,617)**	$ (6,747)	$ (6,332)	$ (5,181)	$ (10,205)

Impaired Loans and Troubled Debt Restructurings

When management determines that a loan is collateral dependent and foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs if appropriate. The Bank's policy is to charge-off all or that portion of its recorded investment in collateral-dependent loans upon a determination that it expects the full amount of contractual principal and interest will not be collected.

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. The majority of the Bank's TDRs involve a restructuring of loan terms such as a temporary reduction in the payment amount to require only interest and escrow (if required), reducing the loan's interest rate and/or extending the maturity date of the debt. Nonaccrual loans modified as TDRs remain on nonaccrual status and continue to be reported as nonperforming loans. 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.

Table 27 — Collateral Dependent Loan Composition

December 31, (in thousands)	2020	2019	2018	2017	2016
Cashflow-dependent TDRs	**$ 10,938**	$ 14,348	$ 19,043	$ 21,840	$ 27,924
Collateral-dependent TDRs	**9,840**	16,433	13,820	12,797	13,662
Total TDRs	**20,778**	30,781	32,863	34,637	41,586
Collateral dependent loans (which are not TDRs)	**20,806**	19,569	8,572	10,979	11,098
Total recorded investment in TDRs and collateral-dependent loans	**$ 41,584**	$ 50,350	$ 41,435	$ 45,616	$ 52,684

See Footnote 4 "Loans and Allowance for Credit Losses" of Part II Item 8 "Financial Statements and Supplementary Data" for additional discussion regarding impaired loans and TDRs.

Other Real Estate Owned

Table 28 — Rollforward of Other Real Estate Owned Activity

Years Ended December 31, (in thousands)	**2020**	2019	2018	2017	2016
OREO at beginning of period	**$ 113**	$ 160	$ 115	$ 1,391	$ 1,220
Transfer from loans to OREO	**2,750**	1,527	662	841	4,778
Proceeds from sale*	**(324)**	(2,114)	(1,346)	(2,793)	(4,851)
Net gain on sale	**65**	540	729	831	514
Writedowns	**(105)**	—	—	(155)	(270)
OREO at end of period	**$ 2,499**	$ 113	$ 160	$ 115	$ 1,391

**Inclusive of non-cash proceeds where the Bank financed the sale of the property.*

The fair value of OREO represents the estimated value that management expects to receive when the property is sold, net of related costs to sell. These estimates are based on the most recently available real estate appraisals, with certain adjustments made based on the type of property, age of appraisal, current status of the property and other relevant factors to estimate the current value of the property.

Bank Owned Life Insurance

BOLI offers tax advantaged noninterest income to help the Bank offset employee benefits expenses. The Company carried $68 million and $66 million of BOLI on its consolidated balance sheet at December 31, 2020 and 2019.

Table 30 — Rollforward of Bank Owned Life Insurance

Years ended December 31, (in thousands)	**2020**	2019	2018	2017	2016
BOLI at beginning of period	**$ 66,433**	$ 64,883	$ 63,356	$ 61,794	$ 52,817
BOLI acquired	**—**	—	—	—	7,461
Increase in cash surrender value	**1,585**	1,550	1,527	1,562	1,516
BOLI at end of period	**$ 68,018**	$ 66,433	$ 64,883	$ 63,356	$ 61,794

Deposits

Table 30— Deposit Composition

December 31, (in thousands)	2020	2019	2018	2017	2016
Core Bank:					
Demand	**$ 1,217,263**	$ 922,972	$ 937,402	$ 944,812	$ 872,709
Money market accounts	**712,824**	793,950	717,954	546,998	541,622
Savings	**236,335**	175,588	187,868	182,800	164,410
Individual retirement accounts (1)	**47,889**	51,548	53,524	47,982	42,642
Time deposits, $250 and over (1)	**83,448**	104,412	84,104	77,891	37,200
Other certificates of deposit (1)	**199,214**	248,161	239,324	189,661	140,894
Reciprocal money market and time deposits (1)	**314,109**	189,774	217,153	346,613	221,113
Brokered deposits (1)	**25,010**	200,072	9,394	72,718	168,150
Total Core Bank interest-bearing deposits	**2,836,092**	2,686,477	2,446,723	2,409,475	2,188,740
Total Core Bank noninterest-bearing deposits	**1,503,662**	981,164	971,422	988,537	943,329
Total Core Bank deposits	**4,339,754**	3,667,641	3,418,145	3,398,012	3,132,069
Republic Processing Group:					
Money market accounts	**6,673**	66,152	5,453	1,641	—
Total RPG interest-bearing deposits	**6,673**	66,152	5,453	1,641	—
Brokered prepaid card deposits	**257,856**	9,128	4,350	1,509	145
Other noninterest-bearing deposits	**128,898**	43,087	28,197	31,996	28,478
Total RPG noninterest-bearing deposits	**386,754**	52,215	32,547	33,505	28,623
Total RPG deposits	**393,427**	118,367	38,000	35,146	28,623
Total deposits	**$ 4,733,181**	$ 3,786,008	$ 3,456,145	$ 3,433,158	$ 3,160,692

(1) Includes time deposits.

Total Company deposits increased $947 million, or 25%, from December 31, 2019 to $4.7 billion at December 31, 2020.

Total Company noninterest-bearing deposits increased $857 million, or 83%, with the following primarily driving growth:

- Management believes much of the growth in noninterest-bearing deposits at the Traditional Bank was a flight to safety brought about by the COVID-19 pandemic. At this time, management is unable to predict how long these funds might remain at the Bank due to the uncertain economic environment for many of the depositors, including the depositors' short-term and long-term cash needs.

- RPG noninterest-bearing deposits increased $335 million during 2020, with growth driven by the Company's May 1, 2020 assumption of approximately $250 million of prepaid card balances from another financial institution. The prepaid card deposit balances acquired in May 2020 and associated deposits, have ranged from a low of $220 million to a high of $325 million since their assumption, with an average of $272 million since May 1, 2020.

Total Company interest-bearing deposits increased approximately $90 million for 2020, with the following primarily driving growth:

- Similar to growth in noninterest-bearing deposits, management believes much of the remaining growth in interest-bearing deposits at the Traditional Bank was a flight to safety brought about by the COVID-19 pandemic.

- Offsetting the positive drivers above was a $73 million decline in MemoryBank's online money market accounts to rate-sensitive clients, as the Bank significantly lowered its pricing during the period due to correspond with the overall decline in market interest rates.

- In addition to the decline in MemoryBank balances, the Bank also had a $37 million deposit outflow from one money-market client. At this time, management does not anticipate this large deposit will be replaced by this particular client in the foreseeable future.

- RPG interest-bearing deposits decreased $59 million due to the exit of short-term seasonal funding used by the TRS segment during the first quarter of 2020.

Table 31 — Average Deposits

Years ended December 31, (dollars in thousands)	2020 Average Balance	2020 Average Rate	2019 Average Balance	2019 Average Rate	2018 Average Balance	2018 Average Rate	2017 Average Balance	2017 Average Rate	2016 Average Balance	2016 Average Rate
Transaction accounts	**$ 1,291,980**	**0.09 %**	$ 1,141,084	0.49 %	$ 1,120,633	0.39 %	$ 1,095,276	0.22 %	$ 962,473	0.10 %
Money market accounts	**739,524**	**0.26**	772,854	0.97	639,560	0.63	554,336	0.29	546,360	0.20
Time deposits	**400,704**	**1.96**	409,301	2.02	348,670	1.63	266,332	1.19	221,634	1.00
Brokered and reciprocal money market	**281,684**	**0.39**	215,913	1.49	289,441	0.78	314,788	0.68	289,612	0.43
Brokered and reciprocal certificates of deposit	**199,594**	**1.50**	216,794	2.11	47,081	1.50	36,931	1.25	38,513	1.45
Total average interest-bearing deposits	**2,913,486**	**0.52**	2,755,946	1.06	2,445,385	0.70	2,267,663	0.43	2,058,592	0.29
Total average noninterest-bearing deposits	**1,672,442**	—	1,120,608	—	1,147,432	—	1,073,181	—	894,049	—
Total average deposits	**$ 4,585,928**	**0.33**	$ 3,876,554	0.75	$ 3,592,817	0.47	$ 3,340,844	0.29	$ 2,952,641	0.21

Table 32 — Maturities of Time Deposits Greater than $100,000 at December 31, 2020

Maturity (dollars in thousands)	Principal	Weighted Average Rate
Three months or less	**$ 47,399**	**1.64 %**
Over three months through six months	**22,259**	**1.50**
Over six months through 12 months	**55,024**	**0.69**
Over 12 months	**63,044**	**2.24**
Total	**$ 187,726**	**1.55**

Securities Sold Under Agreements to Repurchase and Other Short-term Borrowings

SSUARs are collateralized by securities and 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. All securities underlying the agreements are under the Bank's control.

SSUARs totaled $211 million and $168 million at December 31, 2020 and 2019. The substantial majority of SSUARs are indexed to immediately repricing indices such as the FFTR.

Table 33 — Securities Sold Under Agreements to Repurchase

As of and for the Years Ended December 31, (dollars in thousands)	2020	2019	2018	2017	2016
Outstanding balance at end of period	**$ 211,026**	$ 167,617	$ 182,990	$ 204,021	$ 173,473
Weighted average interest rate at period end	**0.04 %**	0.32 %	0.83 %	0.31 %	0.05 %
Average outstanding balance during the period	**$ 204,797**	$ 236,883	$ 225,145	$ 219,515	$ 280,296
Average interest rate during the period	**0.09 %**	0.51 %	0.50 %	0.23 %	0.02 %
Maximum outstanding at any month end	**$ 295,698**	$ 276,927	$ 260,147	$ 293,944	$ 367,373

Federal Reserve Paycheck Protection Program Lending Facility

Under the PPPLF program, the Bank can fully fund its PPP loans on a dollar-for-dollar basis at a borrowing rate of 0.35%, with the Bank's PPP loans serving as collateral for its PPPLF borrowings. PPPLF borrowings mature as the underlying PPP loans mature, generally within two to five years. The Bank began participating in the Federal Reserve's PPPLF on April 24, 2020, with $169 million of funds initially borrowed. The Bank paid these borrowings down to $0 during the third quarter of 2020 due to its excess liquidity position and its ability to borrow funds from the FHLB at a lower cost, if needed.

Federal Home Loan Bank Advances

As the overall increase in deposits outpaced the overall increase in interest-earning assets for 2020, FHLB term advances declined by $540 million from December 31, 2019 to December 31, 2020. As of December 31, 2020, the Bank held one term advance of $10 million at a rate of 1.89%. This advance matured in January 2021. This compares to term advances outstanding as of December 31, 2019 of $550 million with a weighted average remaining life of 0.47 years and a weighted average rate of 1.87%. During the fourth quarter of 2020, the Bank chose to pay-off $60 million of these term advances prior to their maturity incurring an early-termination fee of $2.1million. The Bank made this decision due to its excess liquidity driven by the substantial deposit growth it achieved during 2020 combined with the near-term outlook for low interest rates. The Bank believes it will substantially "earn back" the early termination penalty through lower interest expense to the Bank over the next two years if short-term interest rates remain at December 31, 2020 levels.

The Bank held $225 million in overnight advances at a rate of 0.16% at December 31, 2020, compared to $200 million in overnight advances at a rate of 1.63% at December 31, 2019. The usage of overnight FHLB advances is expected to continue to fluctuate based on the overall usage rates for the Bank's warehouse lines of credit, which are also tied to short-term repricing indices, as well as current favorable deposit gathering trends.

Overall use of FHLB advances during a given year is dependent upon many factors including asset growth, deposit growth, current earnings, and expectations of future interest rates, among others.

Table 34 — Federal Home Loan Bank Advances

As of and for the Years Ended December 31, (dollars in thousands)	**2020**	2019	2018	2017	2016
Outstanding balance at end of period	**$ 235,000**	$ 750,000	$ 810,000	$ 737,500	$ 802,500
Weighted average interest rate at period end	**0.23 %**	1.73 %	2.26 %	1.61 %	1.35 %
Average outstanding balance during the period	**$ 211,776**	$ 595,613	$ 557,090	$ 563,552	$ 583,591
Average interest rate during the period	**1.66 %**	2.15 %	1.88 %	1.57 %	1.87 %
Maximum outstanding at any month end	**$ 590,000**	$ 1,170,000	$ 967,500	$ 1,002,500	$ 987,500

Interest Rate Swaps

Interest Rate Swaps Used as Cash Flow Hedges

The Bank entered into two interest rate swap agreements during 2013 as part of its interest rate risk management strategy. The Bank designated the swaps as cash flow hedges intended to reduce the variability in cash flows attributable to either FHLB advances tied to the 3-month LIBOR or the overall changes in cash flows on certain money market deposit accounts tied to 1-month LIBOR. The counterparty for both swaps met the Bank's credit standards and the Bank believes that the credit risk inherent in the swap contracts is not significant. Both swaps terminated in December 2020.

Non-hedge Interest Rate Swaps

During 2015, the Bank began entering into interest rate swaps to facilitate client transactions and meet their financing needs. Upon entering into these instruments, the Bank enters into offsetting positions in order to minimize the Bank's interest rate risk. These swaps are derivatives, but are not designated as hedging instruments, and therefore changes in fair value are reported in current year earnings.

See Footnote 8 "Interest Rate Swaps" of Part II Item 8 "Financial Statements and Supplementary Data" for further information regarding the Bank's interest rate swaps.

Liquidity

The Bank had a loan to deposit ratio (excluding brokered deposits) of 108% at December 31, 2020 and 126% at December 31, 2019. At December 31, 2020 and December 31, 2019, the Company had cash and cash equivalents on-hand of $486 million and $385 million. The Bank also had available borrowing capacity of $683 million and $259 million from the FHLB at December 31, 2020 and December 31, 2019. In addition, the Bank's liquidity resources included unencumbered debt securities of $274 million and $304 million as of December 31, 2020 and December 31, 2019 and unsecured lines of credit of $125 million available through various other financial institutions as of the same period-ends.

The Bank maintains sufficient liquidity to fund routine loan demand and routine deposit withdrawal activity. Liquidity is managed by maintaining sufficient liquid assets in the form of investment securities. Funding and cash flows can also be realized by the sale of AFS debt securities, principal paydowns on loans and mortgage backed securities and proceeds realized from loans held for sale. The Bank's liquidity is impacted by its ability to sell certain investment securities, which is limited due to the level of investment securities that are needed to secure public deposits, securities sold under agreements to repurchase, FHLB borrowings, and for other purposes, as required by law. At December 31, 2020 and December 31, 2019, these pledged investment securities had a fair value of $304 million and $230 million. Republic's banking centers and its websites, www.republicbank.com and www.mymemorybank.com, provide access to retail deposit markets. These retail deposit products, if offered at attractive rates, have historically been a source of additional funding when needed. If the Bank were to lose a significant funding source, such as a few major depositors, or if any of its lines of credit were canceled, or if the Bank cannot obtain brokered deposits, the Bank would be compelled to offer market leading deposit interest rates to meet its funding and liquidity needs.

At December 31, 2020, the Bank had approximately $1.6 billion in deposits from 231 large non-sweep deposit relationships, including reciprocal deposits, where the individual relationship exceeded $2 million. The 20 largest non-sweep deposit relationships represented approximately $759 million, or 16%, of the Company's total deposit balances at December 31, 2020. These accounts do not require collateral; therefore, cash from these accounts can generally be utilized to fund the loan portfolio. If any of these balances were moved from the Bank, the Bank would likely utilize overnight borrowing lines in the short-term to replace the balances. On a longer-term basis, the Bank would likely utilize wholesale-brokered deposits to replace withdrawn balances, or alternatively, higher-cost internet-sourced deposits. Based on past experience utilizing brokered deposits and internet-sourced deposits, the Bank believes it can quickly obtain these types of deposits if needed. The overall cost of gathering these types of deposits, however, could be substantially higher than the Traditional Bank deposits they replace, potentially decreasing the Bank's earnings.

Due to its historical success of growing loans and its overall use of non-core funding sources, the Bank has approached and, periodically during each quarter, has fallen short of its Board-approved minimum internal policy limits for liquidity management. Most recently, the Bank has experienced a significant increase in its outstanding Warehouse line-of-credit balances. Because management deems this increase in Warehouse balances to not be long-term in nature and the Bank is asset sensitive for its interest rate risk position, it has elected to utilize overnight sources in order to fund these outstanding balances.

In addition to its typical operations which impacts liquidity, the COVID-19 pandemic could create both substantially positive and negative impacts to the Bank's liquidity over the short-term and long-term. The overall impact to Bank's liquidity over the long-term will likely depend heavily on the length and breadth of the COVID-19 effect on the economy.

A near-term positive to the Bank's liquidity is the apparent flight to safety by its clients and the increase in the Bank's deposit balances. Management is uncertain as to how long these deposit balances might stay in the Bank, however, a protracted negative impact to the economy could put a financial strain on the Banks' clients requiring them to drawdown their deposit funds in order to meet their own liquidity demands.

See additional detail regarding the impact of COVID-19 under:

- *Part I Item 1A "Risk Factors"*

- *Part II Item 8 "Financial Statements and Supplementary Data"*
    - *Footnote 2 "Investment Securities"*
    - *Footnote 4 "Loans and Allowance for Credit Losses"*
    - *Footnote 13 "Off Balance Sheet Risks, Commitments, and Contingent Liabilities"*

Capital

Table 35 — Capital

Information pertaining to the Company's capital balances and ratios follows:

As of and for the Years Ended December 31, (dollars in thousands, except per share data)	**2020**	2019	2018	2017	2016
Stockholders' equity	**$ 823,323**	$ 764,244	$ 689,934	$ 632,424	$ 604,406
Book value per share at December 31,	**39.40**	36.49	33.03	30.33	28.97
Tangible book value per share at December 31,*	**38.27**	35.41	31.98	29.27	27.89
Dividends declared per share - Class A Common Stock	**1.144**	1.056	0.968	0.869	0.825
Dividends declared per share - Class B Common Stock	**1.040**	0.960	0.880	0.790	0.750
Average stockholders' equity to average total assets	**13.35 %**	13.16 %	13.00 %	13.02 %	13.32 %
Total risk-based capital	**18.52**	17.01	16.80	16.04	16.37
Common equity tier 1 capital	**16.61**	15.29	14.92	14.15	14.59
Tier 1 risk-based capital	**17.43**	16.11	15.81	15.06	15.55
Tier 1 leverage capital	**13.70**	13.93	14.11	13.21	13.54
Dividend payout ratio	**29**	24	26	39	37
Dividend yield	**3.17**	2.26	2.50	2.29	2.09

**See Footnote 2 of Part II, Item 6 "Selected Financial Data" for additional detail.*

Total stockholders' equity increased from $764 million at December 31, 2019 to $823 million at December 31, 2020. The increase in stockholders' equity was primarily attributable to net income earned during 2020 reduced by cash dividends declared and common stock repurchases.

On January 27, 2021, the Board of Directors of Republic Bancorp, Inc. increased the Company's existing authorization to purchase shares of its Class A Common Stock to 1,000,000 shares.

See Part II, Item 5. "Unregistered Sales of Equity Securities and Use of Proceeds" for additional detail regarding stock repurchases and stock buyback programs.

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

Dividend Restrictions — The Parent Company's principal source of funds for dividend payments are dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid to the Parent Company by the Bank without prior approval of the respective states' banking regulators. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years. At December 31, 2020, the Bank could, without prior approval, declare dividends of approximately $183 million. Any payment of dividends in the future will depend, in large part, on the Company's earnings, capital requirements, financial condition, and other factors considered relevant by the Company's Board of Directors.

Regulatory Capital Requirements — The Company and the Bank are subject to capital regulations in accordance with Basel III, as administered by banking regulators. Regulatory agencies measure capital adequacy within a framework that makes capital requirements, in part, dependent on the individual risk profiles of financial institutions. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on Republic's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Parent Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items, as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators regarding components, risk weightings and other factors.

Banking regulators have categorized the Bank as well-capitalized. For prompt corrective action, the regulations in accordance with Basel III define "well capitalized" as a 10.0% Total Risk-Based Capital ratio, a 6.5% Common Equity Tier 1 Risk-Based Capital ratio, an 8.0% Tier 1 Risk-Based Capital ratio, and a 5.0% Tier 1 Leverage ratio. Additionally, in order to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers, the Company and Bank must hold a capital conservation buffer of 2.5% composed of Common Equity Tier 1 Risk-Based Capital above their minimum risk-based capital requirements.

Republic continues to exceed the regulatory requirements for Total Risk Based Capital, Common Equity Tier I Risk Based Capital, Tier I Risk Based Capital and Tier I Leverage Capital. Republic and the Bank intend to maintain a capital position that meets or exceeds the "well-capitalized" requirements as defined by the FRB and the FDIC, in addition to the Capital Conservation Buffer. Republic's average stockholders' equity to average assets ratio was 13.35% at December 31, 2020 compared to 13.16% at December 31, 2019. Formal measurements of the capital ratios for Republic and the Bank are performed by the Company at each quarter end.

In 2005, RBCT, an unconsolidated trust subsidiary of Republic, was formed and issued $40 million in TPS. The sole asset of RBCT represents the proceeds of the offering loaned to Republic in exchange for a subordinated note with similar terms to the TPS. The RBCT TPS are treated as part of Republic's Tier I Capital.

The subordinated note and related interest expense are included in Republic's consolidated financial statements. The subordinated note paid a fixed interest rate of 6.015% through September 30, 2015 and adjusted to 3-month LIBOR plus 1.42% on a quarterly basis thereafter. The subordinated note matures on December 31, 2035 and is redeemable at the Company's option on a quarterly basis. The Company chose not to redeem the subordinated note on January 1, 2021 and is currently carrying the note at a cost of LIBOR plus 1.42%.

Off Balance Sheet Items

Summarized credit-related financial instruments, including both commitments to extend credit and letters of credit follows:

Table 36 — Off Balance Sheet Items

	Maturity by Period				
December 31, 2020 (in thousands)	**Less than one year**	**Greater than one year to three years**	**Greater than three years to five years**	**Greater than five years**	**Total**
Unused warehouse lines of credit	$ 456,004	$ —	$ —	$ —	$ 456,004
Unused home equity lines of credit	22,254	37,645	57,808	235,615	353,322
Unused loan commitments - other	680,689	47,424	8,997	38,018	775,128
Standby letters of credit	10,236	609	104	—	10,949
FHLB letter of credit	643	—	—	—	643
Total off balance sheet items	$ 1,169,826	$ 85,678	$ 66,909	$ 273,633	$ 1,596,046

A portion of the unused commitments above are expected to expire or may not be fully used; therefore the total amount of commitments above does not necessarily indicate future cash requirements.

Standby letters of credit are conditional commitments issued by the Bank 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. Commitments outstanding under standby letters of credit totaled $11 million and $11 million at December 31, 2020 and 2019. In addition to credit risk, the Bank also has liquidity risk associated with standby letters of credit because funding for these obligations could be required immediately. The Bank does not deem this risk to be material.

At December 31, 2020, the Bank had a $643,000 letter of credit from the FHLB issued on behalf of a Bank client. This letter of credit was used as credit enhancements for client bond offerings and reduced the Bank's available borrowing line at the FHLB. The Bank uses a blanket pledge of eligible real estate loans to secure these letters of credit.

Commitments to extend credit generally consist of unfunded lines of credit. These commitments generally have variable rates of interest.

Aggregate Contractual Obligations

In addition to owned banking facilities, the Bank has entered into long-term leasing arrangements to support the ongoing activities of the Company. The Bank also has required future payments for long-term and short-term debt as well as the maturity of time deposits. The required payments under such commitments follow:

Table 37 — Aggregate Contractual Obligations

	Maturity by Period				
December 31, 2020 (in thousands)	Less than one year	Greater than one year to three years	Greater than three years to five years	Greater than five years	Total
Deposits without a stated maturity*	**$ 4,334,784**	**$ —**	**$ —**	**$ —**	**$ 4,334,784**
Time deposits (including brokered CDs)*	**272,418**	**110,971**	**15,219**	**60**	**398,668**
Federal Home Loan Bank advances*	**235,070**	**—**	**—**	**—**	**235,070**
Subordinated note*	**—**	**—**	**—**	**41,240**	**41,240**
Securities sold under agreements to repurchase*	**211,026**	**—**	**—**	**—**	**211,026**
Lease commitments	**7,060**	**13,691**	**11,244**	**18,507**	**50,502**
Other commitments**	**13,948**	**9,089**	**1,229**	**1,403**	**25,669**
Total contractual obligations	**$ 5,074,306**	**$ 133,751**	**$ 27,692**	**$ 61,210**	**$ 5,296,959**

**Includes accrued interest.*
***Primarily includes dividends declared on common stock, the Bank's SERP, and the Bank's significant long-term vendor contracts.*

See Footnote 9 "Deposits" of Part II Item 8 "Financial Statements and Supplementary Data" for further information regarding the Bank's deposits.

See Footnote 11 "Federal Home Loan Bank Advances" of Part II Item 8 "Financial Statements and Supplementary Data" for further information regarding the Bank's FHLB advances.

See Footnote 12 "Subordinated Note" of Part II Item 8 "Financial Statements and Supplementary Data" for further information regarding the Bank's subordinated note.

Securities sold under agreements to repurchase generally have indeterminate maturity periods and are predominantly included in the less than one-year category above.

Lease commitments represent the total minimum lease payments under non-cancelable operating leases.

See Footnote 6 "Right-of-Use Assets and Operating Lease Liabilities" of Part II Item 8 "Financial Statements and Supplementary Data" for further information regarding the Bank's lease commitments.

See Footnote 18 "Benefit Plans" of Part II Item 8 "Financial Statements and Supplementary Data" for further information regarding the Bank's SERP commitments.

Asset/Liability Management and Market Risk

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

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

The Bank utilizes earnings simulation models as tools to measure interest rate sensitivity, including both a static and dynamic earnings simulation model. A static simulation model is based on current exposures and assumes a constant balance sheet. In contrast, a dynamic simulation model relies on detailed assumptions regarding changes in existing business lines, new business, and changes in management and customer behavior. While the Bank runs the static simulation model as one measure of interest rate risk, historically, the Bank has utilized its dynamic earnings simulation model as its primary interest rate risk tool to measure the potential changes in market interest rates and their subsequent effects on net interest income for a one-year time period. This dynamic model projects a "Base" case net interest income over the next 12 months and the effect on net interest income of instantaneous movements in interest rates between various basis point increments equally across all points on the yield curve. Many assumptions based on growth expectations and on the historical behavior of the Bank's deposit and loan rates and their related balances in relation to changes in interest rates are incorporated into this dynamic model. These assumptions are inherently uncertain and, as a result, the dynamic model cannot precisely measure future net interest income or precisely predict the impact of fluctuations in market interest rates on net interest income. Actual results will differ from the model's simulated results due to the actual timing, magnitude and frequency of interest rate changes, the actual timing and magnitude of changes in loan and deposit balances, as well as the actual changes in market conditions and the application and timing of various management strategies as compared to those projected in the various simulated models. Additionally, actual results could differ materially from the model if interest rates do not move equally across all points on the yield curve.

As of December 31, 2020, a dynamic simulation model was run for interest rate changes from "Down 100" basis points to "Up 400" basis points. The following table illustrates the Bank's projected percent change from its Base net interest income over the period beginning January 1, 2021 and ending December 31, 2021 based on instantaneous movements in interest rates from Down 100 to Up 400 basis points equally across all points on the yield curve. The Bank's dynamic earnings simulation model includes secondary market loan fees and excludes Traditional Bank loan fees.

Table 38 — Bank Interest Rate Sensitivity at December 31, 2020 and 2019

	Change in Rates				
	-100 Basis Points	+100 Basis Points	+200 Basis Points	+300 Basis Points	+400 Basis Points
% Change from base net interest income at December 31, 2020	0.4 %	(4.5)%	(7.0)%	(5.7)%	(4.2)%
% Change from base net interest income at December 31, 2019	(4.3)%	0.9 %	1.6 %	1.9 %	2.5 %

The Bank's dynamic simulation model run for December 2020 projected a decrease in the Bank's net interest income plus secondary market loan fees for all Up-rate scenarios. The projections as of December 2019 reflected a decrease in the Down-100 scenario and an increase in all Up-rate scenarios. As compared to December 2019, the deterioration in the Up-rate scenarios for December 2020 was generally due to the impact of an expected reduction in secondary market loan fees as interest rates rise from their current historic lows. The improvement in the Down-100 scenario is primarily related to the number of loans that have reached or are expected to reach their interest rate floors, and therefore not subject to further rate reductions. Additionally, the improvement in the Down-100 scenario was due to an estimated rise in secondary market loan fees in a falling rate environment.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

See the section titled *"Asset/Liability Management and Market Risk"* included under Part II Item 7 "*Management's Discussion and Analysis of Financial Condition and Results of Operations."*

Item 8. Financial Statements and Supplementary Data.

The following are included in this section:

REPUBLIC BANCORP™

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Management of Republic Bancorp, Inc. (the "Company") is responsible for the preparation, integrity, and fair presentation of the Company's annual consolidated financial statements. All information has been prepared in accordance with U.S. generally accepted accounting principles and, as such, includes certain amounts that are based on Management's best estimates and judgments.

Management is responsible for establishing and maintaining adequate internal control over financial reporting presented in conformity with U.S. generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Two of the objectives of internal control are to provide reasonable assurance to Management and the Board of Directors that transactions are properly authorized and recorded in the Company's financial records, and that the preparation of the Company's financial statements and other financial reporting is done in accordance with U.S. generally accepted accounting principles. There are inherent limitations in the effectiveness of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal control can provide only reasonable assurance with respect to reliability of financial statements. Furthermore, internal control can vary with changes in circumstances.

Management has made its own assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2020, in relation to the criteria described in the report, *Internal Control — Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on its assessment, Management believes that as of December 31, 2020, the Company's internal control was effective in achieving the objectives stated above. Crowe LLP has provided its report on the audited 2020 and 2019 consolidated financial statements and on the effectiveness of the Company's internal control in their report dated February 26, 2021.

Steven E. Trager
Chairman and Chief Executive Officer

Kevin Sipes
Chief Financial Officer and Chief Accounting Officer

February 26, 2021

Crowe LLP
Independent Member Crowe Global

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
of Republic Bancorp, Inc.
Louisville, Kentucky

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Republic Bancorp, Inc. (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for credit losses effective January 1, 2020 due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 326, Financial Instruments – Credit Losses (ASC 326). The Company adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles. The adoption of the new credit loss standard and its subsequent application is also communicated as a critical audit matter below.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses on Loans – Current Expected Credit Loss Adoption and Qualitative Component

The Company adopted ASC 326, Financial Instruments – Credit Losses as of January 1, 2020, using the modified retrospective method as described in Note 1 and referred to in the change in accounting principle explanatory paragraph above. In doing so, the Company recorded a decrease to retained earnings of $4.3 million for the cumulative effect of adopting ASC 326, as noted in the Consolidated Statements of Changes in Shareholders' Equity. As of December 31, 2020, the allowance for credit losses on loans was $61.1 million. The Company has disclosed the impact of adoption in Note 1 to the Consolidated Financial Statements and the allowance for credit losses on loans as of December 31, 2020 is disclosed in Note 4. ASC 326 requires the measurement of expected lifetime credit losses for financial assets measured at amortized cost at the reporting date. The measurement is based on historical loss rates, qualitative factors and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses on loans, as well as the credit quality and underwriting standards of the loan portfolio.

Management employs a process and methodology to estimate the allowance for credit losses on loans ("ACLL") that evaluates both quantitative and qualitative metrics. The methodology for evaluating quantitative loss rates consists of two basic components. The first component involves pooling loans into portfolio segments for loans that share similar risk characteristics. These loans are referred to as pooled loans and the methodology to estimate the ACLL is discussed below. The second component involves individually analyzed loans that do not share similar risk characteristics with loans that are pooled into portfolio segments.

For pooled loans, the Company utilizes a "static-pool" method to estimate credit losses over the expected life of the loan. The "static-pool" methodology analyzes historical closed pools of similar loans over their expected lives to attain a historical loss rate. This historical loss rate when applied to the loan pool is referred to as the general component of the ACLL. The general component is then adjusted for the qualitative component, which is comprised of reasonable and supportable forecasts and qualitative factors. , Reasonable and supportable forecasts, which include one-year forecast adjustments, are based on a forecast of the U.S. national unemployment rate and vacancy rates for CRE in the Company's footprint. Subsequent to the one-year forecast, loss rates are assumed to immediately revert back to the historical loss rate. Qualitative factors are also applied to the general component for differences in underwriting standards, portfolio mix, delinquency level, or term, as well as for changes in environmental conditions, such as changes in property values or other relevant credit metrics. Management's determination of the qualitative component comprising reasonable and supportable forecasts and qualitative factors relies on a qualitative assessment of risks to determine the impact on the ACLL.

We identified management's implementation and quarterly application of the allowance for credit losses on loans, specifically the qualitative component, as a critical audit matter due to the degree of judgment applied to these adjustments. This critical audit matter requires the performance of audit procedures to evaluate the implementation and subsequent application of ASC 326 for loans and involved especially subjective auditor judgment and required significant audit effort, including the need to involve more experienced audit personnel. Management's analysis of the reasonable and supportable forecasts and qualitative factors to determine the qualitative component of the allowance for credit losses on loans requires a high degree of subjectivity and judgment and requires the Company to make significant estimates of the risks present for each portfolio segment. Changes in these assumptions could have a material effect on the Company's financial results.

The primary procedures we performed to address this critical audit matter included:

Testing the design and operating effectiveness of controls over the adoption of and evaluation of the qualitative component of the ACLL on loans, including controls addressing:

- The selection and application of new accounting policies, specifically the qualitative component.
- Data inputs, judgments and calculations used to determine the forecasts and qualitative factors.
- Management's review of the forecasts and qualitative factors.
- Management's review of the qualitative component and the reasonableness of the ACLL on loans.

Substantively testing management's process, including evaluating their judgments and assumptions, for developing and ongoing assessment of the estimate of the qualitative component included:

- We evaluated the appropriateness of the Company's accounting policies, assumptions and elections involved in adoption of ASC 326 for loans, specifically the qualitative component.
- We tested the accuracy of inputs and mathematical accuracy of the qualitative component of the allowance for credit losses on loans calculation.
- Evaluation of the reasonableness and completeness and accuracy of management's judgments related to forecasted unemployment and commercial vacancy rates for commercial real estate in the Company's footprint. Our evaluation considered the weight of evidence from internal and external sources
- Evaluation of the reasonableness of management's judgments and conclusions related to qualitative factors to determine if they are calculated to conform with management's policies and were consistently applied. Our evaluation considered the weight of evidence from internal and external sources and loan portfolio performance.

Crowe LLP

We have served as the Company's auditor since 1996.

Louisville, Kentucky
February 26, 2021

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, *(in thousands, except share data)*

	2020	2019
ASSETS		
Cash and cash equivalents	**$ 485,587**	$ 385,303
Available-for-sale debt securities, at fair value (amortized cost of $512,518 in 2020 and $467,122 in 2019, allowance for credit losses of $0 in 2020 and $0 in 2019)	**523,863**	471,355
Held-to-maturity debt securities (fair value of $54,190 in 2020 and $63,156 in 2019, allowance for credit losses of $178 in 2020 and $0 in 2019)	**53,324**	62,531
Equity securities with readily determinable fair value	**3,083**	3,188
Mortgage loans held for sale, at fair value	**46,867**	19,224
Consumer loans held for sale, at fair value	**3,298**	598
Consumer loans held for sale, at the lower of cost or fair value	**1,478**	11,646
Loans (loans carried at fair value of $497 in 2020 and $998 in 2019)	**4,813,103**	4,433,151
Allowance for credit losses	**(61,067)**	(43,351)
Loans, net	**4,752,036**	4,389,800
Federal Home Loan Bank stock, at cost	**17,397**	30,831
Premises and equipment, net	**39,512**	46,196
Right-of-use assets	**43,345**	35,206
Goodwill	**16,300**	16,300
Other real estate owned	**2,499**	113
Bank owned life insurance	**68,018**	66,433
Other assets and accrued interest receivable	**111,718**	81,595
TOTAL ASSETS	**$ 6,168,325**	$ 5,620,319
LIABILITIES		
Deposits:		
Noninterest-bearing	**$ 1,890,416**	$ 1,033,379
Interest-bearing	**2,842,765**	2,752,629
Total deposits	**4,733,181**	3,786,008
Securities sold under agreements to repurchase and other short-term borrowings	**211,026**	167,617
Operating lease liabilities	**44,340**	36,530
Federal Home Loan Bank advances	**235,000**	750,000
Subordinated note	**41,240**	41,240
Other liabilities and accrued interest payable	**80,215**	74,680
Total liabilities	**5,345,002**	4,856,075
Commitments and contingent liabilities (Footnote 13)	**—**	—
STOCKHOLDERS' EQUITY		
Preferred stock, no par value	**—**	—
Class A Common Stock, no par value, 30,000,000 shares authorized, 18,696,607 shares (2020) and 18,736,445 shares (2019) issued and outstanding; Class B Common Stock, no par value, 5,000,000 shares authorized, 2,199,455 shares (2020) and 2,206,412 shares (2019) issued and outstanding	**4,899**	4,907
Additional paid in capital	**143,637**	142,068
Retained earnings	**666,278**	614,171
Accumulated other comprehensive income	**8,509**	3,098
Total stockholders' equity	**823,323**	764,244
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 6,168,325**	$ 5,620,319

See accompanying footnotes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, *(in thousands, except per share data)*

	2020	2019	2018
INTEREST INCOME:			
Loans, including fees	**$ 241,044**	$ 260,064	$ 237,621
Taxable investment securities	**9,798**	13,546	11,830
Federal Home Loan Bank stock and other	**1,416**	7,273	6,730
Total interest income	**252,258**	280,883	256,181
INTEREST EXPENSE:			
Deposits	**15,089**	29,135	17,017
Securities sold under agreements to repurchase and other short-term borrowings	**177**	1,211	1,125
Federal Reserve Payment Protection Plan Liquidity Facility	**153**	—	—
Federal Home Loan Bank advances	**3,524**	12,791	10,473
Subordinated note	**1,000**	1,620	1,508
Total interest expense	**19,943**	44,757	30,123
NET INTEREST INCOME	**232,315**	236,126	226,058
Provision for expected credit loss expense	**31,278**	25,758	31,368
NET INTEREST INCOME AFTER PROVISION	**201,037**	210,368	194,690
NONINTEREST INCOME:			
Service charges on deposit accounts	**11,615**	14,197	14,273
Net refund transfer fees	**20,297**	21,158	20,029
Mortgage banking income	**31,847**	9,499	4,825
Interchange fee income	**11,188**	11,859	11,159
Program fees	**7,095**	4,712	6,225
Increase in cash surrender value of bank owned life insurance	**1,585**	1,550	1,527
Net gains (losses) on other real estate owned	**(40)**	540	729
Net gain on branch divestiture	**—**	7,829	—
Other	**3,466**	3,664	4,658
Total noninterest income	**87,053**	75,008	63,425
NONINTEREST EXPENSE:			
Salaries and employee benefits	**106,166**	99,181	91,189
Occupancy and equipment, net	**27,498**	26,124	25,365
Communication and transportation	**4,942**	4,447	4,785
Marketing and development	**4,031**	5,023	4,432
FDIC insurance expense	**1,010**	743	1,494
Bank franchise tax expense	**5,369**	5,293	4,951
Data processing	**12,066**	9,189	9,613
Interchange related expense	**4,303**	4,870	4,480
Supplies	**1,717**	1,693	1,444
Other real estate owned and other repossession expense	**46**	326	94
Legal and professional fees	**4,244**	3,357	3,459
FHLB advances early termination penalties	**2,108**	—	—
Other	**11,957**	11,937	12,546
Total noninterest expense	**185,457**	172,183	163,852
INCOME BEFORE INCOME TAX EXPENSE	**102,633**	113,193	94,263
INCOME TAX EXPENSE	**19,387**	21,494	16,411
NET INCOME	**$ 83,246**	$ 91,699	$ 77,852
BASIC EARNINGS PER SHARE:			
Class A Common Stock	**$ 4.00**	$ 4.41	$ 3.76
Class B Common Stock	**3.64**	4.01	3.41
DILUTED EARNINGS PER SHARE:			
Class A Common Stock	**$ 3.99**	$ 4.39	$ 3.74
Class B Common Stock	**3.63**	3.99	3.40

See accompanying footnotes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, *(in thousands)*

	2020	2019	2018
Net income	$ 83,246	$ 91,699	$ 77,852
OTHER COMPREHENSIVE INCOME (LOSS)			
Change in fair value of derivatives used for cash flow hedges	(177)	(199)	178
Reclassification amount for net derivative losses (gains) realized in income	281	(20)	28
Change in unrealized gain on AFS debt securities	7,147	5,689	(1,548)
Adjustment for accounting standard update	—	—	(428)
Change in unrealized gain of AFS debt security for which a portion of OTTI has been recognized in earnings	(35)	(79)	(20)
Total other comprehensive income (loss) before income tax	7,216	5,391	(1,790)
Tax effect	(1,805)	(1,296)	377
Total other comprehensive income (loss), net of tax	5,411	4,095	(1,413)
COMPREHENSIVE INCOME	$ 88,657	$ 95,794	$ 76,439

See accompanying footnotes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2020, 2019, and 2018

(in thousands, except per share data)	Common Stock Class A Shares Outstanding	Common Stock Class B Shares Outstanding	Common Stock 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)
Net income	—	—	—	—	77,852	—	77,852
Net change in accumulated other comprehensive income (loss)	—	—	—	—	—	(1,075)	(1,075)
Dividends declared on Common Stock:							
Class A Shares ($0.968 per share)	—	—	—	—	(18,076)	—	(18,076)
Class B Shares ($0.88 per share)	—	—	—	—	(1,955)	—	(1,955)
Stock options exercised, net of shares withheld	3	—	—	83	—	—	83
Conversion of Class B to Class A Common Shares	30	(30)	—	—	—	—	—
Repurchase of Class A Common Stock	(14)	—	(5)	(349)	(473)	—	(827)
Net change in notes receivable on Class A Common Stock	—	—	—	5	—	—	5
Deferred compensation - Class A Common Stock:							
Directors	5	—	1	214	—	—	215
Designated key employees	—	—	—	430	—	—	430
Employee stock purchase plan - Class A Common Stock	6	—	2	228	—	—	230
Stock-based awards - Class A Common Stock:							
Performance stock units, net of shares tendered back	—	—	—	106	—	—	106
Restricted stock, net of shares tendered back	38	—	—	630	—	—	630
Stock options	—	—	—	265	—	—	265
Balance, December 31, 2018	18,675	2,213	$ 4,900	$ 141,018	$ 545,013	$ (997)	$ 689,934
Adjustment for adoption of ASU 2016-02	—	—	—	—	126	—	126
Net income	—	—	—	—	91,699	—	91,699
Net change in accumulated other comprehensive income (loss)	—	—	—	—	—	4,095	4,095
Dividends declared on Common Stock:							
Class A Shares ($1.056 per share)	—	—	—	—	(19,771)	—	(19,771)
Class B Shares ($0.96 per share)	—	—	—	—	(2,121)	—	(2,121)
Stock options exercised, net of shares withheld	44	—	11	(202)	—	—	(191)
Conversion of Class B to Class A Common Shares	7	(7)	—	—	—	—	—
Repurchase of Class A Common Stock	(32)	—	(6)	(637)	(775)	—	(1,418)
Net change in notes receivable on Class A Common Stock	—	—	—	(222)	—	—	(222)
Deferred compensation - Class A Common Stock:							
Directors	6	—	—	213	—	—	213
Designated key employees	—	—	—	371	—	—	371
Employee stock purchase plan - Class A Common Stock	11	—	2	492	—	—	494
Stock-based awards - Class A Common Stock:							
Performance stock units, net of shares tendered back	23	—	—	(57)	—	—	(57)
Restricted stock, net of shares tendered back	3	—	—	728	—	—	728
Stock options	—	—	—	364	—	—	364
Balance, December 31, 2019	18,737	2,206	$ 4,907	$ 142,068	$ 614,171	$ 3,098	$ 764,244
Adjustment for adoption of ASU 2016-13	**—**	**—**	**—**	**—**	**(4,291)**	**—**	**(4,291)**
Net income	**—**	**—**	**—**	**—**	**83,246**	**—**	**83,246**
Net change in accumulated other comprehensive income (loss)	**—**	**—**	**—**	**—**	**—**	**5,411**	**5,411**
Dividends declared on Common Stock:							
Class A Shares ($1.144 per share)	**—**	**—**	**—**	**—**	**(21,433)**	**—**	**(21,433)**
Class B Shares ($1.04 per share)	**—**	**—**	**—**	**—**	**(2,288)**	**—**	**(2,288)**
Stock options exercised, net of shares withheld	**25**	**—**	**13**	**197**	**—**	**—**	**210**
Conversion of Class B to Class A Common Shares	**7**	**(7)**	**—**	**—**	**—**	**—**	**—**
Repurchase of Class A Common Stock	**(115)**	**—**	**(26)**	**(782)**	**(3,127)**	**—**	**(3,935)**
Net change in notes receivable on Class A Common Stock	**—**	**—**	**—**	**(35)**	**—**	**—**	**(35)**
Deferred compensation - Class A Common Stock:							
Directors	**4**	**—**	**—**	**352**	**—**	**—**	**352**
Designated key employees	**—**	**—**	**—**	**566**	**—**	**—**	**566**
Employee stock purchase plan - Class A Common Stock	**20**	**—**	**4**	**623**	**—**	**—**	**627**
Stock-based awards - Class A Common Stock:							
Performance stock units, net of shares tendered back	**18**	**—**	**—**	**(200)**	**—**	**—**	**(200)**
Restricted stock, net of shares tendered back	**1**	**—**	**1**	**385**	**—**	**—**	**386**
Stock options	**—**	**—**	**—**	**463**	**—**	**—**	**463**
Balance, December 31, 2020	**18,697**	**2,199**	**$ 4,899**	**$ 143,637**	**$ 666,278**	**$ 8,509**	**$ 823,323**

See accompanying footnotes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, *(in thousands)*

	2020	2019	2018
OPERATING ACTIVITIES:			
Net income	$ **83,246**	$ 91,699	$ 77,852
Adjustments to reconcile net income to net cash provided by operating activities:			
Net (accretion) amortization on investment securities	**1,572**	(120)	97
Net accretion on loans and amortization of core deposit intangible and operating lease components	**(13,084)**	(3,655)	(3,540)
Unrealized (gains) losses on equity securities with readily determinable fair value	**105**	(382)	122
Depreciation of premises and equipment	**9,725**	9,230	9,347
Amortization of mortgage servicing rights	**3,756**	1,823	1,432
Impairment of mortgage servicing rights	**500**	—	—
Provision for on-balance sheet exposures	**31,278**	25,758	31,368
Provision for off-balance sheet exposures	**533**	—	—
Net gain on sale of mortgage loans held for sale	**(33,179)**	(8,816)	(3,839)
Origination of mortgage loans held for sale	**(782,939)**	(356,097)	(176,916)
Proceeds from sale of mortgage loans held for sale	**788,475**	354,660	177,545
Net gain on sale of consumer loans held for sale	**(4,980)**	(5,102)	(5,930)
Origination of consumer loans held for sale	**(518,873)**	(710,640)	(778,476)
Proceeds from sale of consumer loans held for sale	**531,321**	716,336	781,951
Net gain realized on sale of other real estate owned	**(65)**	(540)	(729)
Writedowns of other real estate owned	**105**	—	—
Impairment of premises held for sale	**—**	256	482
Deferred compensation expense - Class A Common Stock	**918**	584	645
Stock-based awards and ESPP expense- Class A Common Stock	**953**	1,035	1,001
Net gain on branch divestiture	**—**	(7,829)	—
Net gain on sale of bank premises and equipment	**(353)**	(339)	14
Increase in cash surrender value of bank owned life insurance	**(1,585)**	(1,550)	(1,527)
FHLB advances early termination penalties	**2,108**	—	—
Net change in other assets and liabilities:			
Accrued interest receivable	**(14)**	1,031	(1,860)
Accrued interest payable	**(2,460)**	1,718	(16)
Other assets	**(17,759)**	(8,677)	2,822
Other liabilities	**(10,870)**	(3,138)	7,368
Net cash provided by operating activities	**68,434**	97,245	119,213
INVESTING ACTIVITIES:			
Net cash provided from branch divestiture	**—**	6,071	—
Purchases of available-for-sale debt securities	**(298,878)**	(445,681)	(173,875)
Purchases of held-to-maturity debt securities	**—**	—	(4,934)
Proceeds from calls, maturities and paydowns of available-for-sale debt securities	**251,930**	455,823	220,798
Proceeds from calls, maturities and paydowns of held-to-maturity debt securities	**9,009**	2,667	3,911
Net change in outstanding warehouse lines of credit	**(245,338)**	(248,763)	56,877
Net change in other loans	**(142,811)**	(188,708)	(216,600)
Proceeds from redemption of Federal Home Loan Bank stock	**22,434**	3,513	—
Purchase of Federal Home Loan Bank stock	**(9,000)**	(2,277)	—
Proceeds from sales of other real estate owned	**324**	2,063	1,346
Proceeds from sale of bank premises and equipment	**894**	909	764
Net purchases of premises and equipment	**(3,582)**	(12,883)	(9,822)
Net cash used in investing activities	**(415,018)**	(427,266)	(121,535)
FINANCING ACTIVITIES:			
Net change in deposits	**947,173**	461,715	22,987
Net change in securities sold under agreements to repurchase and other short-term borrowings	**43,409**	(15,373)	(21,031)
Payments of Federal Home Loan Bank advances	**(1,105,000)**	(820,000)	(457,500)
Proceeds from Federal Home Loan Bank advances	**590,000**	760,000	530,000
FHLB advances early termination penalties	**(2,108)**	—	—
Repurchase of Class A Common Stock	**(3,935)**	(1,418)	(827)
Net proceeds from Class A Common Stock purchased through employee stock purchase plan	**533**	494	230
Net proceeds from option exercises and equity awards vested - Class A Common Stock	**—**	(191)	83
Cash dividends paid	**(23,204)**	(21,377)	(19,497)
Net cash provided by financing activities	**446,868**	363,850	54,445
NET CHANGE IN CASH AND CASH EQUIVALENTS	**100,284**	33,829	52,123
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**385,303**	351,474	299,351
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ **485,587**	$ 385,303	$ 351,474
SUPPLEMENTAL DISCLOSURES OF CASHFLOW INFORMATION:			
Cash paid during the period for:			
Interest	$ **22,403**	$ 43,039	$ 30,139
Income taxes	**24,926**	17,383	11,119
SUPPLEMENTAL NONCASH DISCLOSURES:			
Transfers from loans to real estate acquired in settlement of loans	$ **2,750**	$ 1,527	$ 662
Transfers from loans held for sale to held for investment	**—**	—	2,237
Loans provided for sales of other real estate owned	**—**	51	—
Transfers from loans held for investment to held for sale	**—**	131,881	1,392
Unfunded commitments in low-income-housing investments	**10,000**	18,800	14,029
Right-of-use assets recorded	**14,144**	41,726	—
Allowance for credit losses recorded upon adoption of ASC 326	**7,241**	—	—

See accompanying footnotes to consolidated financial statements.

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation — The consolidated financial statements include the accounts of Republic Bancorp, Inc. (the "Parent Company") and its wholly-owned subsidiaries, Republic Bank & Trust Company and Republic Insurance Services, Inc. As used in this filing, the terms "Republic," the "Company," "we," "our," and "us" refer to Republic Bancorp, Inc., and, where the context requires, Republic Bancorp, Inc. and its subsidiaries. The term "Bank" refers to the Company's subsidiary bank: Republic Bank & Trust Company. The term "Captive" refers to the Company's insurance subsidiary: Republic Insurance Services, Inc. All significant intercompany balances and transactions are eliminated in consolidation.

Republic is a financial holding company headquartered in Louisville, Kentucky. 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 U.S. 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 is a Delaware statutory business trust that is a wholly-owned unconsolidated finance subsidiary of Republic Bancorp, Inc.

As of December 31, 2020, the Company was divided into five reportable segments: Traditional Banking, Warehouse, Mortgage Banking, TRS, and RCS. Management considers the first three segments to collectively constitute "Core Bank" or "Core Banking" operations, while the last two segments collectively constitute RPG operations. MemoryBank®, the Company's national branchless banking platform, is part of the Traditional Banking segment.

The Company's financial condition at December 31, 2020 and results of operations for 2020 were impacted by the COVID-19 pandemic and the public's response to it.

For additional discussion regarding the COVID-19 pandemic and its impact to the Company, see the following Footnotes in this section of the filing:

- *Footnote 2 "Investment Securities"*
- *Footnote 4 "Loans and Allowance for Credit Losses"*
- *Footnote 13 "Off Balance Sheet Risks, Commitments, and Contingent Liabilities"*

<u>**Core Bank**</u>

Traditional Banking segment — The Traditional Banking segment provides traditional banking products primarily to customers in the Company's market footprint. As of December 31, 2020, Republic had 42 full-service banking centers with locations as follows:

- Kentucky — 28
    - Metropolitan Louisville — 18
    - Central Kentucky — 7
        - Georgetown — 1
        - Lexington — 5
        - Shelbyville — 1
    - Northern Kentucky — 3
        - Covington — 1
        - Crestview Hills — 1
        - Florence — 1
- Southern Indiana — 3
    - Floyds Knobs — 1
    - Jeffersonville — 1

  - New Albany — 1
- Metropolitan Tampa, Florida — 7
- Metropolitan Cincinnati, Ohio — 2
- Metropolitan Nashville, Tennessee — 2

Republic's headquarters are 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. 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, and increases in the cash surrender value of 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, 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.

Warehouse Lending segment — The Core Bank provides short-term, revolving credit facilities to mortgage bankers across the U.S. 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. 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 FHLMC and the FNMA. 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. The Bank receives fees for performing these standard servicing functions.

<u>Republic Processing Group</u>

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 U.S., 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.

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 by the Company on RTs, net of revenue share, are reported as noninterest income under the line item "Net refund transfer fees."

The EA tax credit product is a loan that allows a taxpayer to borrow funds as an advance of a portion of their tax refund. The EA product had the following features during 2020 and 2019:

- Offered only during the first two months of each year;
- The taxpayer was given the option to choose from multiple loan-amount tiers, subject to underwriting, up to a maximum advance amount of $6,250;
- No requirement that the taxpayer 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's tax refund proceeds; and
- If an insufficient refund to repay the EA occurs:
  - there is no recourse to the taxpayer,
  - no negative credit reporting on the taxpayer, and
  - no collection efforts against the taxpayer.

The Company reports fees paid for the EA product as interest income on loans. EAs are generally repaid within 35 days after the taxpayer'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 35 days after the taxpayer's tax return is submitted to the applicable taxing authority. Provision on EAs is estimated when advances are made, with Provision for all expected EA losses made in the first quarter of each year. Unpaid EAs are charged off by June 30th of each year, with EAs collected during the second half of each year recorded as recoveries of previously charged-off loans.

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 payment patterns. Because the substantial majority of the EA volume occurs each year before that year's tax refund payment 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 payment patterns change materially between years.

In response to changes in the legal, regulatory and competitive environment, management annually reviews and revises the EAs product parameters. Further changes in EA product parameters do not ensure positive results and could have an overall material negative impact on the performance of the EA product offering and therefore on the Company's financial condition and results of operations.

Republic Payment Solutions — 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 and are dependent on various factors. 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. The Bank uses third-party service providers for certain services such as marketing and loan servicing of RCS loans. Additional information regarding consumer loan products offered through RCS follows:

- RCS line-of-credit product – The Bank originates a line-of-credit product to generally subprime borrowers in multiple states. Elevate Credit, Inc., a third-party service provider subject to the Bank's oversight and supervision, provides the Bank with certain marketing, servicing, technology, and support services for the RCS line-of-credit program, while a separate third party also provides customer support, servicing, and other services for the RCS line-of-credit product on the Bank's behalf. The Bank is the lender for the RCS line-of-credit product and is marketed as such. Further, the Bank controls the loan terms and underwriting guidelines, and the Bank exercises consumer compliance oversight of the RCS line-of-credit product.

The Bank sells participation interests in the RCS line-of-credit product. These participation interests are a 90% interest in advances made to borrowers under the borrower's line-of-credit account, and the participation interests are generally sold three business days following the Bank's funding of the associated advances. Although the Bank retains a 10% participation interest in each advance, it maintains 100% ownership of the underlying RCS line-of-credit account with each borrower. The RCS line-of-credit product represents the substantial majority of RCS activity. Loan balances held for sale through this program are carried at the lower of cost or fair value.

- RCS installment loan product – In December 2019, through RCS, the Bank began offering installment loans with terms ranging from 12 to 60 months to borrowers in multiple states. A third-party service provider subject to the Bank's oversight and supervision provides the Bank with marketing services and loan servicing for these RCS installment loans. The Bank is the lender for these RCS installment loans, and is marketed as such. Furthermore, the Bank controls the loan terms and underwriting guidelines, and the Bank exercises consumer compliance oversight of this RCS installment loan product. Currently, all loan balances originated under this RCS installment loan program are carried as "held for sale" on the Bank's balance sheet, with the intention to sell these loans to its third-party service provider generally within sixteen days following the Bank's origination of the loans. Loans originated under this RCS installment loan program are carried at fair value under a fair-value option, with the portfolio marked to market monthly.

- RCS healthcare receivables products – The Bank originates healthcare-receivables products across the U.S. through two different third-party service providers. In one program, the Bank retains 100% of the receivables originated. In the other program, the Bank retains 100% of the receivables originated in some instances, and in other instances, sells 100% of the receivables within one month of origination. Loan balances held for sale through this program are carried at the lower of cost or fair value.

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."

Use of Estimates — To prepare financial statements in conformity with GAAP management makes estimates and assumptions based on available information. These estimates affect the amounts reported in the financial statements and the disclosures provided. Actual amounts could differ from these estimates. The resulting change in estimates could be material to the financial statements.

Concentration of Credit Risk — With limited exception, the Company's Traditional Banking business activity is with clients located in Kentucky, Indiana, Florida, and Tennessee. The Company's Traditional Banking exposure to credit risk is significantly affected by changes in the economy in these specific areas.

The Bank's warehouse lines of credit are secured by single family, first lien residential real estate loans originated by the Bank's mortgage clients across the United States. As of December 31, 2020, 36% of collateral securing warehouse lines were located in California.

Earnings Concentration — For 2020, 2019, and 2018, approximately 23%, 25% and 27% of total Company net revenues (net interest income plus noninterest income) were derived from the RPG operations. Within RPG, the TRS segment accounted for 14%, 14% and 14%, while the RCS segment accounting for 9%, 11% and 13% of total Company net revenues.

For 2020, 2019, and 2018, approximately 8%, 5% and 5% of total Company net revenues (net interest income plus noninterest income) were derived from the Company's Warehouse segment.

Cash Flows — Cash and cash equivalents include cash, deposits with other financial institutions with original maturities less than 90 days and federal funds sold. Net cash flows are reported for client loan and deposit transactions, interest-bearing deposits in other financial institutions, repurchase agreements and income taxes.

Interest-Bearing Deposits in Other Financial Institutions — Interest-bearing deposits in other financial institutions mature within one year and are carried at cost.

Debt Securities — Debt securities are classified as AFS when they might be sold before maturity. AFS debt securities are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax. Debt securities are classified as HTM and carried at amortized cost when management has the positive intent and ability to hold them to maturity.

Interest income includes amortization of purchase premiums and accretion of discounts. Premiums and discounts on securities are generally amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable securities are amortized to the earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become more than 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income.

Equity Securities — Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without a readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

Allowance for Credit Losses on Available-for-Sale Securities — For the Company's AFS corporate bond, the Company uses third-party PD and LGD data to estimate an ACLS, which is limited by the amount that the bond's fair value is less than its amortized cost basis.

For all other AFS debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written-down to fair value through income. For other AFS debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACLS is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACLS is recognized in other comprehensive income.

Changes in ACLS are recorded as a charge or credit to the Provision. Losses are charged against the ACLS when management believes the lack of collectability of an AFS debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest on AFS debt securities totaled $1 million at December 31, 2020 and is excluded from the ACLS. Accrued interest on AFS debt securities is presented as a component of other assets on the Company's balance sheet.

Allowance for Credit Losses on Held-to-Maturity Securities — The Company measures expected credit losses on HTM debt securities on a collective basis by major security type. Accrued interest receivable on HTM debt securities totaled $110,000 at December 31, 2020 and is excluded from the ACLS. Accrued interest on HTM debt securities is presented as a component of other assets on the Company's balance sheet.

The estimate of ACLS on HTM debt securities considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

The Company classifies its HTM portfolio into the following major security types: MBS, corporate bonds, and municipal bonds. MBS securities include CMOs. Nearly all of the MBS portfolio is issued by U.S. government entities or government sponsored entities. These securities are highly rated by major rating agencies and have a long history of no credit losses. The MBS portfolio also carries ratings no lower than investment grade. The Company uses PD and LGD estimates provided by a third-party to estimate an ACLS for its corporate and municipal bond portfolios. These PD and LGD estimates are updated at least quarterly by the Company, with these estimates incorporating the most recent market expectations and forecasted information.

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 Banking Activities — Mortgage loans originated and intended for sale in the secondary market are carried at fair value, as determined by outstanding commitments from investors. Net gains on mortgage loans held for sale are recorded as a component of Mortgage Banking income and represent the difference between the selling price and the carrying value of the loans sold. Substantially all of the gains or losses on the sale of loans are reported in earnings when the interest rates on loans are locked.

Commitments to fund mortgage loans ("interest rate lock commitments") to be sold into the secondary market and non-exchange traded mandatory forward sales contracts ("forward contracts") for the future delivery of these mortgage loans are accounted for as free-standing derivatives. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the Bank enters into the derivative. Generally, the Bank enters into forward contracts for the future delivery of mortgage loans when interest rate lock commitments are entered into, in order to hedge the change in interest rates resulting from its commitments to fund the loans. Changes in the fair values of these mortgage derivatives are included in net gains on sales of loans, which is a component of Mortgage Banking income on the income statement.

Mortgage loans held for sale are generally sold with the MSRs retained. When mortgage loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded as a component of Mortgage Banking income. Fair value is based on market prices for comparable mortgage servicing contracts, when available or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. All classes of servicing assets are subsequently measured using the amortization method, which requires servicing rights to be amortized into Mortgage Banking income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. Amortization of MSRs are initially set at seven years and subsequently adjusted on a quarterly basis based on the weighted average remaining life of the underlying loans.

MSRs are evaluated for impairment quarterly based upon the fair value of the MSRs as compared to carrying amount. Impairment is determined by stratifying MSRs into groupings based on predominant risk characteristics, such as interest rate, loan type, loan terms and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Bank later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the valuation allowance is recorded as an increase to income. Changes in valuation allowances are reported within Mortgage Banking income on the income statement. The fair value of the MSR portfolios is subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates.

A primary factor influencing the fair value is the estimated life of the underlying serviced loans. The estimated life of the serviced loans is significantly influenced by market interest rates. During a period of declining interest rates, the fair value of the MSRs generally will decline due to higher expected prepayments within the portfolio. Alternatively, during a period of rising interest rates the fair value of MSRs generally will increase, as prepayments on the underlying loans would be expected to decline.

See Footnote 16 "Mortgage Banking Activities" in this section of the filing for management's determination of MSR impairment.

Loan servicing income is reported on the income statement as a component of Mortgage Banking income. Loan servicing income is recorded as loan payments are collected and includes servicing fees from investors and certain charges collected from borrowers. The fees are based on a contractual percentage of the outstanding principal, or a fixed amount per loan and are recorded as income when earned. Loan servicing income totaled $2.9 million, $2.5 million and $2.4 million for the years ended December 31, 2020, 2019 and 2018. Late fees and ancillary fees related to loan servicing are considered nominal.

Consumer Loans Held for Sale, at Fair Value — In December 2019, the Bank began offering RCS installment loans with terms ranging from 12 to 60 months to borrowers in multiple states. Balances originated under this RCS installment loan program are carried as "held for sale" on the Bank's balance sheet, with the intent to sell generally within sixteen days following the Bank's origination of the loans. Loans originated under this RCS installment loan program are carried at fair value under a fair-value option, with the portfolio marked to market monthly.

Consumer Loans Held for Sale, at Lower of Cost or Fair Value — RCS originates for sale 90% of the balances from its line-of-credit product and a portion of its healthcare receivables product. Ordinary gains or losses on the sale of these RCS products are reported as a component of "Program fees."

Loans — The Bank's financing receivables consist primarily of loans and lease financing receivables (together referred to as "loans"). Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost net of the ACLL. Amortized cost is the principal balance outstanding, net of premiums and discounts, and deferred loan fees and costs. Accrued interest on loans, which is excluded from the ACLL, totaled $11 million at December 31, 2020 and was reported as a component of other assets on the Company's balance sheet.

Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method. Premiums on loans held for investment are amortized into interest income on the level-yield method over the expected life of the loan.

Lease financing receivables, all of which are direct financing leases, are reported at their principal balance outstanding net of any unearned income, deferred loan fees and costs, and applicable ACLL. Leasing income is recognized on a basis that achieves a constant periodic rate of return on the outstanding lease financing balances over the lease terms.

Interest income on mortgage and commercial loans is typically discontinued at the time the loan is 80 days delinquent unless the loan is well secured and in process of collection. Past due status is based on the contractual terms of the loan, which may define past due status by the number of days or the number of payments past due. In most cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 80 days still on accrual include smaller balance, homogeneous loans that are evaluated collectively or individually for loss.

Interest accrued but not received for all classes of loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured, typically a minimum of six consecutive months of performance. Consumer and credit card loans are not placed on nonaccrual status but are reviewed periodically and charged-off when the loan is deemed uncollectible, generally no more than 120 days.

Purchased Credit Deteriorated Loans — The Company has purchased loans, some of which have experienced more than insignificant credit deterioration since origination. The Company will generally classify a loan acquired in a business acquisition as PCD if it meets any of the following criteria:

- Non-accretable discount assigned by the Bank
- Classified by either the acquired bank or the Bank as Special Mention or Substandard
- Nonaccrual status when purchased
- Past due 30 days or more when purchased
- Loans that have been at least one time over 30 days past due
- Past maturity date when purchased
- Select loans that are cross collateralized with any loans identified above

PCD loans are recorded at the amount paid. An ACLL is determined using the same methodology as other loans held for investment. The initial ACLL determined on a collective basis is allocated to individual loans. The sum of the loan's purchase price and ACLL becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the ACLL are recorded through the Provision.

Allowance for Credit Losses on Loans — The ACLL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged-off against the ACLL when management believes the lack of collectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The ACLL is measured on a collective or pooled basis when similar risk characteristics exist. The first table of Footnote 4 illustrates the Company's loan portfolio by ACLL risk pool. This pooling method is primarily based on the pool's collateral type or the pool's purpose and generally follows the Bank's loan segmentation for regulatory reporting. For each of its loan pools, the Company uses a "static-pool" method, which analyzes historical closed pools of similar loans over their expected lives to attain a loss rate. This loss rate is then adjusted for current conditions and reasonable and supportable forecasts prior to being applied to the current balance of the analyzed pools. Adjustments to the historical loss rate for current conditions include differences in underwriting standards, portfolio mix, delinquency level, or term, as well as for changes in environmental conditions, such as changes in property values or other relevant factors. A one-year forecast adjustment to the historical loss rate is based on a forecast of the U.S. national unemployment rate, which has shown a relatively strong historical correlation to the Bank's loan losses. For the CRE loan pool, a one-year forecast of CRE vacancy rates within the Company's footprint was introduced into the Company's CECL model during the third quarter of 2020 due to pandemic-driven changes in culture, including increased and prolonged work-from-home practices. Subsequent to one-year forecasts, loss rates are assumed to immediately revert back to long-term historical averages.

Loans that do not share risk characteristics are evaluated on an individual basis, with the Company choosing to individually evaluate all TDRs. Loans evaluated individually are not also included in the pooled evaluation. When management determines that a loan is collateral dependent and foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs if appropriate.

Determining Expected Loan Lives: Expected credit losses are estimated over the contractual loan term, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a TDR will be executed with an individual borrower, or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

See Footnote 4 "Loans and Allowance for Credit Losses" in this section of the filing for additional discussion regarding the Company's ACLL.

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. The Company measures the ACLL for TDRs individually using either a discounted cash flow method or the collateral method, if the TDR is collateral dependent. TDRs whose ACLL is measured using a discounted cash flow method use the original pre-modification interest rate on the loan for discounting.

Performing loans receiving a COVID-19 accommodation are not classified as TDRs.

- *For additional discussion regarding loans accommodated due to COVID-19, see Footnote 4 "Loans and Allowance for Credit Losses" in this section of the filing.*

Transfers of Financial Assets — Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Other Real Estate Owned — Assets acquired through loan foreclosures are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. The Bank's selling costs for OREO typically range from 10-13% of each property's fair value, depending on property class. Fair value is commonly based on recent real estate appraisals or broker price opinions. Operating costs after acquisition are expensed.

Appraisals for both collateral-dependent loans and OREO 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. Appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Once the appraisal is received, a member of the Bank's CCAD 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.

Premises and Equipment, Net — Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the related assets on the straight-line method. Estimated lives typically range from 25 to 39 years for buildings and improvements, three to ten years for furniture, fixtures and equipment and three to five years for leasehold improvements.

Right of Use Assets and Operating Lease Liabilities — For its long-term operating leases, the Company records on its balance sheet operating lease liabilities equal to the present value of the required minimum lease payments plus any amounts probable of being owed under a residual value guarantee. Offsetting these operating lease liabilities, the Company records right-of-use assets for the underlying leased property.

Regarding lease terms, the Company's assumes the remaining lease term includes the fixed noncancelable term, plus all periods for which failure to renew the lease imposes a penalty on the Company, plus all periods for which the Company is reasonably certain to exercise a lease renewal option, plus all periods for which the Company is reasonably certain not to exercise a lease termination option. In determining whether it is reasonably certain to exercise a lease renewal or termination option, the Company considers its overall strategic plan and all economic and environmental circumstances connected to the leased property.

To discount its operating lease payments and guarantees, the Company employs the interest rate curve published by the FHLB of Cincinnati for the FHLB's collateralized term borrowings; matching expected lease term to borrowing term.

The Company does not place short-term leases on its balance sheet. Short-term leases have a lease term of 12 months or less and do not include a purchase option that the Company is reasonably certain to exercise.

Federal Home Loan Bank Stock — The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security and annually evaluated for impairment. Because this stock is viewed as a long-term investment, impairment is based on ultimate recovery of par value. Both cash and stock dividends are recorded as interest income.

Bank Owned Life Insurance — The Bank maintains BOLI policies on certain employees. BOLI is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. The Bank recognizes tax-free income from the periodic increases in cash surrender value of these policies and from death benefits in noninterest income. Credit ratings for the Bank's BOLI carriers are reviewed at least annually.

Goodwill and Other Intangible Assets — Goodwill resulting from business acquisitions represents the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase combination and determined to have an indefinite useful life are not amortized, but tested annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed.

The Company has selected September 30th as the date to perform its annual goodwill impairment test. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on the Bank's balance sheet.

All goodwill is attributable to the Company's Traditional Banking segment and is not expected to be deductible for tax purposes. Based on its assessment, the Company believes its goodwill of $16 million at December 31, 2020 and 2019 was not impaired and is properly recorded in the consolidated financial.

Off Balance Sheet Financial Instruments — Financial instruments include off-balance sheet credit instruments, such as commitments to fund loans and standby letters of credit. The face amount for these items represents the exposure to loss, before considering client collateral or ability to repay. Such financial instruments are recorded upon funding. Instruments such as standby letters of credit are considered financial guarantees and are recorded at fair value.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures — The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Company. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The likelihood that funding will occur is based on the historical usage rate of such commitments.

For a listing of off-balance sheet credit exposures the Company generally considers for an ACLC, see Footnote 13 "Off Balance Sheet Risks, Commitments And Contingent Liabilities" in this section of the filing.

The ACLC is recorded as a component of other liabilities on the Company's balance sheet. Any provision for the ACLC is recorded on the Company's income statement as a component of other noninterest expense.

Derivatives —Derivatives are reported at fair value in other assets or other liabilities. The Company's derivatives include interest rate swap agreements. For asset/liability management purposes, the Bank uses interest rate swap agreements to hedge the exposure or to modify the interest rate characteristic of certain immediately repricing liabilities.

The accounting for changes in the fair value of a derivative depends on whether it has been designated and qualifies as part of a hedging relationship. For a derivative designated as a cash flow hedge, the effective portion of the derivative's unrealized gain or loss is recorded as a component of other comprehensive income (loss). For derivatives not designated as hedges, the gain or loss is recognized in current period earnings.

Net cash settlements on interest rate swaps are recorded in interest expense and cash flows related to the swaps are classified in the cash flow statement the same as the interest expense and cash flows from the liabilities being hedged. The Bank formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking cash flow hedges to specific assets and liabilities on the balance sheet. The Bank also formally assesses, both at the hedge's inception and on an ongoing basis, whether a swap is highly effective in offsetting changes in cash flows of the hedged items. The Bank discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in cash flows of the hedged item, the derivative is settled or terminates, or treatment of the derivative as a hedge is no longer appropriate or intended.

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as noninterest income. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were accumulated in other comprehensive income are amortized into earnings over the same periods that the hedged transactions will affect earnings.

The Bank enters into interest rate swaps to facilitate client transactions and meet their financing needs. Upon entering into these instruments to meet client needs, the Bank enters into offsetting positions with dealer counterparties in order to minimize the Bank's interest rate risk. These swaps are derivatives but are not designated as hedging instruments; therefore, changes in fair value are reported in current year earnings.

Interest rate swap contracts involve the risk of dealing with counterparties and their ability to meet contractual terms. When the fair value of a derivative instrument contract is positive, this generally indicates that the counterparty or client owes the Bank and results in credit risk to the Bank. When the fair value of a derivative instrument contract is negative, the Bank owes the client or counterparty and does not have credit risk.

Stock Based Compensation — For stock options and restricted stock awards issued to employees, compensation cost is recognized based on the fair value of these awards at the date of grant. The Company utilizes a Black-Scholes model to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards. Compensation expense is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. Forfeitures of stock-based awards are accounted for when incurred in lieu of using forfeiture estimates.

Income Taxes — Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. DTAs and DTLs are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces DTAs to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more-likely-than-not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more-likely-than-not" test, no tax benefit is recorded.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Retirement Plans — 401(k) plan expense is recorded as a component of salaries and employee benefits and represents the amount of Company matching contributions. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

Earnings Per Common Share — Basic earnings per share is based on net income (in the case of Class B Common Stock, less the dividend preference on Class A Common Stock), divided by the weighted average number of shares outstanding during the period. Diluted earnings per share include the dilutive effect of additional potential Class A common shares issuable under stock options. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation. Earnings and dividends per share are restated for all stock dividends through the date of issuance of the financial statements.

Comprehensive Income — Comprehensive income consists of net income and OCI. OCI includes, net of tax, unrealized gains and losses on available-for-sale debt securities and unrealized gains and losses on cash flow hedges, which are also recognized as separate components of equity.

Loss Contingencies — Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. Management does not believe there are any outstanding matters that would have a material effect on the financial statements.

Restrictions on Cash and Cash Equivalents — Republic is required by the FRB to maintain average reserve balances. Cash and due from banks on the consolidated balance sheet included no required reserve balances at December 31, 2020 and 2019.

The Company's Captive maintains cash reserves to cover insurable claims. Reserves totaled $3 million and $3 million as of December 31, 2020 and 2019.

Equity — Stock dividends in excess of 20% are reported by transferring the par value of the stock issued from retained earnings to common stock. Stock dividends for 20% or less are reported by transferring the fair value, as of the ex-dividend date, of the stock issued from retained earnings to common stock and additional paid in capital. Fractional share amounts are paid in cash with a reduction in retained earnings.

Dividend Restrictions — Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to Republic or by Republic to shareholders.

Fair Value of Financial Instruments — Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Footnote 15 "*Fair Value*" in this section of the filing. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Revenue from Contracts with Customers - The Company's services that fall within the scope of ASC 606, *Revenue from Contracts with Customers*, are presented within noninterest income and are recognized as revenue as the Company satisfies its obligation to its client. The Company expenses as-incurred incremental costs of obtaining a contract when the amortization period of those costs would be less than one year.

Segment Information — Reportable segments represent parts of the Company evaluated by management with separate financial information. Republic's internal information is primarily reported and evaluated in five reportable segments – Traditional Banking, Warehouse, Mortgage Banking, TRS and RCS.

Reclassifications — Certain amounts presented in prior periods have been reclassified to conform to the current period presentation. These reclassifications had no impact on previously reported prior periods' net income or shareholders' equity.

Recently Adopted Accounting Standards

Effective January 1, 2020, the Company adopted ASC 326 *Financial Instruments – Credit Losses,* which replaces the pre-January 1, 2020 "probable-incurred" method for calculating the Company's ACL with the CECL method. CECL is applicable to financial assets measured at amortized cost, including loan and lease receivables and HTM securities. CECL also applies to certain off-balance sheet credit exposures. In addition to CECL, ASC 326 made changes to the accounting for AFS debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on AFS debt securities that the Company does not intend or will likely not be compelled to sell.

The Company adopted ASC 326 primarily using the modified retrospective method for its financial instruments and off-balance sheet credit exposures. Results for periods beginning after December 31, 2019 are presented under CECL while prior-period amounts are presented under previously applicable GAAP.

The Company adopted ASC 326 using the prospective transition approach for debt securities for which OTTI had been recognized prior to January 1, 2020. As a result, the amortized cost basis remained the same before and after the effective date of CECL. The effective interest rate on these debt securities was not changed. Recoveries of amounts previously written off relating to improvements in cash flows after January 1, 2020 will be recorded in earnings when received.

The Company adopted ASC 326 using the prospective transition approach for PCD assets that were previously classified as PCI assets under ASC 310-30. As allowed by ASC 326, the Company did not reassess whether PCI assets met the PCD criteria as of the date of adoption. On January 1, 2020, the amortized cost basis of PCD assets was adjusted to reflect the addition of $1.4 million of ACLL formerly classified under previous GAAP as a non-accretable credit discount within gross loans. The remaining noncredit discount on PCD assets will be accreted into interest income at the effective interest rate as of January 1, 2020.

The Company elected the fair value option for its RCS installment loan product in 2016. This product continues to be accounted for at fair value under CECL.

When measuring an ACL, CECL primarily differs from the probable-incurred method by: a) incorporating a lower "expected" threshold for loss recognition versus a higher "probable" threshold; b) requiring life-of-loan considerations; and c) requiring reasonable and supportable forecasts.

In accordance with the adoption of ASC 326 and CECL, the Company recorded on January 1, 2020 a $6.7 million, or 16%, increase in the ACLL for its loans, a $51,000 ACLS for its investment debt securities, and a $456,000 ACLC for its off-balance sheet credit exposures. Of the $6.7 million increase in ACLL, approximately $1.4 million was a gross-up reclassification of non-accretable discount on previously-PCI, now-PCD, loans as mentioned above, and the remaining $5.3 million was a difference in ACL between CECL and the probable-incurred method. The Company also made a cumulative effect entry of $4.3 million to reduce its opening balance of retained earnings upon adoption of ASC 326, with no impact on 2020 earnings for these adoption entries. The adoption date increase in ACLL for the Company's loans primarily reflects additional ACLL for longer duration loan portfolios, such as the Company's residential real estate and consumer loan portfolios. No additional segmentation of the Bank's loan portfolios was deemed necessary upon adoption.

The following table illustrates the impact of ASC 326 adoption:

(in thousands)	Allowance for Credit Losses as of January 1, 2020		
	As Reported Under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Assets:			
Allowance for credit losses on debt securities:			
AFS debt securities - Corporate bonds	$ —	$ —	$ —
HTM debt securities - Corporate bond	51	—	51
Allowance for credit losses on debt securities	$ 51	$ —	$ 51
Allowance for credit losses on loans:			
Traditional Banking:			
Residential real estate:			
Owner occupied	$ 8,928	$ 4,729	$ 4,199
Nonowner occupied	1,885	1,737	148
Commercial real estate	10,759	10,486	273
Construction & land development	3,599	2,152	1,447
Commercial & industrial	1,564	2,882	(1,318)
Lease financing receivables	147	147	—
Aircraft	176	176	—
Home equity	4,373	2,721	1,652
Consumer:			
Credit cards	1,053	1,020	33
Overdrafts	1,169	1,169	—
Automobile loans	605	612	(7)
Other consumer	681	374	307
Total Traditional Banking	34,939	28,205	6,734
Warehouse lines of credit	1,794	1,794	—
Total Core Banking	36,733	29,999	6,734
Republic Processing Group:			
Tax Refund Solutions:			
Easy Advances	—	—	—
Other TRS loans	234	234	—
Republic Credit Solutions	13,118	13,118	—
Total Republic Processing Group	13,352	13,352	—
Allowance for credit losses on loans	$ 50,085	$ 43,351	$ 6,734
Liabilities:			
Allowance for credit losses on OBS credit exposures	$ 456	$ —	$ 456

The following ASUs were also adopted by the Company during the year ended December 31, 2020:

ASU. No.	Topic	Nature of Update	Date Adopted	Method of Adoption	Financial Statement Impact
2017-04	Intangibles - Goodwill and Other (Topic 350)	This ASU simplifies goodwill impairment testing by eliminating Step 2 from the goodwill impairment test. The ASU also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.	January 1, 2020	Prospectively	Immaterial
2020-04	Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting	This ASU provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. The ASU is intended to help during the global market-wide reference rate transition period; therefore, it will be in effect for a limited time through December 31, 2022.	March 12, 2020	Prospectively	This ASU is expected to assist in the Company's transition away from LIBOR as a reference rate.

Accounting Standards Updates

The following ASUs were issued prior to December 31, 2020 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 included below.

ASU. No.	Topic	Nature of Update	Date Adoption Required	Adoption Method	Expected Financial Impact
2020-09	Debt (Topic 470) Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762	This ASU amends and supersedes various SEC paragraphs to reflect SEC Release No. 33-10762, which includes amendments to the financial disclosure requirements applicable to registered debt offerings that include credit enhancements, such as subsidiary guarantees. These SEC changes are intended to both improve the quality of disclosure and increase the likelihood that issuers will conduct debt offerings on a registered basis.	January 4, 2021	Prospectively	Immaterial
2020-10	Codification Improvements	This ASU affects a wide variety of Topics in the Codification. More specifically, this ASU, among other things, contains amendments that improve the consistency of the Codification by including all disclosure guidance in the appropriate Disclosure Section (Section 50). Many of the amendments arose because the FASB provided an option to give certain information either on the face of the financial statements or in the notes to financial statements and that option only was included in the Other Presentation Matters Section (Section 45) of the Codification. The option to disclose information in the notes to financial statements should have been codified in the Disclosure Section as well as the Other Presentation Matters Section (or other Section of the Codification in which the option to disclose in the notes to financial statements appears). Those amendments are not expected to change current practice.	January 1, 2021	Prospectively	Immaterial
2020-11	Financial Services-Insurance (Topic 944): Effective Date and Early Application	This ASU allows the delayed adoption date of ASU No. 2018-12 and allows insurance companies to restate only one previous period, rather than two, if they choose to early adopt improvements to the accounting for long duration contracts.	January 1, 2021	Prospectively	Immaterial
2021-01	Reference Rate Reform (Topic 848): Scope	This ASU clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. The ASU also amends the expedients and exceptions in Topic 848 to capture the incremental consequences of the scope clarification and to tailor the existing guidance to derivative instruments affected by the discounting transition.	January 7, 2021	Prospectively, with some retrospective elections available	Immaterial

2. INVESTMENT SECURITIES

Available-for-Sale Debt Securities

The following tables summarize the amortized cost, fair value, and ACLS of AFS debt securities and the corresponding amounts of related gross unrealized gains and losses recognized in AOCI:

December 31, 2020 (in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Allowance for Credit Losses**	**Fair Value**
U.S. Treasury securities and U.S. Government agencies	**$ 245,204**	**$ 1,730**	**$ (25)**	**$ —**	**$ 246,909**
Private label mortgage backed security	**1,707**	**1,250**	**—**	**—**	**2,957**
Mortgage backed securities - residential	**203,786**	**7,419**	**(3)**	**—**	**211,202**
Collateralized mortgage obligations	**48,190**	**772**	**(10)**	**—**	**48,952**
Corporate bonds	**10,000**	**43**	**—**	**—**	**10,043**
Trust preferred security	**3,631**	**169**	**—**	**—**	**3,800**
Total available-for-sale debt securities	**$ 512,518**	**$ 11,383**	**$ (38)**	**$ —**	**$ 523,863**

December 31, 2019 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$ 134,765	$ 59	$ (184)	NA	$ 134,640
Private label mortgage backed security	2,210	1,285	—	NA	3,495
Mortgage backed securities - residential	253,288	2,916	(357)	NA	255,847
Collateralized mortgage obligations	63,284	258	(171)	NA	63,371
Corporate bonds	10,000	2	—	NA	10,002
Trust preferred security	3,575	425	—	NA	4,000
Total available-for-sale debt securities	$ 467,122	$ 4,945	$ (712)	NA	$ 471,355

Held-to-Maturity Debt Securities

The following tables summarize the amortized cost, fair value, and ACLS of HTM debt securities and the corresponding amounts of related gross unrecognized gains and losses:

December 31, 2020 (in thousands)	**Carrying Value**	**Gross Unrecognized Gains**	**Gross Unrecognized Losses**	**Fair Value**	**Allowance for Credit Losses**
Mortgage backed securities - residential	**$ 99**	**$ 5**	**$ —**	**$ 104**	**$ —**
Collateralized mortgage obligations	**13,061**	**176**	**—**	**13,237**	**—**
Corporate bonds	**39,986**	**499**	**—**	**40,485**	**(178)**
Obligations of state and political subdivisions	**356**	**8**	**—**	**364**	**—**
Total held-to-maturity debt securities	**$ 53,502**	**$ 688**	**$ —**	**$ 54,190**	**$ (178)**

December 31, 2019 (in thousands)	Carrying Value	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value	Allowance for Credit Losses
Mortgage backed securities - residential	$ 104	$ 6	$ —	$ 110	NA
Collateralized mortgage obligations	16,970	94	(21)	17,043	NA
Corporate bonds	44,995	544	—	45,539	NA
Obligations of state and political subdivisions	462	2	—	464	NA
Total held-to-maturity debt securities	$ 62,531	$ 646	$ (21)	$ 63,156	NA

Sales of Available-for-Sale Debt Securities

During 2020, 2019, and 2018 there were no sales of AFS debt securities.

Debt Securities by Contractual Maturity

The following table presents the amortized cost and fair value of debt securities by contractual maturity at December 31, 2020. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or early termination penalties. Securities not due at a single maturity date are detailed separately.

December 31, 2020 (in thousands)	Available-for-Sale Debt Securities Amortized Cost	Available-for-Sale Debt Securities Fair Value	Held-to-Maturity Debt Securities Carrying Value	Held-to-Maturity Debt Securities Fair Value
Due in one year or less	$ 14,943	$ 15,118	$ 110	$ 111
Due from one year to five years	240,261	241,834	35,277	35,708
Due from five years to ten years	—	—	4,955	5,030
Due beyond ten years	3,631	3,800	—	—
Private label mortgage backed security	1,707	2,957	—	—
Mortgage backed securities - residential	203,786	211,202	99	104
Collateralized mortgage obligations	48,190	48,952	13,061	13,237
Total debt securities	$ 512,518	$ 523,863	$ 53,502	$ 54,190

Unrealized-Loss Analysis on Debt Securities

The following table summarizes AFS debt securities in an unrealized loss position for which an ACLS had not been recorded at December 31, 2020, aggregated by investment category and length of time in a continuous unrealized loss position:

December 31, 2020 (in thousands)	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	12 months or more Fair Value	12 months or more Unrealized Losses	Total Fair Value	Total Unrealized Losses
Available-for-sale debt securities:						
U.S. Treasury securities and U.S. Government agencies	$ 59,971	$ (25)	$ —	$ —	$ 59,971	$ (25)
Mortgage backed securities - residential	1,068	(3)	—	—	1,068	(3)
Collateralized mortgage obligations	2,788	(10)	—	—	2,788	(10)
Total available-for-sale debt securities	$ 63,827	$ (38)	$ —	$ —	$ 63,827	$ (38)

Debt securities with unrealized losses at December 31, 2019, aggregated by investment category and length of time in a continuous unrealized loss position, were as follows:

December 31, 2019 (in thousands)	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	12 months or more Fair Value	12 months or more Unrealized Losses	Total Fair Value	Total Unrealized Losses
Available-for-sale debt securities:						
U.S. Treasury securities and U.S. Government agencies	$ 40,165	$ (176)	$ 14,992	$ (8)	$ 55,157	$ (184)
Mortgage backed securities - residential	65,630	(269)	16,633	(88)	82,263	(357)
Collateralized mortgage obligations	12,444	(36)	10,738	(135)	23,182	(171)
Total available-for-sale debt securities	$ 118,239	$ (481)	$ 42,363	$ (231)	$ 160,602	$ (712)

December 31, 2019 (in thousands)	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	12 months or more Fair Value	12 months or more Unrealized Losses	Total Fair Value	Total Unrealized Losses
Held-to-maturity debt securities:						
Collateralized mortgage obligations	$ 4	$ (2)	$ 4,827	$ (19)	$ 4,831	$ (21)
Total held-to-maturity debt securities:	$ 4	$ (2)	$ 4,827	$ (19)	$ 4,831	$ (21)

At December 31, 2020, the Bank's portfolio consisted of 173 securities, 19 of which were in an unrealized loss position.

At December 31, 2019, the Bank's portfolio consisted of 173 securities, 34 of which were in an unrealized loss position.

At December 31, 2020 and 2019, 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.

Mortgage Backed Securities and Collateralized Mortgage Obligations

At December 31, 2020, with the exception of the $3.0 million private label mortgage backed security, all other mortgage backed securities and CMOs held by the Bank were issued by U.S. government-sponsored entities and agencies, primarily the FHLMC and FNMA. At December 31, 2020 and 2019, there were gross unrealized losses of $13,000 and $528,000 related to AFS 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 OTTI.

Trust Preferred Security

During the fourth quarter of 2015, the Parent Company purchased a $3 million floating rate trust preferred security at a price of 68% of its $5 million par value. The coupon on this security is based on the 3-month 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.

Private Label Mortgage Backed Security

The Bank owns one private label mortgage backed security with a total carrying value of $3.0 million as of December 31, 2020. 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 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 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 in this section of the filing under Footnote 15 "Fair Value."

The following table presents a rollforward of the Bank's private label mortgage backed security credit losses recognized in earnings:

Years Ended December 31, (in thousands)	**2020**	2019	2018
Balance, beginning of period	**$ 1,462**	$ 1,613	$ 1,765
Recovery of losses previously recorded	**—**	(151)	(152)
Balance, end of period	**$ 1,462**	$ 1,462	$ 1,613

Further deterioration in economic conditions could cause the Bank to record an additional impairment charge related to credit losses of up to $1.7 million, which is the current gross amortized cost of the Bank's remaining private label mortgage backed security.

Rollforward of the Allowance for Credit Losses on Debt Securities

The tables below present a rollforward for 2020 of the ACLS on AFS and HTM debt securities:

	ACLS Rollforward Year Ended December 31, 2020					
(in thousands)	**Beginning Balance**	**ASC 326 Adoption**	**Provision**	**Charge-offs**	**Recoveries**	**Ending Balance**
Available-for-Sale Securities:						
Corporate Bonds	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Held-to-Maturity Securities:						
Corporate Bonds	**—**	**51**	**127**	**—**	**—**	**178**
Total	**$ —**	**$ 51**	**$ 127**	**$ —**	**$ —**	**$ 178**

The Company increased the ACLS on its HTM corporate bonds during 2020 based on increasing PD and LGD estimates on these bonds resulting from economic concerns from the COVID-19 pandemic.

There were no HTM debt securities on nonaccrual or past due over 89 days as of December 31, 2020. All of the Company's HTM corporate bonds were rated investment grade as of December 31, 2020.

There were no HTM debt securities considered collateral dependent as of December 31, 2020.

Pledged Debt Securities

Debt 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:

December 31, (in thousands)	**2020**	2019
Carrying amount	**$ 303,535**	$ 229,700
Fair value	**303,611**	229,706

Equity Securities

The following tables present the carrying value, gross unrealized gains and losses, and fair value of equity securities with readily determinable fair values:

December 31, 2020 (in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Freddie Mac preferred stock	**$ —**	**$ 560**	**$ —**	**$ 560**
Community Reinvestment Act mutual fund	**2,500**	**23**	**—**	**2,523**
Total equity securities with readily determinable fair values	**$ 2,500**	**$ 583**	**$ —**	**$ 3,083**

December 31, 2019 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Freddie Mac preferred stock	$ —	$ 714	$ —	$ 714
Community Reinvestment Act mutual fund	2,500	—	(26)	2,474
Total equity securities with readily determinable fair values	$ 2,500	$ 714	$ (26)	$ 3,188

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:

	Gains (Losses) Recognized on Equity Securities					
	Year Ended December 31, 2020			Year Ended December 31, 2019		
(in thousands)	**Realized**	**Unrealized**	**Total**	Realized	Unrealized	Total
Freddie Mac preferred stock	**$ —**	**$ (154)**	**$ (154)**	$ —	$ 304	$ 304
Community Reinvestment Act mutual fund	**—**	**49**	**49**	—	78	78
Total equity securities with readily determinable fair value	**$ —**	**$ (105)**	**$ (105)**	$ —	$ 382	$ 382

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 16 "Mortgage Banking Activities" of this section of the filing.

Consumer Loans Held for Sale, at Fair Value

In December 2019, the Bank began offering RCS installment loans with terms ranging from 12 to 60 months to borrowers in multiple states. Balances originated under this RCS installment loan program are carried as "held for sale" on the Bank's balance sheet, with the intent to sell generally within sixteen days following the Bank's origination of the loans. Loans originated under this RCS installment loan program are carried at fair value under a fair-value option, with the portfolio marked to market monthly.

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

Years Ended December 31, (in thousands)	**2020**	2019	2018
Balance, beginning of period	**$ 598**	$ —	$ —
Origination of consumer loans held for sale	**58,833**	598	—
Proceeds from the sale of consumer loans held for sale	**(57,814)**	—	—
Net gain on sale of consumer loans held for sale	**1,681**	—	—
Balance, end of period	**$ 3,298**	$ 598	$ —

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

RCS originates for sale 90% of the balances from its line-of-credit product and a portion of its healthcare receivables product. Ordinary gains or losses on the sale of these 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:

Years Ended December 31, (in thousands)	**2020**	2019	2018
Balance, beginning of period	**$ 11,646**	$ 12,838	$ 8,551
Origination of consumer loans held for sale	**460,040**	709,768	761,491
Loans transferred to held for investment	**—**	—	1,392
Proceeds from the sale of consumer loans held for sale	**(473,507)**	(716,062)	(764,929)
Net gain on sale of consumer loans held for sale	**3,299**	5,102	6,333
Balance, end of period	**$ 1,478**	$ 11,646	$ 12,838

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES

The composition of the loan portfolio follows:

December 31, (in thousands)	2020	2019
Traditional Banking:		
Residential real estate:		
Owner occupied	$ 879,800	$ 949,568
Nonowner occupied	264,780	258,803
Commercial real estate	1,349,085	1,303,000
Construction & land development	98,674	159,702
Commercial & industrial	325,596	465,674
Paycheck Protection Program	392,319	—
Lease financing receivables	10,130	14,040
Aircraft	101,375	70,443
Home equity	240,640	293,186
Consumer:		
Credit cards	14,196	17,836
Overdrafts	587	1,522
Automobile loans	30,300	52,923
Other consumer	8,167	9,234
Total Traditional Banking	3,715,649	3,595,931
Warehouse lines of credit*	962,796	717,458
Total Core Banking	4,678,445	4,313,389
Republic Processing Group*:		
Tax Refund Solutions:		
Easy Advances	—	—
Other TRS loans	23,765	14,365
Republic Credit Solutions	110,893	105,397
Total Republic Processing Group	134,658	119,762
Total loans**	4,813,103	4,433,151
Allowance for credit losses	(61,067)	(43,351)
Total loans, net	$ 4,752,036	$ 4,389,800

**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 December 31, 2020 and 2019:

December 31, (in thousands)	2020	2019
Contractually receivable	$ 4,821,062	$ 4,432,351
Unearned income	(708)	(1,139)
Unamortized premiums	216	366
Unaccreted discounts	(988)	(2,534)
PPP net unamortized deferred origination fees and costs	(8,564)	—
Other net unamortized deferred origination fees and costs	2,085	4,107
Carrying value of loans	$ 4,813,103	$ 4,433,151

Paycheck Protection Program

The CARES Act was enacted in March 2020 and provided for the SBA's PPP, which allowed the Bank to lend to its qualifying small business clients to assist them in their efforts to meet their cash-flow needs during the COVID-19 pandemic. PPP loans are fully backed by the SBA and may be entirely forgiven if the loan client uses loan funds for qualifying reasons. As of December 31, 2020, the Bank had a recorded investment in PPP loans of $392 million, which includes $401 million of originated balances less $9 million of unaccreted net deferred origination fees. To provide liquidity to banks administering the SBA's PPP, the FRB created the PPPLF, a lending facility secured by the PPP loans of the participating banks. As of December 31, 2020, the Bank had no outstanding borrowings from the FRB under the PPPLF.

Credit Quality Indicators

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

- For new and renewed C&I, CRE and C&D loans, the Bank's CCAD assigns the credit quality grade to the loan.

- Commercial loan officers are responsible for monitoring their respective loan portfolios and reporting any adverse material changes to senior management. When circumstances warrant a review and possible change in the credit quality grade, loan officers are required to notify the Bank's CCAD.

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

- Monthly, members of senior management along with managers of Commercial Lending, CCAD, Accounting, Special Assets and Retail Collections attend a Special Asset Committee meeting. The SAC reviews C&I and CRE loans graded Special Mention or worse or loans potentially subject to downgrade into these classifications and discusses the relative trends and current status of these assets. In addition, the SAC reviews all classified and potentially classified residential real estate and home equity loans. SAC also reviews the actions taken by management regarding credit-quality grades, foreclosure mitigation, loan extensions, deferrals or forbearance, troubled debt restructurings, and collateral repossessions. Based on the information reviewed in this meeting, the SAC approves all specific loan loss allocations to be recognized by the Bank within the ACLL analysis.

- During 2020, members of senior management performed periodic reviews, no less than monthly, of loans whose borrowers were negatively impacted by the COVID-19 pandemic. These reviews included borrowers in industries particularly harmed by pandemic-driven restrictions, such as the hospitality industry.

- All new and renewed warehouse lines of credit are approved by the Executive Loan Committee. The CCAD assigns the initial credit quality grade to warehouse facilities. Monthly, members of senior management review warehouse lending activity including data associated with the underlying collateral to the warehouse facilities, i.e., the mortgage loans associated with the balances drawn. Key performance indicators monitored include average days outstanding for each draw, average FICO credit report score for the underlying collateral, average LTV for the underlying collateral and other factors deemed relevant.

On at least an annual basis, the Bank's internal loan review department analyzes all aggregate lending relationships with outstanding balances greater than $1 million that are internally classified as "Special Mention," "Substandard," "Doubtful" or "Loss." In addition, on an annual basis, the Bank analyzes a sample of "Pass" rated loans.

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

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

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

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

Risk Grade 4 — Satisfactory/Monitored (Pass): Loans in this category are considered to be acceptable credit quality, but contain greater credit risk than Satisfactory loans due to weak balance sheets, marginal earnings or cash flow, or other uncertainties. These loans warrant a higher than average level of monitoring to ensure that weaknesses do not advance. The level of risk in a Satisfactory/Monitored loan is within acceptable underwriting guidelines so long as the loan is given the proper level of management supervision. All revolving lines of credit will be placed in this category if a borrowing base is to be implemented as a condition of approval for the loan. Lastly, a start-up business venture will receive this rating due to the lack of any historical financial data.

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

Purchased with Credit Deterioration Loans — Group 1: To the extent that a PCD, formerly PCI, loan's performance does not reflect an increased risk of loss of contractual principal beyond the ACLL established as part of its initial day-one evaluation, such loan would be classified in the PCD-1 category, whose credit risk is considered by management equivalent to a non-PCD "Special Mention" loan within the Bank's credit rating matrix.

Purchased with Credit Deterioration Loans — Substandard: If during the Bank's periodic evaluations of its PCD, formerly PCI, loan portfolio, management deems a PCD-1 loan to have an increased risk of loss of contractual principal beyond the ACLL established as part of its initial day-one evaluation, such loan would be classified PCD-Sub within the Bank's credit risk matrix. Management deems the risk of default and overall credit risk of a PCD-Sub loan to be greater than a PCD-1 loan and more analogous to a non-PCD "Substandard" loan within the Bank's credit rating matrix.

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

- Loans that possess a defined credit weakness. The likelihood that a loan will be paid from the primary source of repayment is uncertain. Financial deterioration is under way and very close attention is warranted to ensure that the loan is collected without loss.
- Loans are inadequately protected by the current net worth and paying capacity of the obligor.
- The primary source of repayment is gone, and the Bank is forced to rely on a secondary source of repayment, such as collateral liquidation or guarantees.
- Loans have a distinct possibility that the Bank will sustain some loss if deficiencies are not corrected.
- Unusual courses of action are needed to maintain a high probability of repayment.
- The borrower is not generating enough cash flow to repay loan principal, however, it continues to make interest payments.
- The Bank is forced into a subordinated or unsecured position due to flaws in documentation.
- The Bank is seriously contemplating foreclosure or legal action due to the apparent deterioration in the loan.
- There is significant deterioration in market conditions to which the borrower is highly vulnerable.

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

- Loans have all of the weaknesses of those classified as Substandard. However, based on existing conditions, these weaknesses make full collection of principal highly improbable.
- The primary source of repayment is gone, and there is considerable doubt as to the quality of the secondary source of repayment.
- The possibility of loss is high but because of certain important pending factors, which may strengthen the loan, loss classification is deferred until the exact status of repayment is known.

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

For all real estate and consumer loans, including small-dollar RPG loans, which do not meet the scope above, the Bank uses a grading system based on delinquency and nonaccrual status. Loans that are 90 days or more past due or on nonaccrual are graded Substandard. Occasionally, a real estate loan below scope may be graded as "Special Mention" or "Substandard" if the loan is cross-collateralized with a classified C&I or CRE loan.

Amid the COVID-19 pandemic the Bank has granted loan deferral and forbearance relief to many retail mortgage loans. As loans under such relief will generally not reflect slow pay, retail mortgage clients requesting loan deferral and forbearance relief beyond six consecutive months may be scrutinized and adversely classified. Mortgage loans adversely classified following prolonged deferral or forbearance relief will be monitored for at least six consecutive months before qualifying to exit adverse classification.

Purchased loans are accounted for as any other Bank-originated loan, potentially becoming nonaccrual, as well as being risk rated under the Bank's standard practices and procedures. In addition, these loans are considered in the determination of the ACLL once day-one fair values are final.

Management separately monitors PCD, formerly PCI, loans and no less than quarterly reviews them against the factors and assumptions used in determining day-one fair values. In addition to its quarterly evaluation, a PCD loan is typically reviewed when it is modified or extended, or when information becomes available to the Bank that provides additional insight regarding the loan's performance, the status of the borrower, or the quality or value of the underlying collateral.

If a troubled debt restructuring is performed on a PCD loan, the loan is transferred out of the PCD population. The loan may require an additional Provision if its restructured cash flows are less than management's initial day-one expectations. PCD loans for which the Bank simply chooses to extend the maturity date are generally not considered TDRs and remain in the PCD population.

The following tables include loans by segment and risk category. As of December 31, 2020, for non-revolving loans originated after 2017, loans are also classified by origination year. Loan extensions and renewals are generally considered originated in the year extended or renewed unless the loan is classified as a TDR. Loan extensions and renewals classified as TDRs generally receive no change in origination date upon extension or renewal.

(in thousands)	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	
As of December 31, 2020	2020	2019	2018	2017	Prior			Total
Residential real estate owner occupied:								
Risk Rating								
Pass or not rated	$ 268,313	$ 132,018	$ 82,754	$ 67,430	$ 301,366	$ —	$ —	$ 851,881
Special Mention	—	364	42	1,610	8,730	—	—	10,746
Substandard	394	1,423	1,331	614	13,411	—	—	17,173
Doubtful	—	—	—	—	—	—	—	—
Total	$ 268,707	$ 133,805	$ 84,127	$ 69,654	$ 323,507	$ —	$ —	$ 879,800
Residential real estate nonowner occupied:								
Risk Rating								
Pass or not rated	$ 73,291	$ 63,102	$ 43,610	$ 45,759	$ 38,316	$ —	$ 621	$ 264,699
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	81	—	—	81
Doubtful	—	—	—	—	—	—	—	—
Total	$ 73,291	$ 63,102	$ 43,610	$ 45,759	$ 38,397	$ —	$ 621	$ 264,780
Commercial real estate:								
Risk Rating								
Pass or not rated	$ 315,550	$ 258,251	$ 166,542	$ 171,207	$ 315,336	$ —	$ 55,949	$ 1,282,835
Special Mention	3,397	30,969	236	11,355	9,659	—	—	55,616
Substandard	2,596	349	—	987	3,899	—	2,803	10,634
Doubtful	—	—	—	—	—	—	—	—
Total	$ 321,543	$ 289,569	$ 166,778	$ 183,549	$ 328,894	$ —	$ 58,752	$ 1,349,085
Construction and land development:								
Risk Rating								
Pass or not rated	$ 53,972	$ 31,756	$ 7,840	$ 701	$ 1,964	$ —	$ —	$ 96,233
Special Mention	—	2,397	—	—	—	—	—	2,397
Substandard	—	44	—	—	—	—	—	44
Doubtful	—	—	—	—	—	—	—	—
Total	$ 53,972	$ 34,197	$ 7,840	$ 701	$ 1,964	$ —	$ —	$ 98,674
Commercial and industrial:								
Risk Rating								
Pass or not rated	$ 105,985	$ 84,575	$ 33,391	$ 32,303	$ 46,697	$ —	$ 1,040	$ 303,991
Special Mention	18,195	800	—	—	2,215	—	—	21,210
Substandard	383	12	—	—	—	—	—	395
Doubtful	—	—	—	—	—	—	—	—
Total	$ 124,563	$ 85,387	$ 33,391	$ 32,303	$ 48,912	$ —	$ 1,040	$ 325,596
Paycheck Protection Program:								
Risk Rating								
Pass or not rated	$ 392,319	$ —	$ —	$ —	$ —	$ —	$ —	$ 392,319
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ 392,319	$ —	$ —	$ —	$ —	$ —	$ —	$ 392,319
Lease financing receivables:								
Risk Rating								
Pass or not rated	$ 1,117	$ 3,663	$ 1,814	$ 2,847	$ 689	$ —	$ —	$ 10,130
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ 1,117	$ 3,663	$ 1,814	$ 2,847	$ 689	$ —	$ —	$ 10,130
Aircraft:								
Risk Rating								
Pass or not rated	$ 55,823	$ 30,529	$ 13,804	$ 1,219	$ —	$ —	$ —	$ 101,375
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ 55,823	$ 30,529	$ 13,804	$ 1,219	$ —	$ —	$ —	$ 101,375
Home equity:								
Risk Rating								
Pass or not rated	$ —	$ —	$ —	$ —	$ —	$ 237,633	$ —	$ 237,633
Special Mention	—	—	—	—	—	127	—	127
Substandard	—	—	—	—	—	2,880	—	2,880
Doubtful	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ 240,640	$ —	$ 240,640

(in thousands) As of December 31, 2020	Term Loans Amortized Cost Basis by Origination Year (Continued) 2020	2019	2018	2017	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Consumer:								
Risk Rating								
Pass or not rated	$ 425	$ 13,636	$ 8,563	$ 7,125	$ 8,648	$ 14,321	$ —	$ 52,718
Special Mention	—	—	—	—	5	—	—	5
Substandard	—	32	49	229	212	5	—	527
Doubtful	—	—	—	—	—	—	—	—
Total	$ 425	$ 13,668	$ 8,612	$ 7,354	$ 8,865	$ 14,326	$ —	$ 53,250
Warehouse:								
Risk Rating								
Pass or not rated	$ —	$ —	$ —	$ —	$ —	$ 962,796	$ —	$ 962,796
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ 962,796	$ —	$ 962,796
TRS:								
Risk Rating								
Pass or not rated	$ —	$ —	$ —	$ —	$ —	$ 23,765	$ —	$ 23,765
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ 23,765	$ —	$ 23,765
RCS:								
Risk Rating								
Pass or not rated	$ 27,683	$ 5,704	$ 2,485	$ 1,232	$ 19,095	$ 54,348	$ —	$ 110,547
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	346	—	346
Doubtful	—	—	—	—	—	—	—	—
Total	$ 27,683	$ 5,704	$ 2,485	$ 1,232	$ 19,095	$ 54,694	$ —	$ 110,893
Grand Total:								
Risk Rating								
Pass or not rated	$ 1,294,478	$ 623,234	$ 360,803	$ 329,823	$ 732,111	$ 1,292,863	$ 57,610	$ 4,690,922
Special Mention	21,592	34,530	278	12,965	20,609	127	—	90,101
Substandard	3,373	1,860	1,380	1,830	17,603	3,231	2,803	32,080
Doubtful	—	—	—	—	—	—	—	—
Grand Total	$ 1,319,443	$ 659,624	$ 362,461	$ 344,618	$ 770,323	$ 1,296,221	$ 60,413	$ 4,813,103

December 31, 2019 (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	$ —	$ 12,153	$ 14,441	$ —	$ 140	$ 1,281	$ 28,015
Nonowner occupied	—	487	1,285	—	—	—	1,772
Commercial real estate	1,286,623	4,623	11,123	—	631	—	1,303,000
Construction & land development	157,165	2,339	198	—	—	—	159,702
Commercial & industrial	461,532	2,152	1,968	—	22	—	465,674
Lease financing receivables	14,040	—	—	—	—	—	14,040
Aircraft	11,562	—	—	—	—	—	11,562
Home equity	—	—	3,276	—	4	6	3,286
Consumer:							
Credit cards	—	—	—	—	—	—	—
Overdrafts	—	—	—	—	—	—	—
Automobile loans	—	—	247	—	—	—	247
Other consumer	—	—	351	—	—	2	353
Total Traditional Banking	1,930,922	21,754	32,889	—	797	1,289	1,987,651
Warehouse lines of credit	717,458	—	—	—	—	—	717,458
Total Core Banking	2,648,380	21,754	32,889	—	797	1,289	2,705,109
Republic Processing Group:							
Tax Refund Solutions:							
Easy Advances	—	—	—	—	—	—	—
Other TRS loans	—	—	53	—	—	—	53
Republic Credit Solutions	—	—	355	—	—	—	355
Total Republic Processing Group	—	—	408	—	—	—	408
Total rated loans	$ 2,648,380	$ 21,754	$ 33,297	$ —	$ 797	$ 1,289	$ 2,705,517

** The above table excludes all non-classified residential real estate, home equity and consumer loans.*

Loans Downgraded Subsequent to December 31, 2020

The Bank downgraded an additional $15 million in CRE loans and an additional $5 million in C&I loans from Pass to Special Mention subsequent to December 31, 2020.

Subprime Lending

Both the Traditional Banking segment and the RCS segment of the Company have certain classes of loans that are considered to be "subprime" strictly due to the credit score of the borrower at the time of origination.

Traditional Bank loans considered subprime totaled approximately $52 million and $52 million at December 31, 2020 and 2019. Approximately $27 million and $23 million of the outstanding Traditional Bank subprime loan portfolio at December 31, 2020 and 2019 were originated for CRA purposes. Management does not consider these loans to possess significantly higher credit risk due to other underwriting qualifications.

The RCS segment originates a short-term line-of-credit product. The Bank has traditionally sold 90% of the balances maintained through this product within three days of loan origination and retained a 10% interest. This product is unsecured and made to borrowers with subprime or near prime credit scores. The aggregate outstanding balance held-for-investment for this portfolio totaled $18 million and $28 million at December 31, 2020 and 2019.

Allowance for Credit Losses

The following tables present the activity in the ACLL by portfolio class for the years ended December 31, 2020, 2019, and 2018:

	ACLL Rollforward Years Ended December 31,										
	2020						2019				
(in thousands)	Beginning Balance	ASC 326 Adoption	Provision	Charge-offs	Recoveries	Ending Balance	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Traditional Banking:											
Residential real estate:											
Owner occupied	$ 4,729	$ 4,199	$ 785	$ (169)	$ 171	$ 9,715	$ 6,035	$ (1,087)	$ (610)	$ 391	$ 4,729
Nonowner occupied	1,737	148	570	—	11	2,466	1,662	125	(73)	23	1,737
Commercial real estate	10,486	273	13,170	(795)	472	23,606	10,030	1,859	(1,407)	4	10,486
Construction & land development	2,152	1,447	(325)	—	—	3,274	2,555	(403)	—	—	2,152
Commercial & industrial	2,882	(1,318)	1,421	(310)	122	2,797	2,873	1,505	(1,505)	9	2,882
Paycheck Protection Program	—	—	—	—	—	—	—	—	—	—	—
Lease financing receivables	147	—	(41)	—	—	106	158	(11)	—	—	147
Aircraft	176	—	77	—	—	253	91	85	—	—	176
Home equity	2,721	1,652	516	(14)	115	4,990	3,477	(764)	(64)	72	2,721
Consumer:											
Credit cards	1,020	33	111	(295)	60	929	1,140	226	(402)	56	1,020
Overdrafts	1,169	—	79	(886)	225	587	1,102	1,155	(1,310)	222	1,169
Automobile loans	612	(7)	(176)	(60)	30	399	724	(42)	(79)	9	612
Other consumer	374	307	(57)	(240)	193	577	500	(204)	(263)	341	374
Total Traditional Banking	28,205	6,734	16,130	(2,769)	1,399	49,699	30,347	2,444	(5,713)	1,127	28,205
Warehouse lines of credit	1,794	—	613	—	—	2,407	1,172	622	—	—	1,794
Total Core Banking	29,999	6,734	16,743	(2,769)	1,399	52,106	31,519	3,066	(5,713)	1,127	29,999
Republic Processing Group:											
Tax Refund Solutions:											
Easy Advances	—	—	13,033	(19,575)	6,542	—	—	10,643	(13,425)	2,782	—
Other TRS loans	234	—	156	(234)	2	158	107	606	(692)	213	234
Republic Credit Solutions	13,118	—	1,219	(6,163)	629	8,803	13,049	11,443	(12,566)	1,192	13,118
Total Republic Processing Group	13,352	—	14,408	(25,972)	7,173	8,961	13,156	22,692	(26,683)	4,187	13,352
Total	$ 43,351	$ 6,734	$ 31,151	$ (28,741)	$ 8,572	$ 61,067	$ 44,675	$ 25,758	$ (32,396)	$ 5,314	$ 43,351

(in thousands)	ACLL Rollforward Year Ended December 31, 2018 Beginning Balance	Provision for Credit Loss	Charge-offs	Recoveries	Ending Balance
Traditional Banking:					
Residential real estate:					
Owner occupied	$ 6,474	$ 170	$ (855)	$ 246	$ 6,035
Nonowner occupied	1,396	559	(332)	39	1,662
Commercial real estate	9,043	863	(7)	131	10,030
Construction & land development	2,364	161	—	30	2,555
Commercial & industrial	2,198	824	(200)	51	2,873
Lease financing receivables	174	(16)	—	—	158
Aircraft	37	54	—	—	91
Home equity	3,754	(473)	(115)	311	3,477
Consumer:					
Credit cards	607	906	(416)	43	1,140
Overdrafts	974	1,082	(1,215)	261	1,102
Automobile loans	687	57	(24)	4	724
Other consumer	1,125	(477)	(444)	296	500
Total Traditional Banking	28,833	3,710	(3,608)	1,412	30,347
Warehouse lines of credit	1,314	(142)	—	—	1,172
Total Core Banking	30,147	3,568	(3,608)	1,412	31,519
Republic Processing Group:					
Tax Refund Solutions:					
Easy Advances	—	10,760	(12,478)	1,718	—
Other TRS loans	12	159	(74)	10	107
Republic Credit Solutions	12,610	16,881	(17,692)	1,250	13,049
Total Republic Processing Group	12,622	27,800	(30,244)	2,978	13,156
Total	$ 42,769	$ 31,368	$ (33,852)	$ 4,390	$ 44,675

The cumulative loss rate used as the basis for the estimate of ACLL at December 31, 2020 was primarily based on a static pool analysis of each of the Company's loan pools using the Company's loss experience from 2013 through 2020, adjusted for current and forecasted conditions that consider the economic impact of the COVID-19 pandemic and the public's response to it.

The Company's primary forecasting tool throughout 2020 was the U.S. national employment rate. At March 31, 2020 and June 30, 2020, the Company forecasted national unemployment in the one-year horizon above 8%, which was either at or above the levels of unemployment experienced within the Company's historical analysis periods or considered within its current-conditions qualitative factors. These forecasted unemployment levels from March and June of 2020 led the Company to increase its ACLL through June 30, 2020. In contrast, the U.S. unemployment rate fell from 11.1% in June 2020 to 6.7% in December 2020 and was forecasted to fall below 5% in the one-year horizon. As losses consistent with unemployment above 8% have yet to materialize since they were first forecasted back in March 2020, the Company believes its loan losses in the current environment are lagging historical correlations by as much as one year due to economic relief granted by the Company and the U.S. government thus far. As such, the Company did not relieve any forecast-based ACLL previously established during 2020 but reclassified this ACLL from a forecast-based ACLL to a current-conditions based ACLL, as the Company still expects its loan losses to rise to levels consistent with a U.S. unemployment rate above 8%. After this expected rise, the Company assumes that its loan losses will immediately revert back to long-term historical averages.

Along with its forecasted unemployment considerations, the Company made the following pandemic-related considerations within its ACLL during 2020:

- The Company accommodated deferral and forbearance requests for approximately 20% of its Traditional Bank loan portfolio due to COVID-19 hardship and increased its ACLL for the higher risk of loss on this accommodated portfolio.
- The Company increased its ACLL for the higher risk of loss for industries more directly impacted by the pandemic, such as the hospitality industry.
- For its CRE loan pool, the Company used forecasted vacancy rates on CRE within its market footprint. Vacancy rates as of December 2020 were forecasted to increase in the one-year horizon partially due to a rise in "work-from-home" culture.

Nonperforming Loans and Nonperforming Assets

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

December 31, (dollars in thousands)	**2020**	2019
Loans on nonaccrual status*	**$ 23,548**	$ 23,332
Loans past due 90-days-or-more and still on accrual**	**47**	157
Total nonperforming loans	**23,595**	23,489
Other real estate owned	**2,499**	113
Total nonperforming assets	**$ 26,094**	$ 23,602
Credit Quality Ratios - Total Company:		
Nonperforming loans to total loans	**0.49 %**	0.53 %
Nonperforming assets to total loans (including OREO)	**0.54**	0.53
Nonperforming assets to total assets	**0.42**	0.42
Credit Quality Ratios - Core Bank:		
Nonperforming loans to total loans	**0.50 %**	0.54 %
Nonperforming assets to total loans (including OREO)	**0.56**	0.54
Nonperforming assets to total assets	**0.45**	0.43

**Loans on nonaccrual status include collateral-dependent loans.*
***Loans past due 90-days-or-more and still accruing consist of smaller balance consumer loans.*

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:

December 31, (in thousands)	Nonaccrual 2020	Nonaccrual 2019	Past Due 90-Days-or-More and Still Accruing Interest* 2020	Past Due 90-Days-or-More and Still Accruing Interest* 2019
Traditional Banking:				
Residential real estate:				
Owner occupied	**$ 14,328**	$ 12,220	**$ —**	$ —
Nonowner occupied	**81**	623	**—**	—
Commercial real estate	**6,762**	6,865	**—**	—
Construction & land development	**—**	143	**—**	—
Commercial & industrial	**55**	1,424	**—**	—
Paycheck Protection Program		—	**—**	
Lease financing receivables	**—**	—	**—**	—
Aircraft		—	**—**	
Home equity	**2,141**	1,865	**—**	—
Consumer:				
Credit cards	**—**	—	**5**	—
Overdrafts	**—**	—	**—**	—
Automobile loans	**170**	179	**—**	—
Other consumer	**11**	13	**—**	—
Total Traditional Banking	**23,548**	23,332	**5**	—
Warehouse lines of credit	**—**	—	**—**	—
Total Core Banking	**23,548**	23,332	**5**	—
Republic Processing Group:				
Tax Refund Solutions:				
Easy Advances	**—**	—	**—**	—
Other TRS loans	**—**	—	**—**	53
Republic Credit Solutions	**—**	—	**42**	104
Total Republic Processing Group	**—**	—	**42**	157
Total	**$ 23,548**	$ 23,332	**$ 47**	$ 157

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

(in thousands)	As of December 31, 2020 Nonaccrual Loans with ACLL	As of December 31, 2020 Nonaccrual Loans without ACLL	As of December 31, 2020 Total Nonaccrual Loans	Year Ended December 31, 2020 Interest Income Recognized on Nonaccrual Loans*
Residential real estate:				
Owner occupied	**$ 1,995**	**$ 12,333**	**$ 14,328**	**$ 824**
Nonowner occupied	**8**	**73**	**81**	**11**
Commercial real estate	**576**	**6,186**	**6,762**	**857**
Construction & land development	—	—	—	—
Commercial & industrial	—	**55**	**55**	**17**
Paycheck Protection Program	—	—	—	—
Lease financing receivables	—	—	—	—
Aircraft	—	—	—	—
Home equity	**91**	**2,050**	**2,141**	**94**
Consumer	**69**	**112**	**181**	**13**
Total	**$ 2,739**	**$ 20,809**	**$ 23,548**	**$ 1,816**

** Includes interest income for loans on nonaccrual loans as of the beginning of the period that were paid off during the period.*

Nonaccrual loans and loans past due 90-days-or-more and still on accrual include both smaller balance, primarily retail, homogeneous 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. 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.

Delinquent Loans

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

December 31, 2020 (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	$ 1,038	$ 668	$ 1,554	$ 3,260	$ 876,540	$ 879,800
Nonowner occupied	—	—	—	—	264,780	264,780
Commercial real estate	—	348	5,109	5,457	1,343,628	1,349,085
Construction & land development	—	—	—	—	98,674	98,674
Commercial & industrial	—	—	12	12	325,584	325,596
Paycheck Protection Program	—	—	—	—	392,319	392,319
Lease financing receivables	—	—	—	—	10,130	10,130
Aircraft	—	—	—	—	101,375	101,375
Home equity	93	14	595	702	239,938	240,640
Consumer:						
Credit cards	33	35	5	73	14,123	14,196
Overdrafts	140	5	2	147	440	587
Automobile loans	42	—	14	56	30,244	30,300
Other consumer	6	—	—	6	8,161	8,167
Total Traditional Banking	1,352	1,070	7,291	9,713	3,705,936	3,715,649
Warehouse lines of credit	—	—	—	—	962,796	962,796
Total Core Banking	1,352	1,070	7,291	9,713	4,668,732	4,678,445
Republic Processing Group:						
Tax Refund Solutions:						
Easy Advances	—	—	—	—	—	—
Other TRS loans	—	—	—	—	23,765	23,765
Republic Credit Solutions	6,572	3,620	42	10,234	100,659	110,893
Total Republic Processing Group	6,572	3,620	42	10,234	124,424	134,658
Total	$ 7,924	$ 4,690	$ 7,333	$ 19,947	$ 4,793,156	$ 4,813,103
Delinquency ratio***	0.16 %	0.10 %	0.15 %	0.41 %		

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

December 31, 2019 (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	$ 1,460	$ 1,153	$ 1,821	$ 4,434	$ 945,134	$ 949,568
Nonowner occupied	—	—	539	539	258,264	258,803
Commercial real estate	155	—	3,145	3,300	1,299,700	1,303,000
Construction & land development	—	—	—	—	159,702	159,702
Commercial & industrial	200	128	1,027	1,355	464,319	465,674
Lease financing receivables	—	—	—	—	14,040	14,040
Aircraft	—	—	—	—	70,443	70,443
Home equity	1,810	166	942	2,918	290,268	293,186
Consumer:						
Credit cards	80	75	—	155	17,681	17,836
Overdrafts	278	4	1	283	1,239	1,522
Automobile loans	16	15	18	49	52,874	52,923
Other consumer	2	6	1	9	9,225	9,234
Total Traditional Banking	4,001	1,547	7,494	13,042	3,582,889	3,595,931
Warehouse lines of credit	—	—	—	—	717,458	717,458
Total Core Banking	4,001	1,547	7,494	13,042	4,300,347	4,313,389
Republic Processing Group:						
Tax Refund Solutions:						
Easy Advances	—	—	—	—	—	—
Other TRS loans	35	31	53	119	14,246	14,365
Republic Credit Solutions	6,054	1,485	104	7,643	97,754	105,397
Total Republic Processing Group	6,089	1,516	157	7,762	112,000	119,762
Total	$ 10,090	$ 3,063	$ 7,651	$ 20,804	$ 4,412,347	$ 4,433,151
Delinquency ratio***	0.23 %	0.07 %	0.17 %	0.47 %		

**All loans past due 90 days-or-more, excluding small-dollar 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 divided by total loans.*

Collateral-Dependent Loans

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2020:

December 31, 2020 (dollars in thousands)	**Secured by Real Estate**	**Secured by Personal Property**
Traditional Banking:		
Residential real estate:		
Owner occupied	**$ 17,212**	**$ —**
Nonowner occupied	**81**	**—**
Commercial real estate	**10,205**	**—**
Construction & land development	**—**	**—**
Commercial & industrial	**—**	**12**
Paycheck Protection Program	**—**	**—**
Lease financing receivables	**—**	**—**
Aircraft	**—**	**—**
Home equity	**2,899**	**—**
Consumer	**—**	**237**
Total Traditional Banking	**$ 30,397**	**$ 249**

Collateral-dependent loans are generally secured by real estate or personal property. If there is insufficient collateral value to secure the Company's recorded investment in these loans, they are charged down to collateral value less estimated selling cost, when selling costs are applicable. Selling costs range from 10%-13%, with those percentages based on annual studies performed by the Company.

Impaired Loans

Information regarding the Bank's impaired loans follows:

Years Ended December 31, (in thousands)	**2020**	2019	2018
Loans with no allocated ACLL	**$ —**	$ 33,061	$ 19,555
Loans with allocated ACLL	**—**	17,289	21,880
Total recorded investment in impaired loans	**$ —**	$ 50,350	$ 41,435
Amount of ACLL allocated	**$ —**	$ 2,512	$ 3,764
Average of individually impaired loans during the year	**—**	45,400	45,620
Interest income recognized during impairment	**2,739**	1,342	1,245
Cash basis interest income recognized	**—**	—	—

The following tables present the balance in the ACLL and the recorded investment in loans by portfolio class based on impairment method as of December 31, 2019:

December 31, 2019 (dollars in thousands)	Allowance for Credit Losses on Loans: Individually Evaluated Excluding PCI	Allowance for Credit Losses on Loans: Collectively Evaluated	Allowance for Credit Losses on Loans: PCI with Post-Acquisition Impairment	Total ACLL	Loans: Individually Evaluated Excluding PCI	Loans: Collectively Evaluated	Loans: PCI with Post-Acquisition Impairment	Loans: PCI without Post-Acquisition Impairment	Total Loans	ACLL to Total Loans
Traditional Banking:										
Residential real estate:										
Owner occupied	$ 1,207	$ 3,337	$ 185	$ 4,729	$ 25,384	$ 922,764	$ 1,420	$ —	$ 949,568	0.50 %
Nonowner occupied	—	1,737	—	1,737	1,448	257,355	—	—	258,803	0.67
Commercial real estate	426	10,054	6	10,486	15,144	1,287,225	631	—	1,303,000	0.80
Construction & land development	—	2,152	—	2,152	198	159,504	—	—	159,702	1.35
Commercial & industrial	22	2,860	—	2,882	1,989	463,663	—	22	465,674	0.62
Lease financing receivables	—	147	—	147	—	14,040	—	—	14,040	1.05
Aircraft	—	176	—	176	—	70,443	—	—	70,443	0.25
Home equity	174	2,547	—	2,721	3,276	289,900	10	—	293,186	0.93
Consumer:										
Credit cards	—	1,020	—	1,020	—	17,836	—	—	17,836	5.72
Overdrafts	—	1,169	—	1,169	—	1,522	—	—	1,522	76.81
Automobile loans	43	569	—	612	247	52,676	—	—	52,923	1.16
Other consumer	333	41	—	374	350	8,881	2	1	9,234	4.05
Total Traditional Banking	2,205	25,809	191	28,205	48,036	3,545,809	2,063	23	3,595,931	0.78
Warehouse lines of credit	—	1,794	—	1,794	—	717,458	—	—	717,458	0.25
Total Core Banking	2,205	27,603	191	29,999	48,036	4,263,267	2,063	23	4,313,389	0.70
Republic Processing Group:										
Tax Refund Solutions:										
Easy Advances	—	—	—	—	—	—	—	—	—	—
Other TRS loans	—	234	—	234	—	14,365	—	—	14,365	1.63
Republic Credit Solutions	116	13,002	—	13,118	251	105,146	—	—	105,397	12.45
Total Republic Processing Group	116	13,236	—	13,352	251	119,511	—	—	119,762	11.15
Total	$ 2,321	$ 40,839	$ 191	$ 43,351	$ 48,287	$ 4,382,778	$ 2,063	$ 23	$ 4,433,151	0.98 %

The following tables present loans individually evaluated for impairment by class of loans as of December 31, 2019, and 2018. 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 December 31, 2019			Year Ended December 31, 2019		
(in thousands)	Unpaid Principal Balance	Recorded Investment	Allocated ACLL	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income Recognized
Impaired loans with no allocated ACLL:						
Residential real estate:						
Owner occupied	$ 14,768	$ 13,893	$ —	$ 12,655	$ 191	$ —
Nonowner occupied	1,515	1,448	—	1,425	57	—
Commercial real estate	15,028	12,547	—	7,514	298	—
Construction & land development	198	198	—	65	2	—
Commercial & industrial	3,308	1,792	—	913	35	—
Lease financing receivables	—	—	—	—	—	—
Aircraft	—	—	—	—	—	—
Home equity	3,107	3,023	—	2,140	75	—
Consumer	206	160	—	76	4	—
Impaired loans with allocated ACLL:						
Residential real estate:						
Owner occupied	12,954	12,911	1,392	13,824	502	—
Nonowner occupied	—	—	—	108	—	—
Commercial real estate	3,228	3,228	432	3,624	151	—
Construction & land development	—	—	—	30	—	—
Commercial & industrial	197	197	22	2,054	3	—
Lease financing receivables	—	—	—	—	—	—
Aircraft	—	—	—	—	—	—
Home equity	263	263	174	417	8	—
Consumer	701	690	492	555	16	—
Total impaired loans	$ 55,473	$ 50,350	$ 2,512	$ 45,400	$ 1,342	$ —

	As of December 31, 2018			Year Ended December 31, 2018		
(in thousands)	Unpaid Principal Balance	Recorded Investment	Allocated ACLL	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income Recognized
Impaired loans with no allocated ACLL:						
Residential real estate:						
Owner occupied	$ 12,058	$ 11,085	$ —	$ 11,202	$ 198	$ —
Non owner occupied	2,729	2,350	—	2,561	87	—
Commercial real estate	5,688	4,607	—	5,040	151	—
Construction & land development	—	—	—	119	—	—
Commercial & industrial	712	604	—	755	3	—
Lease financing receivables	—	—	—	—	—	—
Aircraft	—	—	—	—	—	—
Home equity	919	876	—	682	17	—
Consumer	33	33	—	49	2	—
Impaired loans with allocated ACLL:						
Residential real estate:						
Owner occupied	16,215	15,802	2,433	17,754	528	—
Non owner occupied	78	56	4	136	—	—
Commercial real estate	4,416	4,416	303	5,495	206	—
Construction & land development	65	65	4	113	3	—
Commercial & industrial	416	416	130	158	19	—
Lease financing receivables	—	—	—	—	—	—
Aircraft	—	—	—	—	—	—
Home equity	572	571	360	925	9	—
Consumer	554	554	530	631	22	—
Total impaired loans	$ 44,455	$ 41,435	$ 3,764	$ 45,620	$ 1,245	$ —

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.

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 December 31, 2020 and 2019, $7 million and $10 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**	
December 31, 2020 (dollars in thousands)	**Number of Loans**	**Recorded Investment**	**Number of Loans**	**Recorded Investment**	**Number of Loans**	**Recorded Investment**
Residential real estate	**61**	**$ 4,189**	**123**	**$ 11,041**	**184**	**$ 15,230**
Commercial real estate	**2**	**2,509**	**5**	**2,395**	**7**	**4,904**
Construction & land development	**—**	**—**	**1**	**44**	**1**	**44**
Commercial & industrial	**—**	**—**	**1**	**1**	**1**	**1**
Consumer	**1**	**14**	**2,194**	**585**	**2,195**	**599**
Total troubled debt restructurings	**64**	**$ 6,712**	**2,324**	**$ 14,066**	**2,388**	**$ 20,778**

	Troubled Debt Restructurings on Nonaccrual Status		Troubled Debt Restructurings on Accrual Status		Total Troubled Debt Restructurings	
December 31, 2019 (dollars in thousands)	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate	53	$ 4,402	141	$ 15,368	194	$ 19,770
Commercial real estate	4	4,040	9	4,885	13	8,925
Construction & land development	—	—	1	54	1	54
Commercial & industrial	4	1,424	3	22	7	1,446
Consumer	—	—	1,613	586	1,613	586
Total troubled debt restructurings	61	$ 9,866	1,767	$ 20,915	1,828	$ 30,781

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 December 31, 2020 and 2019 follows:

December 31, 2020 (dollars in thousands)	**Troubled Debt Restructurings Performing to Modified Terms**		**Troubled Debt Restructurings Not Performing to Modified Terms**		**Total Troubled Debt Restructurings**	
	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**	**$ 826**	**—**	**$ —**	**1**	**$ 826**
Rate reduction	**101**	**9,526**	**6**	**370**	**107**	**9,896**
Principal deferral	**9**	**858**	**2**	**166**	**11**	**1,024**
Legal modification	**58**	**3,068**	**7**	**416**	**65**	**3,484**
Total residential TDRs	**169**	**14,278**	**15**	**952**	**184**	**15,230**
Commercial related and construction/land development loans:						
Interest only payments	**1**	**488**	**—**	**—**	**1**	**488**
Rate reduction	**2**	**1,046**	**1**	**45**	**3**	**1,091**
Principal deferral	**4**	**906**	**1**	**2,464**	**5**	**3,370**
Total commercial TDRs	**7**	**2,440**	**2**	**2,509**	**9**	**4,949**
Consumer loans:						
Principal deferral	**2,193**	**578**	**—**	**—**	**2,193**	**578**
Legal modification	**2**	**21**	**—**	**—**	**2**	**21**
Total consumer TDRs	**2,195**	**599**	**—**	**—**	**2,195**	**599**
Total troubled debt restructurings	**2,371**	**$ 17,317**	**17**	**$ 3,461**	**2,388**	**$ 20,778**

December 31, 2019 (dollars in thousands)	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
	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	$ 904	—	$ —	1	$ 904
Rate reduction	118	13,847	5	352	123	14,199
Principal deferral	8	845	2	179	10	1,024
Legal modification	54	3,200	6	443	60	3,643
Total residential TDRs	181	18,796	13	974	194	19,770
Commercial related and construction/land development loans:						
Interest only payments	3	1,568	—	—	3	1,568
Rate reduction	3	1,207	1	45	4	1,252
Principal deferral	11	5,981	1	597	12	6,578
Legal modification	—	—	2	1,027	2	1,027
Total commercial TDRs	17	8,756	4	1,669	21	10,425
Consumer loans:						
Principal deferral	1,612	577	—	—	1,612	577
Legal modification	1	9	—	—	1	9
Total consumer TDRs	1,613	586	—	—	1,613	586
Total troubled debt restructurings	1,811	$ 28,138	17	$ 2,643	1,828	$ 30,781

As of December 31, 2020 and 2019, 83% and 91% of the Bank’s TDR balances were performing according to their modified terms. The Bank had provided $1 million and $2 million of specific reserve allocations to clients whose loan terms have been modified in

TDRs as of December 31, 2020 and 2019. The Bank had no commitments to lend any additional material amounts to its existing TDR relationships at December 31, 2020 and 2019.

A summary of the categories of TDR loan modifications and respective performance as of December 31, 2020, 2019, and 2018 that were modified during the years ended December 31, 2020, 2019, and 2018 follows:

	Troubled Debt Restructurings Performing to Modified Terms		**Troubled Debt Restructurings Not Performing to Modified Terms**		**Total Troubled Debt Restructurings**	
December 31, 2020 (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):						
Principal deferral	**2**	**$ 53**	**1**	**$ 3**	**3**	**$ 56**
Legal modification	**15**	**701**	**3**	**131**	**18**	**$ 832**
Total residential TDRs	**17**	**754**	**4**	**134**	**21**	**888**
Commercial related and construction/land development loans:						
Principal deferral	**2**	**133**	**—**	**—**	**2**	**133**
Total commercial TDRs	**2**	**133**	**—**	**—**	**2**	**133**
Consumer loans:						
Principal deferral	**486**	**71**	**—**	**—**	**486**	**71**
Legal modification	**1**	**14**	**—**	**—**	**1**	**14**
Total consumer TDRs	**487**	**85**	**—**	**—**	**487**	**85**
Total troubled debt restructurings	**506**	**$ 972**	**4**	**$ 134**	**510**	**$ 1,106**

	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
December 31, 2019 (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):						
Rate reduction	1	$ 365	—	$ —	1	$ 365
Principal deferral	—	—	—	—	—	—
Legal modification	26	1,958	5	417	31	2,375
Total residential TDRs	27	2,323	5	417	32	2,740
Commercial related and construction/land development loans:						
Interest only payments	2	1,423	—	—	2	1,423
Principal deferral	4	3,199	—	—	4	3,199
Legal modification	—	—	2	1,027	2	1,027
Total commercial TDRs	6	4,622	2	1,027	8	5,649
Consumer loans:						
Principal deferral	1,279	201	—	—	1,279	201
Legal modification	1	9	—	—	1	9
Total consumer TDRs	1,280	210	—	—	1,280	210
Total troubled debt restructurings	1,313	$ 7,155	7	$ 1,444	1,320	$ 8,599

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

December 31, 2018 (dollars in thousands)	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
	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	$ 970	1	$ 970
Rate reduction	2	465	—	—	2	465
Principal deferral	3	43	3	1,849	6	1,892
Legal modification	7	121	1	18	8	139
Total residential TDRs	12	629	5	2,837	17	3,466
Commercial related and construction/land development loans:						
Principal deferral	6	1,402	—	—	6	1,402
Legal modification	—	—	1	28	1	28
Total commercial TDRs	6	1,402	1	28	7	1,430
Consumer loans:						
Principal deferral	1	52	—	—	1	52
Total consumer TDRs	1	52	—	—	1	52
Total troubled debt restructurings	19	$ 2,083	6	$ 2,865	25	$ 4,948

The table above is inclusive of loans that were TDRs at the end of previous years and were re-modified, e.g., a maturity date extension during the current year.

As of December 31, 2020, 2019, and 2018, 88%, 83% and 42% of the Bank's TDR balances that occurred during the years ended December 31, 2020, 2019, and 2018 were performing according to their modified terms. The Bank provided approximately $48,000, $220,000 and $472,000 in specific reserve allocations to clients whose loan terms were modified in TDRs during 2020, 2019 and 2018.

There was no significant change between the pre and post modification loan balances at December 31, 2020, 2019, and 2018.

The following tables present loans by class modified as troubled debt restructurings within the previous 12 months of December 31, 2020, 2019, and 2018 and for which there was a payment default during 2020, 2019, and 2018:

(dollars in thousands)	Years Ended December 31,					
	2020		2019		2018	
	Number of Loans	**Recorded Investment**	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Residential real estate:						
Owner occupied	**5**	**$ 218**	4	$ 248	6	$ 2,920
Commercial real estate	—	—	1	541	1	28
Commercial & industrial	—	—	2	1,027	—	—
Home equity	**2**	**32**	—	—	—	—
Consumer	—	—	1,279	201	—	—
Total	**7**	**$ 250**	1,286	$ 2,017	7	$ 2,948

COVID-19 Loan Accommodations

The CARES Act provided several forms of economic relief designed to defray the impact of COVID-19. In April 2020, through its own independent relief efforts and CARES Act provisions, the Company began offering loan accommodations through deferrals and forbearances. These accommodations were generally under three-month terms for commercial clients, with residential and consumer accommodations in line with prevailing regulatory and legal parameters. Loans that received an accommodation were generally not considered troubled debt restructurings by the Company if such loans were not greater than 30 days past due as of December 31, 2019.

During 2020 the Company accommodated $808 million, or approximately 20% of its Traditional Bank loan portfolio due to pandemic-driven hardship. At December 31, 2020, $14 million, or 2% of those previously accommodated balances remained under an accommodation.

Foreclosures

The following table presents the carrying amount of foreclosed properties held at December 31, 2020 and 2019 as a result of the Bank obtaining physical possession of such properties:

December 31, (in thousands)	**2020**	2019
Residential real estate	**$ 496**	$ 113
Commercial real estate	**2,003**	—
Total other real estate owned	**$ 2,499**	$ 113

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 December 31, 2020 and 2019:

December 31, (in thousands)	**2020**	2019
Recorded investment in consumer residential real estate mortgage loans in the process of foreclosure	**$ 981**	$ 2,201

Easy Advances

The Company's TRS segment offered its EA product during the first two months of 2020, 2019 and 2018. During the first quarter of each year, the Company bases its estimated Provision for EAs on the current year's EA delinquency information and the prior year's tax refund payment patterns subsequent to the first quarter. Each year, all unpaid EAs are charged off by June 30th, and each quarter thereafter, any credits to the Provision for EAs matches the recovery of previously charged-off accounts.

Information regarding EAs follows:

	Years Ended December 31,		
(dollars in thousands)	**2020**	2019	2018
Easy Advances originated	**$ 387,762**	$ 388,970	$ 430,210
Net charge to the Provision for Easy Advances	**13,033**	10,643	10,760
Provision to total Easy Advances originated	**3.36 %**	2.74 %	2.50 %
Easy Advances net charge-offs	**$ 13,033**	$ 10,643	$ 10,760
Easy Advances net charge-offs to total Easy Advances originated	**3.36 %**	2.74 %	2.50 %

5. PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation of premises and equipment follows:

December 31, (in thousands)	**2020**	2019
Land	**$ 4,303**	$ 4,693
Buildings and improvements	**33,225**	33,780
Furniture, fixtures and equipment	**51,467**	48,782
Leasehold improvements	**21,921**	20,649
Construction in progress	**—**	2,232
Total premises and equipment	**110,916**	110,136
Less: Accumulated depreciation and amortization	**71,404**	63,940
Premises and equipment, net	**$ 39,512**	$ 46,196

Depreciation expense related to premises and equipment follows:

Years Ended December 31, (in thousands)	**2020**	2019	2018
Depreciation expense	**$ 9,725**	$ 9,230	$ 9,347

6. RIGHT-OF-USE ASSETS AND OPERATING LEASE LIABILITIES

Since its adoption of ASU 2016-02 on January 1, 2019, the Company has recorded as operating lease liabilities the present value of its required minimum lease payments plus any amounts probable of being owed under a residual value guarantee. Offsetting these operating lease liabilities, the Company has recorded right-of-use assets for the underlying leased property.

As of December 31, 2020, the Company was under 45 separate and distinct operating lease contracts to lease the land and/or buildings for 37 of its offices, with 14 such operating leases contracted with a related party of the Company. As of December 31, 2020, payments on 25 of the Company's operating leases were considered variable because such payments were adjustable based on periodic changes in the Consumer Price Index.

The Company executed three new third-party and one new related-party operating lease during 2020 with a total right-of-use asset value of approximately $14 million for all four leases. The largest of these four leases was a related-party lease for the Company's Corporate Center location, which had a right-of-use asset value of approximately $12 million upon lease commencement. Additionally, the Company renewed a related-party lease on one of its Louisville, Kentucky banking centers during the fourth quarter of 2020. This renewed lease commenced in January 2021 with a right-of-use asset value of $392,000.

The following table presents information concerning the Company's operating lease expense recorded as a noninterest expense within the category "Occupancy and equipment, net" for years ended December 31, 2020 and 2019:

Years Ended December 31, (in thousands)	2020	2019
Operating lease expense:		
Related Party:		
Variable lease expense	**$ 4,885**	$ 4,690
Fixed lease expense	**91**	37
Third Party:		
Variable lease expense	**786**	883
Fixed lease expense	**1,617**	1,505
Short-term lease expense	**—**	62
Total operating lease expense	**$ 7,379**	$ 7,177
Other information concerning operating leases:		
Cash paid for amounts included in the measurement of operating lease liabilities	**$ 7,254**	$ 7,175
Short-term lease payments not included in the measurement of lease liabilities	**—**	62

The following table presents the weighted average remaining term and weighted average discount rate for the Company's non-short-term operating leases as of December 31, 2020 and 2019:

December 31, (dollars in thousands)	2020	2019
Weighted average remaining term in years	**8.37**	8.02
Weighted average discount rate	**3.10 %**	3.46 %

The following table presents a maturity schedule of the Company's operating lease liabilities based on undiscounted cash flows, and a reconciliation of those undiscounted cash flows to the operating lease liabilities recognized on the Company's balance sheet as of December 31, 2020:

Year (in thousands)	Related Party	Third Party	Total
2021	$ 4,638	$ 2,422	$ 7,060
2022	4,639	2,418	7,057
2023	4,639	1,995	6,634
2024	4,512	1,463	5,975
2025	4,344	925	5,269
Thereafter	15,800	2,707	18,507
Total undiscounted cash flows	$ 38,572	$ 11,930	$ 50,502
Discount applied to cash flows	(4,781)	(1,381)	(6,162)
Total discounted cash flows reported as operating lease liabilities	$ 33,791	$ 10,549	$ 44,340

7. GOODWILL AND CORE DEPOSIT INTANGIBLE ASSETS

A progression of the balance for goodwill follows:

Years Ended December 31, (in thousands)	**2020**	2019	2018
Beginning of period	**$ 16,300**	$ 16,300	$ 16,300
Acquired goodwill	**—**	—	—
Impairment	**—**	—	—
End of period	**$ 16,300**	$ 16,300	$ 16,300

The goodwill balance relates entirely to the Company's Traditional Banking segment and Core Banking operations.

The Company adopted ASU 2017-04 on January 1, 2020, which simplified goodwill impairment testing by eliminating Step 2 from the goodwill impairment test. The ASU also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test.

Impairment exists when a reporting unit's carrying value of goodwill exceeds its fair value. At December 31, 2020 and 2019, the Company's Core Banking reporting unit had positive equity and the Company elected to perform a qualitative assessment to determine if it was more-likely-than-not that the fair value of the reporting unit exceeded its carrying value, including goodwill. The qualitative assessment indicated that it was not more-likely-than-not that the carrying value of the reporting unit exceeded its fair value.

8. INTEREST RATE SWAPS

Interest rate swap derivatives are reported at fair value in other assets or other liabilities. The accounting for changes in the fair value of a derivative depends on whether it has been designated and qualifies as part of a cash flow hedging relationship. For a derivative designated as a cash flow hedge, the effective portion of the derivative's unrealized gain or loss is recorded as a component of OCI. For derivatives not designated as hedges, the gain or loss is recognized in current period earnings.

Interest Rate Swaps Used as Cash Flow Hedges

The Bank entered into two interest rate swap agreements ("swaps") during 2013 as part of its interest rate risk management strategy. Both of these interest rate swaps matured in December 2020.

The following table reflects information about swaps designated as cash flow hedges as of December 31, 2020 and 2019:

					December 31, 2020		December 31, 2019	
(dollars in thousands)	Notional Amount	Pay Rate	Receive Rate	Term	**Assets / (Liabilities)**	**Unrealized Gain (Loss) in AOCI**	Assets / (Liabilities)	Unrealized Gain (Loss) in AOCI
Interest rate swap on money market deposits	$ 10,000	2.17 %	1M LIBOR	12/2013 - 12/2020	**$ —**	**$ —**	$ (46)	$ (34)
Interest rate swap on FHLB advance	10,000	2.33 %	3M LIBOR	12/2013 - 12/2020	**—**	**—**	(58)	(43)
Total	$ 20,000				**$ —**	**$ —**	$ (104)	$ (77)

The following table reflects the total interest expense recorded on these swap transactions in the consolidated statements of income during the years ended December 31, 2020, 2019, and 2018:

Years Ended December 31, (in thousands)	**2020**	2019	2018
Interest rate swap on money market deposits	**$ 138**	$ (10)	$ 18
Interest rate swap on FHLB advance	**143**	(10)	10
Total interest (benefit) expense on swap transactions	**$ 281**	$ (20)	$ 28

The following table presents the net gains (losses) recorded in accumulated OCI and the consolidated statements of income relating to the swaps for the years ended December 31, 2020, 2019, and 2018:

Years Ended December 31, (in thousands)	**2020**	2019	2018
Gains (losses) recognized in OCI on derivative (effective portion)	**$ (177)**	$ (199)	$ 178
Gains (losses) reclassified from OCI on derivative (effective portion)	**(281)**	20	(28)
Gains (losses) recognized in income on derivative (ineffective portion)	**—**	—	—

Non-hedge Interest Rate Swaps

The Bank enters into interest rate swaps to facilitate client transactions and meet their financing needs. Upon entering into these instruments to meet client needs, the Bank enters into offsetting positions in order to minimize the Bank's interest rate risk. These swaps are derivatives, but are not designated as hedging instruments, and therefore changes in fair value are reported in current year earnings.

Interest rate swap contracts involve the risk of dealing with counterparties and their ability to meet contractual terms. When the fair value of a derivative instrument contract is positive, this generally indicates that the counter party or client owes the Bank, and results in credit risk to the Bank. When the fair value of a derivative instrument contract is negative, the Bank owes the client or counterparty and has no credit risk.

A summary of the Bank's interest rate swaps related to clients as of December 31, 2020 and 2019 is included in the following table:

		2020		2019	
December 31, (in thousands)	Bank Position	**Notional Amount**	**Fair Value**	Notional Amount	Fair Value
Interest rate swaps with Bank clients - Assets	Pay variable/receive fixed	**$ 138,277**	**$ 12,545**	$ 95,411	$ 5,062
Interest rate swaps with Bank clients - Liabilities	Pay variable/receive fixed	**—**	**—**	6,640	(55)
Interest rate swaps with Bank clients - Total	Pay variable/receive fixed	**$ 138,277**	**$ 12,545**	$ 102,051	$ 5,007
Offsetting interest rate swaps with institutional swap dealer	Pay fixed/receive variable	**138,277**	**(12,545)**	102,051	(5,007)
Total		**$ 276,554**	**$ —**	$ 204,102	$ —

The Bank is required to pledge securities as collateral when the Bank is in a net loss position for all swaps with dealer counterparties when such net loss positions exceed $250,000. The fair value of cash or investment securities pledged as collateral by the Bank to cover such net loss positions totaled $13.3 million and $7.5 million at December 31, 2020 and 2019.

9. DEPOSITS

The composition of the deposit portfolio follows:

December 31, (in thousands)	2020	2019
Core Bank:		
Demand	**$ 1,217,263**	$ 922,972
Money market accounts	**712,824**	793,950
Savings	**236,335**	175,588
Individual retirement accounts (1)	**47,889**	51,548
Time deposits, $250 and over (1)	**83,448**	104,412
Other certificates of deposit (1)	**199,214**	248,161
Reciprocal money market and time deposits (1)	**314,109**	189,774
Brokered deposits (1)	**25,010**	200,072
Total Core Bank interest-bearing deposits	**2,836,092**	2,686,477
Total Core Bank noninterest-bearing deposits	**1,503,662**	981,164
Total Core Bank deposits	**4,339,754**	3,667,641
Republic Processing Group:		
Money market accounts	**6,673**	66,152
Total RPG interest-bearing deposits	**6,673**	66,152
Brokered prepaid card deposits	**257,856**	9,128
Other noninterest-bearing deposits	**128,898**	43,087
Total RPG noninterest-bearing deposits	**386,754**	52,215
Total RPG deposits	**393,427**	118,367
Total deposits	**$ 4,733,181**	$ 3,786,008

(1) Includes time deposits.

Time deposits at or above the FDIC insured limit of $250,000 are presented in the table below:

December 31, (in thousands)	2020	2019
Time deposits of $250 or more	**$ 83,448**	$ 104,412

At December 31, 2020, the scheduled maturities and weighted average rate of all time deposits, including brokered and reciprocal certificates of deposit, were as follows:

Years (dollars in thousands)	Principal	Weighted Average Rate
2021	$ 272,154	1.17 %
2022	48,837	1.70
2023	62,134	2.62
2024	11,390	2.19
2025	3,829	0.59
Thereafter	60	0.48
Total	$ 398,404	1.49

10. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

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 December 31, 2020 and 2019, all securities sold under agreements to repurchase had overnight maturities. Additional information regarding securities sold under agreements to repurchase follows:

December 31, (dollars in thousands)	2020	2019
Outstanding balance at end of period	$ 211,026	$ 167,617
Weighted average interest rate at end of period	0.04 %	0.32 %
Fair value of securities pledged:		
U.S. Treasury securities and U.S. Government agencies	$ 60,059	$ 70,015
Mortgage backed securities - residential	140,554	134,265
Collateralized mortgage obligations	29,656	17,030
Total securities pledged	$ 230,269	$ 221,310

Additional information regarding securities sold under agreements to repurchase for the years ended December 31, 2020, 2019 and 2018 follows:

Years Ended December 31, (dollars in thousands)	2020	2019	2018
Average outstanding balance during the period	$ 204,797	$ 236,883	$ 225,145
Average interest rate during the period	0.09 %	0.51 %	0.50 %
Maximum outstanding at any month end during the period	$ 295,698	$ 276,927	$ 260,147

11. FEDERAL HOME LOAN BANK ADVANCES

At December 31, 2020 and 2019, FHLB advances were as follows:

December 31, (in thousands)	2020	2019
Overnight advances	$ 225,000	$ 200,000
Variable interest rate advance indexed to 3-Month LIBOR plus 0.14%	—	10,000
Fixed interest rate advances	10,000	540,000
Total FHLB advances	$ 235,000	$ 750,000

Each FHLB advance is payable at its maturity date, with a prepayment penalty for fixed rate advances that are paid off earlier than maturity. The Company incurred $2.1 million early termination penalties on the payoff of $60 million in FHLB advances during 2020, with no similar penalty incurred in 2019 or 2018.

FHLB advances are collateralized by a blanket pledge of eligible real estate loans. At December 31, 2020 and 2019, Republic had available borrowing capacity of $683 million and $259 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 December 31, 2020 and 2019.

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
2021 (Overnight)	$ 225,000	0.16 %
2021 (Term)	10,000	1.89
2022	—	—
2023	—	—
2024	—	—
2025	—	—
Thereafter	—	—
Total	$ 235,000	0.23 %

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:

December 31, (dollars in thousands)	**2020**	2019
Outstanding balance at end of period	**$ 225,000**	$ 200,000
Weighted average interest rate at end of period	**0.16** %	1.63 %

Years Ended December 31, (dollars in thousands)	**2020**	2019	2018
Average outstanding balance during the period	**$ 25,546**	$ 270,992	$ 202,830
Average interest rate during the period	**0.81** %	2.43 %	1.98 %
Maximum outstanding at any month end during the period	**$ 250,000**	$ 785,000	$ 560,000

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

December 31, (in thousands)	**2020**	2019
First lien, single family residential real estate	**$ 1,048,236**	$ 1,099,941
Home equity lines of credit	**208,944**	274,990

12. SUBORDINATED NOTE

In 2005, RBCT, an unconsolidated trust subsidiary of Republic, was formed and issued $40 million in TPS. The sole asset of RBCT represents the proceeds of the offering loaned to Republic in exchange for a subordinated note with similar terms to the TPS. The TPS are treated as part of Republic's Tier I Capital.

The subordinated note and related interest expense are included in Republic's consolidated financial statements. The subordinated note paid a fixed interest rate of 6.015% through September 30, 2015 and adjusted to 3-month LIBOR + 1.42% thereafter. The subordinated note matures on December 31, 2035 and is now redeemable at the Company's option on a quarterly basis. The Company chose not to redeem the subordinated note on January 1, 2021, and carried the note at a cost of 3-month LIBOR + 1.42%, or 1.66%, at December 31, 2020.

13. OFF BALANCE SHEET RISKS, COMMITMENTS AND CONTINGENT LIABILITIES

COVID-19 Pandemic

COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. Since March 2020, to slow the spread of COVID-19, jurisdictions within the U.S. have imposed economic and social restrictions on the population in general and non-essential businesses in particular. These restrictions in combination with the public's response to them effectively suspended or curtailed economic activity for many industries across the U.S., with industries in the Company's market footprint impacted.

The future potential financial impact of the COVID-19 pandemic is still unknown at this time; however, this pandemic and the public's response to it could cause the Company to experience a material adverse impact on its business operations, asset valuations, financial condition, and results of operations. Material adverse impacts may include all or a combination of valuation impairments on the Company's intangible assets, investments, loans, MSRs, deferred tax assets, or counterparty risk derivatives.

Commitments to Extend Credit

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. 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 year ended:

December 31, (in thousands)	2020	2019
Unused warehouse lines of credit	**$ 456,004**	$ 436,541
Unused home equity lines of credit	**353,322**	363,195
Unused loan commitments - other	**775,128**	757,657
Standby letters of credit	**10,949**	11,252
FHLB letter of credit	**643**	2,485
Total commitments	**$ 1,596,046**	$ 1,571,130

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.

The following tables present a rollforward of the ACLC for year ended December 31, 2020:

(in thousands)	Beginning Balance	ASC 326 Adoption	Provision	Charge-offs	Recoveries	Ending Balance
	ACLC Rollforward Year Ended December 31, 2020					
Loan Commitments						
Unused warehouse lines of credit	$ —	$ 55	$ 24	$ —	$ —	$ 79
Unused home equity lines of credit	—	89	84	—	—	173
Unused loan commitments - other	—	312	425	—	—	737
Total	$ —	$ 456	$ 533	$ —	$ —	$ 989

The Company increased its ACLC during 2020 based on higher estimated usage rates on its unused lines and higher loss expectations on that usage. Current and forecasted economic concerns driven by the COVID-19 pandemic drove the Company's higher loss expectations.

14. STOCKHOLDERS' EQUITY AND REGULATORY CAPITAL MATTERS

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

Dividend Restrictions — The Parent Company's principal source of funds for dividend payments are dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid to the Parent Company by the Bank without prior approval of the respective states' banking regulators. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years. At December 31, 2020, the Bank could, without prior approval, declare dividends of approximately $183 million. Any payment of dividends in the future will depend, in large part, on the Company's earnings, capital requirements, financial condition, and other factors considered relevant by the Company's Board of Directors.

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

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2020 and 2019, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

For prompt corrective action, the regulations in accordance with Basel III define "well capitalized" as a 10.0% Total Risk-Based Capital ratio, a 6.5% Common Equity Tier 1 Risk-Based Capital ratio, an 8.0% Tier 1 Risk-Based Capital ratio, and a 5.0% Tier 1 Leverage ratio. Additionally, in order to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers, the Company and Bank must hold a capital conservation buffer of 2.5% composed of Common Equity Tier 1 Risk-Based Capital above their minimum risk-based capital requirements.

(dollars in thousands)	Actual Amount	Actual Ratio	Minimum Requirement for Capital Adequacy Purposes Amount	Minimum Requirement for Capital Adequacy Purposes Ratio	Minimum Requirement to be Well Capitalized Under Prompt Corrective Action Provisions Amount	Minimum Requirement to be Well Capitalized Under Prompt Corrective Action Provisions Ratio
As of December 31, 2020						
Total capital to risk-weighted assets						
Republic Bancorp, Inc.	**$ 896,053**	**18.52 %**	**$ 387,163**	**8.00 %**	**NA**	**NA**
Republic Bank & Trust Company	**796,114**	**16.46**	**386,842**	**8.00**	**$ 483,553**	**10.00 %**
Common equity tier 1 capital to risk-weighted assets						
Republic Bancorp, Inc.	**803,682**	**16.61**	**217,779**	**4.50**	**NA**	**NA**
Republic Bank & Trust Company	**743,743**	**15.38**	**217,599**	**4.50**	**314,309**	**6.50**
Tier 1 (core) capital to risk-weighted assets						
Republic Bancorp, Inc.	**843,682**	**17.43**	**290,372**	**6.00**	**NA**	**NA**
Republic Bank & Trust Company	**743,743**	**15.38**	**290,132**	**6.00**	**386,842**	**8.00**
Tier 1 leverage capital to average assets						
Republic Bancorp, Inc.	**843,682**	**13.70**	**246,385**	**4.00**	**NA**	**NA**
Republic Bank & Trust Company	**743,743**	**12.11**	**245,723**	**4.00**	**307,154**	**5.00**

(dollars in thousands)	Actual Amount	Actual Ratio	Minimum Requirement for Capital Adequacy Purposes Amount	Minimum Requirement for Capital Adequacy Purposes Ratio	Minimum Requirement to be Well Capitalized Under Prompt Corrective Action Provisions Amount	Minimum Requirement to be Well Capitalized Under Prompt Corrective Action Provisions Ratio
As of December 31, 2019						
Total capital to risk-weighted assets						
Republic Bancorp, Inc.	$ 825,987	17.01 %	$ 388,526	8.00 %	NA	NA
Republic Bank & Trust Company	723,248	14.91	388,143	8.00	$ 485,179	10.00 %
Common equity tier 1 capital to risk-weighted assets						
Republic Bancorp, Inc.	742,636	15.29	218,546	4.50	NA	NA
Republic Bank & Trust Company	679,897	14.01	218,331	4.50	315,366	6.50
Tier 1 (core) capital to risk-weighted assets						
Republic Bancorp, Inc.	782,636	16.11	291,394	6.00	NA	NA
Republic Bank & Trust Company	679,897	14.01	291,107	6.00	388,143	8.00
Tier 1 leverage capital to average assets						
Republic Bancorp, Inc.	782,636	13.93	224,799	4.00	NA	NA
Republic Bank & Trust Company	679,897	12.11	224,515	4.00	280,644	5.00

15. 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 the fair value of each type of financial instrument:

Available-for-sale debt securities: Except for the Bank's private label mortgage backed security and its TRUP investment, the fair value of AFS 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 December 31, 2020. 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 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: In December 2019, the Bank began offering RCS installment loans with terms ranging from 12 to 60 months to borrowers in multiple states. Balances originated under this RCS installment loan program are carried as "held for sale" on the Bank's balance sheet, with the intent to sell sixteen days following the Bank's origination of the loans. Loans originated under this RCS installment loan program are carried at fair value under a fair-value option, with the portfolio marked to market monthly. Fair value for these loans is based on contractual sales terms, Level 3 inputs.

Consumer loans held for investment, at fair value: The Bank held an immaterial amount of consumer loans at fair value through a consumer loan program the Company is currently unwinding. The fair value of these loans was based on the discounted cash flows of the underlying loans, Level 3 inputs. Further disclosure of these loans is considered immaterial and thus omitted.

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 dealer 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.

Collateral-dependent loans: Collateral-dependent loans generally reflect partial charge-downs to their respective fair value, which is commonly based on recent real estate appraisals or 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.

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 CCAD 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: At least quarterly, 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).

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 December 31, 2020 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	$ —	$ 246,909	$ —	$ 246,909
Private label mortgage backed security	—	—	2,957	2,957
Mortgage backed securities - residential	—	211,202	—	211,202
Collateralized mortgage obligations	—	48,952	—	48,952
Corporate bonds	—	10,043	—	10,043
Trust preferred security	—	—	3,800	3,800
Total available-for-sale debt securities	$ —	$ 517,106	$ 6,757	$ 523,863
Equity securities with readily determinable fair value:				
Freddie Mac preferred stock	$ —	$ 560	$ —	$ 560
Community Reinvestment Act mutual fund	2,523	—	—	2,523
Total equity securities with readily determinable fair value	$ 2,523	$ 560	$ —	$ 3,083
Mortgage loans held for sale	$ —	$ 46,867	$ —	$ 46,867
Consumer loans held for sale	—	—	3,298	3,298
Consumer loans held for investment	—	—	497	497
Rate lock loan commitments	—	4,540	—	4,540
Interest rate swap agreements	—	12,545	—	12,545
Financial liabilities:				
Mandatory forward contracts	$ —	$ 976	$ —	$ 976
Interest rate swap agreements	—	12,545	—	12,545

(in thousands)	Fair Value Measurements at December 31, 2019 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	$ —	$ 134,640	$ —	$ 134,640
Private label mortgage backed security	—	—	3,495	3,495
Mortgage backed securities - residential	—	255,847	—	255,847
Collateralized mortgage obligations	—	63,371	—	63,371
Corporate bonds	—	10,002	—	10,002
Trust preferred security	—	—	4,000	4,000
Total available-for-sale debt securities	$ —	$ 463,860	$ 7,495	$ 471,355
Equity securities with readily determinable fair value:				
Freddie Mac preferred stock	$ —	$ 714	$ —	$ 714
Community Reinvestment Act mutual fund	2,474	—	—	2,474
Total equity securities with readily determinable fair value	$ 2,474	$ 714	$ —	$ 3,188
Mortgage loans held for sale	$ —	$ 19,224	$ —	$ 19,224
Consumer loans held for sale		—	598	598
Consumer loans held for investment	—	—	998	998
Rate lock loan commitments	—	789	—	789
Interest rate swap agreements	—	5,062	—	5,062
Financial liabilities:				
Mandatory forward contracts	$ —	$ 131	$ —	$ 131
Interest rate swap agreements	—	5,166	—	5,166

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 years ended December 31, 2020 and 2019.

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 December 31, 2020, 2019, and 2018:

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):

Years Ended December 31, (in thousands)	**2020**	2019	2018
Balance, beginning of period	**$ 3,495**	$ 3,712	$ 4,449
Total gains or losses included in earnings:			
Net change in unrealized gain	**(35)**	(79)	(20)
Recovery of actual losses previously recorded	**—**	151	152
Principal paydowns	**(503)**	(289)	(869)
Balance, end of period	**$ 2,957**	$ 3,495	$ 3,712

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.

The following tables present quantitative information about recurring Level 3 fair value measurements at December 31, 2020 and 2019:

December 31, 2020 (dollars in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Inputs**	**Range**
Private label mortgage backed security	**$ 2,957**	**Discounted cash flow**	**(1) Constant prepayment rate**	**4.5% - 18.0%**
			(2) Probability of default	**1.8% - 9.0%**
			(3) Loss severity	**50% - 75%**

December 31, 2019 (dollars in thousands)	Fair Value	Valuation Technique	Unobservable Inputs	Range
Private label mortgage backed security	$ 3,495	Discounted cash flow	(1) Constant prepayment rate	2.3% - 5.0%
			(2) Probability of default	1.8% - 6.3%
			(3) Loss severity	50% - 75%

Trust Preferred Security

The Company invested in its TRUP in November 2015. 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 years ending December 31, 2020, 2019, and 2018:

Years Ended December 31, (in thousands)	**2020**	2019	2018
Balance, beginning of period	**$ 4,000**	$ 4,075	$ 3,600
Total gains or losses included in earnings:			
Discount accretion	**56**	42	40
Net change in unrealized gain	**(256)**	(117)	435
Balance, end of period	**$ 3,800**	$ 4,000	$ 4,075

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 loan and in accordance with Bank policy for such instruments. None of these loans were past due 90-days-or-more nor on nonaccrual as of December 31, 2020 and 2019.

As of December 31, 2020 and 2019, the aggregate fair value, contractual balance (including accrued interest), and unrealized gain was as follows:

December 31, (in thousands)	**2020**	2019
Aggregate fair value	**$ 46,867**	$ 19,224
Contractual balance	**44,781**	18,690
Unrealized gain	**2,086**	534

The total amount of gains and losses from changes in fair value of mortgage loans held for sale included in earnings for 2020, 2019, and 2018 are presented in the following table:

Years Ended December 31, (in thousands)	**2020**	2019	2018
Interest income	**$ 1,362**	$ 697	$ 402
Change in fair value	**1,552**	239	203
Total included in earnings	**$ 2,914**	$ 936	$ 605

Consumer Loans Held for Sale

RCS carries loans originated through its installment loan program at fair value. 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 December 31, 2020 and 2019.

The significant unobservable inputs in the fair value measurement of the Bank’s short-term 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:

December 31, 2020 (dollars in thousands)	**Fair Value**	**Valuation Technique**	**Unobservable Inputs**	**Rate**
Consumer loans held for sale	**$ 3,298**	**Contract Terms**	**(1) Net Premium**	**1.4%**
			(2) Discounted Sales	**5.00%**

December 31, 2019 (dollars in thousands)	Fair Value	Valuation Technique	Unobservable Inputs	Rate
Consumer loans held for sale	$ 598	Contract Terms	(1) Net Premium	1.4%
			(2) Discounted Sales	5.00%

The aggregate fair value, contractual balance, and unrealized gain on consumer loans held for sale, at fair value, were as follows:

December 31, (in thousands)	**2020**	2019
Aggregate fair value	**$ 3,298**	$ 598
Contractual balance	**3,284**	593
Unrealized gain	**14**	5

The total amount of net gains from changes in fair value included in earnings for consumer loans held for sale, at fair value, are presented in the following table:

Years Ended December 31, (in thousands)	**2020**	2019	2018
Interest income	**$ 1,808**	$ 13	$ —
Change in fair value	**9**	5	—
Total included in earnings	**$ 1,817**	$ 18	$ —

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

	Fair Value Measurements at December 31, 2020 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**
Collateral-dependent loans:				
Residential real estate:				
Owner occupied	**$ —**	**$ —**	**$ 3,860**	**$ 3,860**
Commercial real estate	**—**	**—**	**4,107**	**4,107**
Home equity	**—**	**—**	**395**	**395**
Total collateral-dependent loans*	**$ —**	**$ —**	**$ 8,362**	**$ 8,362**
Other real estate owned:				
Commercial real estate	**$ —**	**$ —**	**$ 2,003**	**$ 2,003**
Total other real estate owned	**$ —**	**$ —**	**$ 2,003**	**$ 2,003**
Mortgage servicing rights	**$ —**	**$ 3,233**	**$ —**	**$ 3,233**

	Fair Value Measurements at December 31, 2019 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	$ —	$ —	$ 3,598	$ 3,598
Nonowner occupied	—	—	14	14
Commercial real estate	—	—	3,276	3,276
Commercial & industrial	—	—	1,562	1,562
Home equity	—	—	470	470
Total impaired loans*	$ —	$ —	$ 8,920	$ 8,920

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

The following tables present quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a **non-recurring basis** at December 31, 2020 and 2019:

December 31, 2020 (dollars in thousands)		**Fair Value**	**Valuation Technique**	**Unobservable Inputs**	**Range (Weighted Average)**
Collateral-dependent loans - residential real estate owner occupied	**$**	**3,860**	**Sales comparison approach**	**Adjustments determined for differences between comparable sales**	**0% - 51% (8%)**
Collateral-dependent loans - commercial real estate	**$**	**4,107**	**Sales comparison approach**	**Adjustments determined for differences between comparable sales**	**7% - 31% (26%)**
Collateral-dependent loans - home equity	**$**	**395**	**Sales comparison approach**	**Adjustments determined for differences between comparable sales**	**2%-6% (5%)**
Other real estate owned - commercial real estate	**$**	**2,003**	**Sales comparison approach**	**Adjustments determined for differences between comparable sales**	**26% (26%)**

December 31, 2019 (dollars in thousands)		Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Impaired loans - residential real estate owner occupied	$	3,598	Sales comparison approach	Adjustments determined for differences between comparable sales	0% - 58% (12%)
Impaired loans - residential real estate nonowner occupied	$	14	Sales comparison approach	Adjustments determined for differences between comparable sales	5% (5%)
Impaired loans - commercial real estate	$	3,276	Sales comparison approach	Adjustments determined for differences between comparable sales	1% - 10% (4%)
Impaired loans - commercial & industrial	$	1,562	Income approach	Adjustments for differences between net operating income expectations	3% - 50% (37%)
Impaired loans - home equity	$	470	Sales comparison approach	Adjustments determined for differences between comparable sales	2% (2%)

Collateral Dependent/Impaired Loans

Collateral-dependent impaired loans are generally measured for loss using the fair value for reasonable disposition of the underlying collateral. The Bank's practice is to obtain new or updated appraisals or BPOs on the loans subject to the initial impairment review and then to evaluate the need for an update to this value on an as-necessary or possibly annual basis thereafter (depending on the market conditions impacting the value of the collateral). The Bank may discount the valuation amount as necessary for selling costs and past due real estate taxes. If a new or updated appraisal or BPO is not available at the time of a loan's loss review, the Bank may apply a discount to the existing value of an old valuation to reflect the property's current estimated value if it is believed to have deteriorated in either: (i) the physical or economic aspects of the subject property or (ii) material changes in market conditions. The impairment review generally results in a partial charge-off of the loan if fair value less selling costs are below the loan's carrying value. Collateral-dependent loans are valued within Level 3 of the fair value hierarchy.

Collateral-dependent/impaired loans are as follows:

December 31, (in thousands)	**2020**	2019
Carrying amount of loans measured at fair value	**$ 7,110**	$ 7,729
Estimated selling costs considered in carrying amount	**1,252**	1,193
Valuation allowance	**—**	(2)
Total fair value	**$ 8,362**	$ 8,920

Years Ended December 31, (in thousands)	**2020**	2019	2018
Provision on collateral-dependent, impaired loans	**$ 559**	$ 3,039	$ 1,629

Other Real Estate Owned

Other real estate owned, which is carried at the lower of cost or fair value, is periodically assessed for impairment based on fair value at the reporting date. Fair value is determined from external appraisals or BPOs using judgments and estimates of external professionals. Many of these inputs are not observable and, accordingly, these measurements are classified as Level 3.

Details of other real estate owned carrying value and write downs follow:

December 31, (in thousands)	2020	2019	2018
Other real estate owned carried at fair value	$ 2,003	$ —	$ —
Other real estate owned carried at cost	496	113	160
Total carrying value of other real estate owned	$ 2,499	$ 113	$ 160
Other real estate owned write-downs during the years ended	$ 105	$ —	$ —

The carrying amounts and estimated exit price fair values of financial instruments, at December 31, 2020 and 2019 follow:

		Fair Value Measurements at December 31, 2020:			
(in thousands)	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash and cash equivalents	**$ 485,587**	**$ 485,587**	**$ —**	**$ —**	**$ 485,587**
Available-for-sale debt securities	**523,863**	**—**	**517,106**	**6,757**	**523,863**
Held-to-maturity debt securities	**53,324**	**—**	**54,190**	**—**	**54,190**
Equity securities with readily determinable fair values	**3,083**	**2,523**	**560**	**—**	**3,083**
Mortgage loans held for sale, at fair value	**46,867**	**—**	**46,867**	**—**	**46,867**
Consumer loans held for sale, at fair value	**3,298**	**—**	**—**	**3,298**	**3,298**
Consumer loans held for sale, at the lower of cost or fair value	**1,478**	**—**	**—**	**1,478**	**1,478**
Loans, net	**4,752,036**	**—**	**—**	**4,749,831**	**4,749,831**
Federal Home Loan Bank stock	**17,397**	**—**	**—**	**—**	**NA**
Accrued interest receivable	**12,925**	**—**	**12,925**	**—**	**12,925**
Mortgage servicing rights	**7,095**	**—**	**8,318**	**—**	**8,318**
Rate lock loan commitments	**4,540**	**—**	**4,540**	**—**	**4,540**
Interest rate swap agreements	**12,545**	**—**	**12,545**	**—**	**12,545**
Liabilities:					
Noninterest-bearing deposits	**$ 1,890,416**	**—**	**$ 1,890,416**	**—**	**$ 1,890,416**
Transaction deposits	**2,444,361**	**—**	**2,444,361**	**—**	**2,444,361**
Time deposits	**398,404**	**—**	**404,773**	**—**	**404,773**
Securities sold under agreements to repurchase and other short-term borrowings	**211,026**	**—**	**211,026**	**—**	**211,026**
Federal Home Loan Bank advances	**235,000**	**—**	**235,009**	**—**	**235,009**
Subordinated note	**41,240**	**—**	**31,071**	**—**	**31,071**
Accrued interest payable	**342**	**—**	**342**	**—**	**342**
Mandatory forward contracts	**976**	**—**	**976**	**—**	**976**
Interest rate swap agreements	**12,545**	**—**	**12,545**	**—**	**12,545**

NA - Not applicable

(in thousands)	Carrying Value	Fair Value Measurements at December 31, 2019: Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash and cash equivalents	$ 385,303	$ 385,303	$ —	$ —	$ 385,303
Available-for-sale debt securities	471,355	—	463,860	7,495	471,355
Held-to-maturity debt securities	62,531	—	63,156	—	63,156
Equity securities with readily determinable fair values	3,188	2,474	714	—	3,188
Mortgage loans held for sale, at fair value	19,224	—	19,224	—	19,224
Consumer loans held for sale, at fair value	598	—	—	598	598
Consumer loans held for sale, at the lower of cost or fair value	11,646	—	—	11,646	11,646
Loans, net	4,389,800	—	—	4,381,396	4,381,396
Federal Home Loan Bank stock	30,831	—	—	—	NA
Accrued interest receivable	12,937	—	12,937	—	12,937
Mortgage servicing rights	5,888	—	9,068	—	9,068
Rate lock loan commitments	789	—	789	—	789
Interest rate swap agreements	5,062	—	5,062	—	5,062
Liabilities:					
Noninterest-bearing deposits	$ 1,033,379	—	$ 1,033,379	—	$ 1,033,379
Transaction deposits	2,018,687	—	2,018,687	—	2,018,687
Time deposits	733,942	—	737,733	—	737,733
Securities sold under agreements to repurchase and other short-term borrowings	167,617	—	167,617	—	167,617
Federal Home Loan Bank advances	750,000	—	749,667	—	749,667
Subordinated note	41,240	—	32,587	—	32,587
Accrued interest payable	2,802	—	2,802	—	2,802
Mandatory forward contracts	131	—	131	—	131
Interest rate swap agreements	5,166	—	5,166	—	5,166

NA - Not applicable

16. MORTGAGE BANKING ACTIVITIES

Mortgage Banking activities primarily include residential mortgage originations and servicing.

Activity for mortgage loans held for sale was as follows:

Years Ended December 31, (in thousands)	2020	2019	2018
Balance, beginning of period	**$ 19,224**	$ 8,971	$ 5,761
Origination of mortgage loans held for sale	**782,939**	356,097	176,916
Proceeds from the sale of mortgage loans held for sale	**(788,475)**	(354,660)	(177,545)
Net gain on sale of mortgage loans held for sale	**33,179**	8,816	3,839
Balance, end of period	**$ 46,867**	$ 19,224	$ 8,971

Mortgage loans serviced for others are not reported as assets. The Bank serviced loans for others, primarily the FHLMC, totaling $1.3 billion and $1.1 billion at December 31, 2020 and 2019. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and processing foreclosures. Custodial escrow account balances maintained in connection with serviced loans were approximately $20 million and $11 million at December 31, 2020 and 2019.

The following table presents the components of Mortgage Banking income:

Years Ended December 31, (in thousands)	2020	2019	2018
Net gain realized on sale of mortgage loans held for sale	**$ 28,721**	$ 8,013	$ 3,843
Net change in fair value recognized on loans held for sale	**1,552**	239	203
Net change in fair value recognized on rate lock loan commitments	**3,751**	433	46
Net change in fair value recognized on forward contracts	**(845)**	131	(253)
Net gain recognized	**33,179**	8,816	3,839
Loan servicing income	**2,924**	2,506	2,418
Amortization of mortgage servicing rights	**(3,756)**	(1,823)	(1,432)
Change in mortgage servicing rights valuation allowance	**(500)**	—	—
Net servicing income recognized	**(1,332)**	683	986
Total Mortgage Banking income	**$ 31,847**	$ 9,499	$ 4,825

Activity for capitalized mortgage servicing rights was as follows:

Years Ended December 31, (in thousands)	2020	2019	2018
Balance, beginning of period	**$ 5,888**	$ 4,919	$ 5,044
Additions	**5,463**	2,792	1,307
Amortized to expense	**(3,756)**	(1,823)	(1,432)
Change in valuation allowance	**(500)**	—	—
Balance, end of period	**$ 7,095**	$ 5,888	$ 4,919

Activity in the valuation allowance for capitalized mortgage servicing rights follows:

Years Ended December 31, (in thousands)	2020	2019	2018
Beginning valuation allowance	**$ —**	$ —	$ —
Charge during the period	**500**	—	—
Ending valuation allowance	**$ 500**	$ —	$ —

Other information relating to mortgage servicing rights follows:

December 31, (in thousands)	2020	2019
Fair value of mortgage servicing rights portfolio	**$ 8,318**	$ 9,068
Monthly weighted average prepayment rate of unpaid principal balance*	**308 %**	202 %
Discount rate	**10.00 %**	10.00 %
Weighted average foreclosure rate	**0.44 %**	0.14 %
Weighted average life in years	**4.85**	5.76

** Rates are applied to individual tranches with similar characteristics.*

Estimated future amortization expense of the MSR portfolio (net of any applicable impairment charge) follows; however, actual amortization expense will be impacted by loan payoffs and changes in estimated lives that occur during each respective year:

Year	(in thousands)
2021	$ 1,486
2022	1,474
2023	1,386
2024	1,003
2025	656
2026	448
2027	642
Total	$ 7,095

Mortgage Banking derivatives used in the ordinary course of business primarily consist of mandatory forward sales contracts and interest rate lock loan commitments. Mandatory forward contracts represent future commitments to deliver loans at a specified price and date and are used to manage interest rate risk on loan commitments and mortgage loans held for sale. Interest rate lock loan commitments represent commitments to fund loans at a specific rate. These derivatives involve underlying items, such as interest rates, and are designed to transfer risk. Substantially all of these instruments expire within 90 days from the date of issuance. Notional amounts are amounts on which calculations and payments are based, but which do not represent credit exposure, as credit exposure is limited to the amounts required to be received or paid.

Mandatory forward contracts also contain an element of risk in that the counterparties may be unable to meet the terms of such agreements. In the event the counterparties fail to deliver commitments or are unable to fulfill their obligations, the Bank could potentially incur significant additional costs by replacing the positions at then current market rates. The Bank manages its risk of exposure by limiting counterparties to those banks and institutions deemed appropriate by management and the Board of Directors. The Bank does not expect any counterparty to default on their obligations and therefore, the Bank does not expect to incur any cost related to counterparty default.

The Bank is exposed to interest rate risk on loans held for sale and rate lock loan commitments. As market interest rates fluctuate, the fair value of mortgage loans held for sale and rate lock commitments will decline or increase. To offset this interest rate risk the Bank enters into derivatives, such as mandatory forward contracts to sell loans. The fair value of these mandatory forward contracts will fluctuate as market interest rates fluctuate, and the change in the value of these instruments is expected to largely, though not entirely, offset the change in fair value of loans held for sale and rate lock commitments. The objective of this activity is to minimize the exposure to losses on rate loan lock commitments and loans held for sale due to market interest rate fluctuations. The net effect of derivatives on earnings will depend on risk management activities and a variety of other factors, including: market interest rate volatility; the amount of rate lock commitments that close; the ability to fill the forward contracts before expiration; and the time period required to close and sell loans.

The following table includes the notional amounts and fair values of mortgage loans held for sale and mortgage banking derivatives as of the period ends presented:

	2020		2019	
December 31, (in thousands)	**Notional Amount**	**Fair Value**	Notional Amount	Fair Value
Included in Mortgage loans held for sale:				
Mortgage loans held for sale, at fair value	**$ 44,781**	**$ 46,867**	$ 18,690	$ 19,224
Included in other assets:				
Rate lock loan commitments	**$ 105,395**	**$ 4,540**	$ 32,776	$ 789
Included in other liabilities:				
Mandatory forward contracts	**$ 136,236**	**$ 976**	$ 44,919	$ 131

17. STOCK PLANS AND STOCK BASED COMPENSATION

In January 2015, the Company's Board of Directors adopted the Republic Bancorp, Inc. 2015 Stock Incentive Plan (the "2015 Plan"), which replaced the 2005 Stock Incentive Plan. The number of authorized shares under the 2015 Plan is fixed at 3,000,000, with such number subject to adjustment in the event of certain events, such as stock dividends, stock splits, or the like. There is a minimum three-year vesting period for awards granted to employees under the 2015 Plan that vest based solely on the completion of a specified period of service, with options generally exercisable five to six years after the issue date. Stock options generally must be exercised within one year from the date the options become exercisable and have an exercise price that is at least equal to the fair market value of the Company's stock on their grant date.

All shares issued under the 2015 Plan were from authorized and reserved unissued shares. The Company has a sufficient number of authorized and reserved unissued shares to satisfy all anticipated option exercises. There are no Class B stock options outstanding or available for exercise under the Company's plans.

<u>Stock Options</u>

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes based stock option valuation model. This model requires the input of subjective assumptions that will usually have a significant impact on the fair value estimate. Expected volatilities are based on historical volatility of Republic's stock and other factors. Expected dividends are based on dividend trends and the market price of Republic's stock price at grant. Republic uses historical data to estimate option exercises and employee terminations within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve at the time of grant.

All share-based payments to employees, including grants of employee stock options, are recognized as compensation expense over the service period (generally the vesting period) in the consolidated financial statements based on their fair values.

The fair value of stock options granted was determined using the following weighted average assumptions as of grant date:

Years Ended December 31,	**2020**	2019	2018
Risk-free interest rate	**0.44 %**	1.85 %	3.00 %
Expected dividend yield	**3.53 %**	2.25 %	2.01 %
Expected stock price volatility	**23.71 %**	20.11 %	18.59 %
Expected life of options (in years)	**5**	5	5
Estimated fair value per share	**$ 4.06**	$ 7.12	$ 8.09

The following table summarizes stock option activity from January 1, 2019 through December 31, 2020:

	Options Class A Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2019	433,200	$ 33.50		
Granted	5,500	47.02		
Exercised	(100,600)	24.50		
Forfeited or expired	(26,650)	36.00		
Outstanding, December 31, 2019	311,450	$ 36.43	2.73	$ 3,449,454
Outstanding, January 1, 2020	**311,450**	**$ 36.43**		
Granted	**285,995**	**32.37**		
Exercised	**(64,850)**	**24.44**		
Forfeited or expired	**(26,650)**	**35.95**		
Outstanding, December 31, 2020	**505,945**	**$ 35.70**	**3.48**	**$ 1,925,343**
Unvested	**427,245**	**$ 37.75**	**4.06**	**$ 1,022,143**
Exercisable (vested) at December 31, 2020	**78,700**	**$ 24.59**	**0.34**	**$ 903,200**

Information related to the stock options during each year follows:

Years Ended December 31,	**2020**	2019	2018
Intrinsic value of options exercised	**$ 634**	$ 2,249	$ 79
Cash received from options exercised, net of shares redeemed	**210**	(191)	83

Loan balances of non-executive officer employees that were originated solely to fund stock option exercises were as follows:

December 31, (in thousands)	**2020**	2019
Outstanding loans	**$ 390**	$ 355

Restricted Stock Awards

Restricted stock awards generally vest within six years after issue, with accelerated vesting due to “change in control” or “death or disability of a participant” as defined and outlined in the 2015 Plan.

The following table summarizes restricted stock activity from January 1, 2019 through December 31, 2020:

	Restricted Stock Awards Class A Shares	Weighted-Average Grant Date Fair Value
Outstanding, January 1, 2019	51,110	$ 39.06
Granted	2,336	49.34
Forfeited	—	—
Earned and issued	(12,336)	46.63
Outstanding, December 31, 2019	41,110	$ 37.37
Outstanding, January 1, 2020	**41,110**	**$ 37.37**
Granted	**1,218**	**34.02**
Forfeited	**—**	**—**
Earned and issued	**(2,828)**	**30.77**
Outstanding, December 31, 2020	**39,500**	**$ 38.56**
Unvested	**39,500**	**$ 38.56**

The fair value of the restricted stock awards is based on the closing stock price on the date of grant with the associated expense amortized to compensation expense over the vesting period, generally five to six years.

Performance Stock Units

The Company first granted PSUs under the 2015 Plan in January 2016. Half of these PSUs were awarded in the first quarter of 2019 after the Company's Compensation Committee determined that the Company had achieved an ROA of greater than 1.25% for fiscal year 2018. The remaining PSUs were awarded during the first quarter of 2020 after the Company's Compensation Committee determined that the Company had achieved an ROA of greater than 1.25% for fiscal year 2019.

The following table summarizes PSU activity from January 1, 2019 through December 31, 2020:

	Performance Stock Units Class A Shares	Weighted-Average Grant Date Fair Value
Outstanding, January 1, 2019	46,000	$ 23.08
Granted	—	—
Forfeited	—	—
Earned and issued	(23,000)	23.08
Outstanding, December 31, 2019	23,000	$ 23.08
Outstanding, January 1, 2020	**23,000**	**$ 23.08**
Granted	**—**	**—**
Forfeited	**—**	**—**
Earned and issued	**(23,000)**	**23.08**
Outstanding, December 31, 2020	**—**	**$ —**

Expense Related to Stock Incentive Plans

The Company recorded expense related to stock incentive plans for the years ended December 31, 2020, 2019, and 2018 as follows:

Years Ended December 31, (in thousands)	2020	2019	2018
Stock option expense	**$ 463**	$ 364	$ 265
Restricted stock award expense	**396**	728	630
Performance stock unit expense	**—**	(57)	106
Total expense	**$ 859**	$ 1,035	$ 1,001

Unrecognized expenses related to unvested awards under stock incentive plans are estimated as follows:

Year (in thousands)	Stock Options	Restricted Stock Awards	Total
2021	$ 538	$ 277	$ 815
2022	501	253	754
2023	376	135	511
2024	97	40	137
2025	15	—	15
2026 and beyond	—	—	—
Total	$ 1,527	$ 705	$ 2,232

Deferred Compensation

On April 19, 2019, the shareholders of Republic approved an amendment and restatement of the Non-Employee Director and Key Employee Deferred Compensation Plan (the "Plan"). Prior to the Plan's 2019 amendment and restatement, only directors participated in the plan, with the 2019 amendment and restatement initiating key-employee participation. The Plan provides non-employee directors and designated key employees the ability to defer compensation and have those deferred amounts paid later in the form of Company Class A Common shares based on the shares that could have been acquired as the deferrals were made. The Company maintains a bookkeeping account for each director or key-employee participant, and at the end of each fiscal quarter, deferred compensation is converted to "stock units" equal to the amount of compensation deferred during the quarter divided by the quarter-end fair market value of the Company's Class A Common stock. Stock units for each participant's account are also credited with an amount equal to the cash dividends that would have been paid on the number of stock units in the account if the stock units were deemed to be outstanding shares of stock. Any dividends credited are converted into additional stock units at the end of the fiscal quarter in which the dividends were paid.

DIRECTORS

Members of the Board of Directors may defer board and committee fees from two to five years, with each director participant retaining a nonforfeitable interest in his or her deferred compensation account.

The following table presents information on director deferred compensation under the Plan for the periods presented:

	Outstanding Stock Units	Weighted-Average Market Price at Date of Deferral
Outstanding, January 1, 2019	66,144	$ 25.45
Deferred fees and dividend equivalents converted to stock units	6,397	46.76
Stock units converted to Class A Common Shares	(5,178)	23.18
Outstanding, December 31, 2019	67,363	$ 27.65
Outstanding, January 1, 2020	**67,363**	**$ 27.65**
Deferred fees and dividend equivalents converted to stock units	**13,930**	**32.20**
Stock units converted to Class A Common Shares	**(4,967)**	**44.58**
Outstanding, December 31, 2020	**76,326**	**$ 27.38**
Vested	**76,326**	**$ 27.38**

Director deferred compensation has been expensed as follows:

Years Ended December 31, (in thousands)	**2020**	2019	2018
Director deferred compensation expense	**$ 352**	$ 213	$ 214

KEY EMPLOYEES

Designated key employees may defer a portion of their base salaries on a pre-tax basis under the Plan, with the Company matching employee deferrals up to a prescribed limit. With limited exception, the Company match amount remains unvested until December 31st of the year that is five years from the beginning of the year that the Company match is made.

The following table presents information on key-employee deferred compensation under the Plan for the periods presented:

	Outstanding Stock Units	Weighted-Average Market Price at Date of Deferral
Outstanding, January 1, 2019	9,260	$ 43.09
Deferred base salaries and dividend equivalents converted to stock units	7,059	45.84
Matching stock units credited	7,059	45.84
Matching stock units forfeited	—	—
Stock units converted to Class A Common Shares	—	—
Outstanding, December 31, 2019	23,378	$ 41.75
Outstanding, January 1, 2020	**23,378**	**$ 41.75**
Deferred base salaries and dividend equivalents converted to stock units	**12,754**	**32.17**
Matching stock units credited	**12,754**	**32.17**
Matching stock units forfeited	**—**	**—**
Stock units converted to Class A Common Shares	**—**	**—**
Outstanding, December 31, 2020	**48,886**	**$ 37.37**
Vested	**32,595**	**$ 37.37**
Unvested	**16,291**	**$ 37.37**

The following presents key-employee deferred compensation expense for the period presented:

Years Ended December 31, (in thousands)	**2020**	2019	2018
Key-employee - base salary	**$ 408**	$ 319	$ 215
Key-employee - employer match	**158**	49	215
Total	**$ 566**	$ 368	$ 430

Employee Stock Purchase Plan

On April 19, 2019, the shareholders of Republic approved the ESPP. Under the ESPP, participating employees may purchase shares of the Company Class A Common Stock through payroll withholdings at a purchase price that cannot be less than 85% of the lower of the fair market value of the Company's Class A Common Stock on the first trading day of each offering period or on the last trading day of each offering period. Participating employees were able purchase the Company's Class A Common Stock through the ESPP at:

- 90% of its fair market value on the last day of the three-month offering periods ended March 31, 2019, June 30, 2019, September 30, 2019, and December 31, 2019; and
- 85% of fair market value on the last day of the three-month offering periods ended March 31, 2020, June 30, 2020, September 30, 2020, and December 31, 2020.

The following presents expense under the ESPP for the period presented:

Years Ended December 31, (in thousands)	**2020**	2019	2018
ESPP expense	**$ 94**	$ 49	$ 23

18. BENEFIT PLANS

401(k) Plan

Republic maintains a 401(k) plan for eligible employees. All eligible employees are automatically enrolled at 6% of their eligible compensation within 30 days of their date of hire unless the eligible employee elects to enroll sooner. Participants in the plan have the option to contribute from 1% to 75% of their annual eligible compensation, up to the maximum allowed by the IRS. The Company matches 100% of participant contributions up to 1% and an additional 75% for participant contributions between 2% and 5% of each participant's annual eligible compensation. Participants are fully vested after two years of employment.

Republic may also contribute discretionary matching contributions in addition to the matching contributions if the Company achieves certain operating goals. Normal and discretionary contributions for each of the periods ended were as follows:

Years Ended December 31, (in thousands)	**2020**	2019	2018
Employer matching contributions	**$ 3,205**	$ 3,185	$ 2,890
Discretionary employer bonus matching contributions	**117**	207	392

Supplemental Executive Retirement Plan

In association with its May 17, 2016 Cornerstone acquisition, the Company inherited a SERP. The SERP requires the Company to pay monthly benefits following retirement of the SERP's four participants. The Company accrues the present value of such benefits monthly. The SERP liability was approximately $2 million and $2 million at December 31, 2020 and 2019. Expense under the SERP was $34,000, $97,000 and $102,000 for the years ended December 31, 2020, 2019, and 2018.

19. INCOME TAXES

Allocation of federal income tax between current and deferred portion is as follows:

Years Ended December 31, (in thousands)	2020	2019	2018
Current expense:			
Federal	**$ 25,762**	$ 18,906	$ 10,638
State	**2,450**	1,751	1,532
Deferred expense:			
SAB 118 related discrete items	**—**	—	(2,762)
Federal	**(7,249)**	1,880	6,815
State	**(1,576)**	(1,043)	188
Total	**$ 19,387**	$ 21,494	$ 16,411

Effective tax rates differ from federal statutory rate applied to income before income taxes due to the following:

	2020	2019	2018
Federal corporate tax rate	**21.00 %**	21.00 %	21.00 %
Effect of:			
SAB 118 related discrete items*	**—**	—	(2.93)
State taxes, net of federal benefit	**1.43**	1.43	1.44
General business tax credits	**(2.01)**	(1.14)	(1.44)
Nontaxable income	**(0.75)**	(0.85)	(0.99)
Reversal of valuation allowance/establishment of net operating loss DTA	**(0.04)**	(0.74)	—
Tax benefit of vesting employee benefits	**(0.15)**	(0.42)	(0.20)
Deferred tax asset due to KY HB354	**(0.97)**	(0.20)	—
Other, net	**0.38**	(0.09)	0.53
Effective tax rate	**18.89**	18.99	17.41

**Discrete items include the impact of a cost-segregation study, a research and development tax-credit study, and a tax-accounting-method change related to the immediate recognition of loan origination costs.*

The following items provided $2.8 million in federal income tax benefits during 2018 and primarily drove the Total Company's effective tax rate for that period lower than the federal corporate tax rate of 21%:

- During the third quarter of 2018 the Company completed a cost-segregation study and assigned revised tax lives to select fixed assets resulting from a detailed engineering-based analysis. The more detailed classification of fixed assets allowed the Company a large one-time recognition of additional depreciation expense for its 2017 federal tax return at a 35% income tax rate, as opposed to the TCJA rate of 21% it previously expected to receive for these deductions in the future. The TCJA was enacted on December 22, 2017 and reduced the federal corporate tax rate from 35% to 21%, effective January 1, 2018. Tax benefits related to the cost-segregation study were primarily attributed to the Company's Traditional Banking segment.

- The Company adopted an automatic tax-accounting-method change related to loan origination costs during the third quarter of 2018, as it was preparing its 2017 federal tax return. This tax-accounting-method change related to the immediate recognition of loan origination costs for income tax purposes, as opposed to the amortization of those costs over the life of the loan. The change in tax-accounting-method resulted in a further impact from the

TCJA, as it affected the Company's 2017 federal tax return due October 15, 2018. Tax benefits related to the tax-accounting-method change were 100% attributed to the Company's Traditional Banking segment.

- The Company completed an R&D tax-credit study during the third quarter of 2018, which resulted in the recognition of R&D credits dating back to 2014. Tax benefits related to the R&D tax-credit study were attributed to the Company's Traditional Banking, TRS, and RCS segments.

The following items provided $2.8 million in federal income tax benefits during 2019 and drove the Total Company's effective tax rate for that period lower than the federal corporate tax rate of 21%:

- As a financial institution doing business in Kentucky, the Bank is subject to a capital-based Kentucky bank franchise tax and exempt from Kentucky corporate income tax. In March 2019, however, Kentucky enacted HB354, which will transition the Bank from the bank franchise tax to a corporate income tax beginning January 1, 2021. The current Kentucky corporate income tax rate is 5%. As of December 31, 2019, the Company recorded a deferred tax asset, net of the federal benefit, of $224,000 due to the enactment of HB354, with the majority of this benefit attributed to the Company's Traditional Banking segment.

- In April 2019, Kentucky enacted HB458, which allows for sharing of certain tax attributes between Republic Bancorp and the Bank, including net operating losses. Republic Bancorp had previously filed a separate company income tax return for Kentucky and generated net operating losses, for which it had maintained a valuation allowance against the related deferred tax asset. HB458 also allows for certain net operating losses to be utilized on a combined return. Republic Bancorp expects to file a consolidated return beginning in 2021 and to utilize these previously generated net operating losses. The tax benefit to reverse the valuation allowance and record the deferred tax asset for these losses is approximately $840,000 and is fully attributed to the Company's Traditional Banking segment.

- The Company recognized $480,000 in income tax benefits associated with equity compensation during 2019. Substantially all of this benefit was attributed to the Company's Traditional Banking segment.

- The Company recognized $1.3 million in income tax benefits for low-income-housing investments and R&D credits during 2019. The low-income-housing investments were attributable to the Company's Traditional Banking segment, while the R&D credits were attributed to the Traditional Banking, TRS, and RCS segments.

The following items provided $3.1 million in federal income tax benefits during 2020 and drove the Total Company's effective tax rate for that period lower than the federal corporate tax rate of 21%:

- As a financial institution doing business in Kentucky, the Bank is subject to a capital-based Kentucky bank franchise tax and exempt from Kentucky corporate income tax. In March 2019, however, Kentucky enacted HB354, which will transition the Bank from the bank franchise tax to a corporate income tax beginning January 1, 2021. The current Kentucky corporate income tax rate is 5%. In 2020, the Company recorded an additional deferred tax asset, net of the federal benefit, of $1 million due to the enactment of HB354, with the majority of this benefit attributed to the Company's Traditional Banking segment.

- The Company recognized $2.1 million in income tax benefits for low-income-housing investments and R&D credits during 2020. The low-income-housing investments were attributable to the Company's Traditional Banking segment, while the R&D credits were attributed to the Traditional Banking, TRS, and RCS segments.

Year-end DTAs and DTLs were due to the following:

December 31, (in thousands)	2020	2019
Deferred tax assets:		
Allowance for credit losses	**$ 14,999**	$ 9,672
Operating lease liabilities	**10,911**	8,186
Accrued expenses	**5,062**	3,332
Net operating loss carryforward(1)	**2,577**	2,705
Acquisition fair value adjustments	**181**	443
Other-than-temporary impairment	**448**	397
Paycheck Protection Program Fees	**2,159**	—
Fair value of cash flow hedges	**—**	26
Other	**1,655**	1,495
Total deferred tax assets	**37,992**	26,256
Deferred tax liabilities:		
Right of use assets - operating leases	**(10,667)**	(7,889)
Depreciation and amortization	**(3,612)**	(4,018)
Federal Home Loan Bank dividends	**(1,161)**	(2,667)
Deferred loan costs	**(2,235)**	(2,068)
Lease Financing Receivables	**(2,154)**	(2,245)
Mortgage servicing rights	**(1,746)**	(1,319)
Unrealized investment securities gains	**(2,836)**	(1,058)
Bargain purchase gain	**(659)**	(648)
Total deferred tax liabilities	**(25,070)**	(21,912)
Less: Valuation allowance	**—**	—
Net deferred tax asset	**$ 12,922**	$ 4,344

(1) The Company has federal and state net operating loss carryforwards (acquired in its 2016 Cornerstone acquisition) of $7.3 million (federal) and $4.5 million (state). These carryforwards begin to expire in 2030 for both federal and state purposes. The use of these federal and state carryforwards is each limited under IRC Section 382 to $722,000 annually for federal and $634,000 annually for state. The Company also has a Kentucky net operating loss carryforward of $22.4 million, which the Company expects to begin utilizing in 2021 due to the passage of Kentucky HB354 and HB458. The Company expects to file a consolidated Kentucky income tax return beginning in 2021 and to utilize these previously generated net operating losses. The Company previously maintained a valuation allowance as it did not anticipate generating taxable income in Kentucky to utilize this carryforward prior to expiration. Finally, the Company has state AMT credit carryforwards of $15,000 with no expiration date.

Unrecognized Tax Benefits

The following table shows a reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Years Ended December 31, (in thousands)	2020	2019	2018
Balance, beginning of period	**$ 1,707**	$ 1,327	$ 912
Additions based on tax related to the current period	**455**	364	306
Additions for tax positions of prior periods	**24**	55	339
Reductions for tax positions of prior periods	**(72)**	—	(34)
Reductions due to the statute of limitations	**(82)**	(39)	(196)
Settlements	**(91)**	—	—
Balance, end of period	**$ 1,941**	$ 1,707	$ 1,327

Of the 2020 total, $1.7 million represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods.

It is the Company's policy to recognize interest and penalties as a component of income tax expense related to its unrecognized tax benefits. Amounts related to interest and penalties recorded in the income statements for the years ended December 31, 2020, 2019, and 2018 and accrued on the balance sheets as of December 31, 2020, 2019, and 2018 are presented below:

Years Ended December 31, (in thousands)	2020	2019	2018
Interest and penalties recorded in the income statement as a component of income tax expense	**$ 57**	$ 173	$ 42
Interest and penalties accrued on balance sheet	**510**	514	341

The Company files income tax returns in the U.S. federal jurisdiction. The Company is no longer subject to U.S. federal income tax examinations by taxing authorities for all years prior to and including 2013.

Low Income Housing Tax Credits

The Company is a limited partner in several low-income housing partnerships whose purpose is to invest in qualified affordable housing. The Company expects to recover its remaining investments in these partnerships through the use of tax credits that are generated by the investments.

The following table summarizes information related to the Company's qualified low-income housing investments and commitments:

December 31, (in thousands)		2020		2019	
Investment	Accounting Method	**Investment**	**Unfunded Commitment**	Investment	Unfunded Commitment
Low income housing tax credit investments - Gross	Proportional amortization	**$ 18,909**	**$ 27,891**	$ 11,912	$ 24,888
Life-to-date amortization		**(2,701)**	**NA**	(1,218)	NA
Low income housing tax credit investments - Net		**$ 16,208**	**$ 27,891**	$ 10,694	$ 24,888

20. EARNINGS PER SHARE

The Company calculates earnings per share under the two-class method. Under the two-class method, earnings available to common shareholders for the period are allocated between Class A Common Stock and Class B Common Stock according to dividends declared (or accumulated) and participation rights in undistributed earnings. The difference in earnings per share between the two classes of common stock results from the 10% per share cash dividend premium paid on Class A Common Stock over that paid on Class B Common Stock. *See Footnote 14, "Stockholders' Equity and Regulatory Capital Matters" of this section of the filing.*

A reconciliation of the combined Class A and Class B Common Stock numerators and denominators of the earnings per share and diluted earnings per share computations is presented below:

Years Ended December 31, (in thousands, except per share data)	**2020**	2019	2018
Net income	**$ 83,246**	$ 91,699	$ 77,852
Dividends declared on Common Stock:			
Class A Shares	**(21,433)**	(19,771)	(18,076)
Class B Shares	**(2,288)**	(2,121)	(1,955)
Undistributed net income for basic earnings per share	**59,525**	69,807	57,821
Weighted average potential dividends on Class A shares upon exercise of dilutive options	**(35)**	(118)	(102)
Undistributed net income for diluted earnings per share	**$ 59,490**	$ 69,689	$ 57,719
Weighted average shares outstanding:			
Class A Shares	**18,838**	18,813	18,736
Class B Shares	**2,201**	2,210	2,224
Effect of dilutive securities on Class A Shares outstanding	**30**	112	105
Weighted average shares outstanding including dilutive securities	**21,069**	21,135	21,065
Basic earnings per share:			
Class A Common Stock:			
Per share dividends distributed	**$ 1.14**	$ 1.06	$ 0.97
Undistributed earnings per share*	**2.86**	3.35	2.79
Total basic earnings per share - Class A Common Stock	**$ 4.00**	$ 4.41	$ 3.76
Class B Common Stock:			
Per share dividends distributed	**$ 1.04**	$ 0.96	$ 0.88
Undistributed earnings per share*	**2.60**	3.05	2.53
Total basic earnings per share - Class B Common Stock	**$ 3.64**	$ 4.01	$ 3.41
Diluted earnings per share:			
Class A Common Stock:			
Per share dividends distributed	**$ 1.14**	$ 1.06	$ 0.97
Undistributed earnings per share*	**2.85**	3.33	2.77
Total diluted earnings per share - Class A Common Stock	**$ 3.99**	$ 4.39	$ 3.74
Class B Common Stock:			
Per share dividends distributed	**$ 1.04**	$ 0.96	$ 0.88
Undistributed earnings per share*	**2.59**	3.03	2.52
Total diluted earnings per share - Class B Common Stock	**$ 3.63**	$ 3.99	$ 3.40

**To arrive at undistributed earnings per share, undistributed net income is first pro rated between Class A and Class B Common Shares, with Class A Common Shares receiving a 10% premium. The resulting pro-rated, undistributed net income for each class is then divided by the weighted average shares for each class.*

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

As of and for the Years Ended December 31,	**2020**	2019	2018
Antidilutive stock options	**338,995**	154,750	165,000
Average antidilutive stock options	**282,489**	151,260	47,712

21. TRANSACTIONS WITH RELATED PARTIES AND THEIR AFFILIATES

Republic leases office facilities under operating leases from limited liability companies in which Republic's Chairman/Chief Executive Officer and Vice Chair are partners. Rent expense and obligations under these leases are presented in Footnote 6 in this section of the filing.

Loans made to executive officers and directors of Republic and their related interests during 2020 were as follows:

	(in thousands)
Beginning balance	**$ 43,398**
Effect of changes in composition of related parties	**(26,147)**
New loans	**11,402**
Repayments	**(12,933)**
Ending balance	**$ 15,720**

Deposits from executive officers, directors, and their affiliates totaled $124 million and $97 million at December 31, 2020 and 2019.

By an agreement dated December 14, 1989, as amended August 8, 1994, the Company entered into a split-dollar insurance agreement with a trust established by the Company's deceased former Chairman, Bernard M. Trager. Pursuant to the agreement, from 1989 through 2002 the Company paid $690,000 in total annual premiums on the insurance policies held in the trust. The policies are joint-life policies payable upon the death of Mrs. Jean Trager, as the survivor of her husband Bernard M. Trager. The cash surrender value of the policies was approximately $2 million and $2 million as of December 31, 2020 and 2019.

Pursuant to the terms of the trust, the beneficiaries of the trust will each receive the proceeds of the policies after the repayment of any unreimbursed portion of the $690,000 annual premiums paid by the Company. The unreimbursed portion constitutes indebtedness from the trust to the Company and is secured by a collateral assignment of the policies. As of December 31, 2020 and 2019, the unreimbursed portion was $440,000 and $540,000, and the net death benefit under the policies was approximately $5 million. Upon the termination of the agreement, whether by the death of Mrs. Trager or earlier cancellation, the Company is entitled to be repaid by the trust the amount of indebtedness outstanding at that time.

22. OTHER COMPREHENSIVE INCOME

OCI components and related tax effects were as follows:

Years Ended December 31, (in thousands)	**2020**	2019	2018
Available-for-Sale Debt Securities:			
Change in unrealized gain on AFS debt securities	**$ 7,147**	$ 5,689	$ (1,548)
Adjustment for accounting standard update	**—**	—	(428)
Change in unrealized gain of AFS debt security for which a portion of OTTI has been recognized in earnings	**(35)**	(79)	(20)
Net unrealized (losses) gains	**7,112**	5,610	(1,996)
Tax effect	**(1,778)**	(1,348)	420
Net of tax	**5,334**	4,262	(1,576)
Cash Flow Hedges:			
Change in fair value of derivatives used for cash flow hedges	**(177)**	(199)	178
Reclassification amount for net derivative losses (gains) realized in income	**281**	(20)	28
Net unrealized (losses) gains	**104**	(219)	206
Tax effect	**(27)**	52	(43)
Net of tax	**77**	(167)	163
Total other comprehensive (loss) income components, net of tax	**$ 5,411**	$ 4,095	$ (1,413)

Amounts reclassified out of each component of accumulated OCI for the years ended December 31, 2020, 2019, and 2018:

Years Ended December 31, (in thousands)	Affected Line Items in the Consolidated Statements of Income	Amounts Reclassified From Accumulated Other Comprehensive Income (Loss) 2020	2019	2018
Cash Flow Hedges:				
Interest rate swap on money market deposits	Interest benefit (expense) on deposits	**(138)**	10	(18)
Interest rate swap on FHLB advance	Interest benefit (expense) on FHLB advances	**(143)**	10	(10)
Total derivative gains (losses) on cash flow hedges	Total interest benefit (expense)	**(281)**	20	(28)
Tax effect	Income tax (benefit) expense	**70**	(5)	6
Net of tax	Net income (loss)	**(211)**	15	(22)

The following is a summary of the accumulated OCI balances, net of tax:

(in thousands)	**December 31, 2019**	**2020 Change**	**December 31, 2020**
Unrealized gain on AFS debt securities	**$ 2,211**	**$ 5,360**	**$ 7,571**
Unrealized gain (loss) on AFS debt security for which a portion of OTTI has been recognized in earnings	**964**	**(26)**	**938**
Unrealized gain (loss) on cash flow hedges	**(77)**	**77**	**—**
Total unrealized gain	**$ 3,098**	**$ 5,411**	**$ 8,509**

(in thousands)	December 31, 2018	2019 Change	December 31, 2019
Unrealized gain (loss) on AFS debt securities	$ (2,165)	$ 4,376	$ 2,211
Unrealized gain (loss) on AFS debt security for which a portion of OTTI has been recognized in earnings	1,078	(114)	964
Unrealized gain (loss) on cash flow hedges	90	(167)	(77)
Total unrealized gain (loss)	$ (997)	$ 4,095	$ 3,098

23. PARENT COMPANY CONDENSED FINANCIAL INFORMATION

BALANCE SHEETS

December 31, (in thousands)	2020	2019
Assets:		
Cash and cash equivalents	**$ 100,524**	$ 101,003
Security available for sale	**3,800**	4,000
Investment in bank subsidiary	**761,929**	699,906
Investment in non-bank subsidiaries	**3,518**	3,631
Other assets	**3,203**	4,749
Total assets	**$ 872,974**	$ 813,289
Liabilities and Stockholders' Equity:		
Subordinated note	**$ 41,240**	$ 41,240
Other liabilities	**8,411**	7,805
Stockholders' equity	**823,323**	764,244
Total liabilities and stockholders' equity	**$ 872,974**	$ 813,289

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years Ended December 31, (in thousands)	**2020**	2019	2018
Income and expenses:			
Dividends from subsidiary	**$ 25,980**	$ 24,249	$ 22,385
Interest income	**182**	250	231
Other income	**57**	54	45
Less: Interest expense	**1,000**	1,620	1,508
Less: Other expenses	**691**	511	469
Income before income tax benefit	**24,528**	22,422	20,684
Income tax benefit	**344**	1,213	348
Income before equity in undistributed net income of subsidiaries	**24,872**	23,635	21,032
Equity in undistributed net income of subsidiaries	**58,374**	68,064	56,820
Net income	**$ 83,246**	$ 91,699	$ 77,852
Comprehensive income	**$ 88,657**	$ 95,794	$ 76,439

STATEMENTS OF CASH FLOWS

Years Ended December 31, (in thousands)	**2020**	2019	2018
Operating activities:			
Net income	**$ 83,246**	$ 91,699	$ 77,852
Adjustments to reconcile net income to net cash provided by operating activities:			
Accretion of investment security	**(56)**	(42)	(40)
Equity in undistributed net income of subsidiaries	**(58,374)**	(68,064)	(56,820)
Director deferred compensation - Parent Company	**181**	139	117
Change in other assets	**1,609**	(25)	605
Change in other liabilities	**54**	842	(976)
Net cash provided by operating activities	**26,660**	24,549	20,738
Investing activities:			
Investment in subsidiary bank	**(533)**	(494)	(230)
Net cash used in investing activities	**(533)**	(494)	(230)
Financing activities:			
Common Stock repurchases	**(3,935)**	(1,418)	(827)
Net proceeds from Class A Common Stock purchased through employee stock purchase plan	**533**	494	230
Net proceeds from Common Stock options exercised	**—**	(191)	83
Cash dividends paid	**(23,204)**	(21,377)	(19,497)
Net cash used in financing activities	**(26,606)**	(22,492)	(20,011)
Net change in cash and cash equivalents	**(479)**	1,563	497
Cash and cash equivalents at beginning of period	**101,003**	99,440	98,943
Cash and cash equivalents at end of period	**$ 100,524**	$ 101,003	$ 99,440

24. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following tables present the Company's net revenue by reportable segment for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31, 2020							
	Core Banking				Republic Processing Group			
(dollars in thousands)	Traditional Banking	Warehouse Lending	Mortgage Banking	Total Core Banking	Tax Refund Solutions	Republic Credit Solutions	Total RPG	Total Company
Net interest income(1)	**$ 159,381**	**$ 25,957**	**$ 1,362**	**$ 186,700**	**$ 22,972**	**$ 22,643**	**$ 45,615**	**$ 232,315**
Noninterest income:								
Service charges on deposit accounts	**11,571**	**63**	**—**	**11,634**	**(19)**	**—**	**(19)**	**11,615**
Net refund transfer fees	**—**	**—**	**—**	**—**	**20,297**	**—**	**20,297**	**20,297**
Mortgage banking income(1)	**—**	**—**	**31,847**	**31,847**	**—**	**—**	**—**	**31,847**
Interchange fee income	**10,978**	**—**	**—**	**10,978**	**210**	**—**	**210**	**11,188**
Program fees(1)	**—**	**—**	**—**	**—**	**2,193**	**4,902**	**7,095**	**7,095**
Increase in cash surrender value of BOLI(1)	**1,585**	**—**	**—**	**1,585**	**—**	**—**	**—**	**1,585**
Net gains (losses) on OREO	**(40)**	**—**	**—**	**(40)**	**—**	**—**	**—**	**(40)**
Other	**3,310**	**(39)**	**103**	**3,374**	**92**	**—**	**92**	**3,466**
Total noninterest income	**27,404**	**24**	**31,950**	**59,378**	**22,773**	**4,902**	**27,675**	**87,053**
Total net revenue	**$ 186,785**	**$ 25,981**	**$ 33,312**	**$ 246,078**	**$ 45,745**	**$ 27,545**	**$ 73,290**	**$ 319,368**
Net-revenue concentration(2)	**59 %**	**8 %**	**10 %**	**77 %**	**14 %**	**9 %**	**23 %**	**100 %**

(1) This revenue is not subject to ASC 606.

(2) Net revenue represents net interest income plus total noninterest income. Net-revenue concentration equals segment-level net revenue divided by total Company net revenue.

	Years Ended December 31, 2019							
	Core Banking				Republic Processing Group			
(dollars in thousands)	Traditional Banking	Warehouse Lending	Mortgage Banking	Total Core Banking	Tax Refund Solutions	Republic Credit Solutions	Total RPG	Total Company
Net interest income(1)	$ 168,076	$ 15,801	$ 697	$ 184,574	$ 21,626	$ 29,926	$ 51,552	$ 236,126
Noninterest income:								
Service charges on deposit accounts	14,153	44	—	14,197	—	—	—	14,197
Net refund transfer fees	—	—	—	—	21,158	—	21,158	21,158
Mortgage banking income(1)	—	—	9,499	9,499	—	—	—	9,499
Interchange fee income	11,600	—	—	11,600	259	—	259	11,859
Program fees(1)	—	—	—	—	437	4,275	4,712	4,712
Increase in cash surrender value of BOLI(1)	1,550	—	—	1,550	—	—	—	1,550
Net gains (losses) on OREO	540	—	—	540	—	—	—	540
Net gain on branch divestiture(1)	7,829	—	—	7,829	—	—	—	7,829
Other	2,881	(90)	213	3,004	1	659	660	3,664
Total noninterest income	38,553	(46)	9,712	48,219	21,855	4,934	26,789	75,008
Total net revenue	$ 206,629	$ 15,755	$ 10,409	$ 232,793	$ 43,481	$ 34,860	$ 78,341	$ 311,134
Net-revenue concentration(2)	67 %	5 %	3 %	75 %	14 %	11 %	25 %	100 %

(1) This revenue is not subject to ASC 606.

(2) Net revenue represents net interest income plus total noninterest income. Net-revenue concentration equals segment-level net revenue divided by total Company net revenue.

(dollars in thousands)	Year Ended December 31, 2018 Core Banking Traditional Banking	Warehouse Lending	Mortgage Banking	Total Core Banking	Republic Processing Group Tax Refund Solutions	Republic Credit Solutions	Total RPG	Total Company
Net interest income(1)	$ 160,398	$ 15,726	$ 402	$ 176,526	$ 19,203	$ 30,329	$ 49,532	$ 226,058
Noninterest income:								
Service charges on deposit accounts	14,233	40	—	14,273	—	—	—	14,273
Net refund transfer fees	—	—	—	—	20,029	—	20,029	20,029
Mortgage banking income(1)	—	—	4,825	4,825	—	—	—	4,825
Interchange fee income	10,868	—	—	10,868	226	65	291	11,159
Program fees(1)	—	—	—	—	295	5,930	6,225	6,225
Increase in cash surrender value of BOLI(1)	1,527	—	—	1,527	—	—	—	1,527
Net gains (losses) on OREO	729	—	—	729	—	—	—	729
Other	2,608	—	550	3,158	1,003	497	1,500	4,658
Total noninterest income	29,965	40	5,375	35,380	21,553	6,492	28,045	63,425
Total net revenue	$ 190,363	$ 15,766	$ 5,777	$ 211,906	$ 40,756	$ 36,821	$ 77,577	$ 289,483
Net-revenue concentration(2)	66 %	5 %	2 %	73 %	14 %	13 %	27 %	100 %

(1) This revenue is not subject to ASC 606.

(2) Net revenue represents net interest income plus total noninterest income. Net-revenue concentration equals segment-level net revenue divided by total Company net revenue.

The following represents information for significant revenue streams subject to ASC 606:

Service charges on deposit accounts – The Company earns revenue for account-based and event-driven services on its retail and commercial deposit accounts. Contracts for these services are generally in the form of deposit agreements, which disclose fees for deposit services. Revenue for event-driven services is recognized in close proximity or simultaneously with service performance. Revenue for certain account-based services may be recognized at a point in time or over the period the service is rendered, typically no longer than a month. Examples of account-based and event-driven service charges on deposits include per item fees, paper-statement fees, check-cashing fees, and analysis fees.

Net refund transfer fees – An RT is a fee-based product offered by the Bank through third-party tax preparers located throughout the United States, as well as tax-preparation software providers (collectively, the "Tax Providers"), with the Bank acting as an independent contractor of the Tax Providers. An RT allows a taxpayer to pay any applicable tax preparation and filing related fees directly from his federal or state government tax refund, with the remainder of the tax refund disbursed directly to the taxpayer. RT fees and all applicable tax preparation, transmitter, audit, and any other taxpayer authorized amounts are deducted from the tax refund by either the Bank or the Bank's service provider and automatically forwarded to the appropriate party as authorized by the taxpayer. RT fees generally receive first priority when applying fees against the taxpayer's refund, with the Bank's share of RT fees generally superior to the claims of other third-party service providers, including the Tax Providers. The remainder of the refund is disbursed to the taxpayer by a Bank check printed at a tax office, direct deposit to the taxpayer's personal bank account, loaded to a Net Spend Visa® Prepaid Card or Walmart Direct2Cash.

The Company executes contracts with individual Tax Providers to offer RTs to their taxpayer customers. RT revenue is recognized by the Bank immediately after the taxpayer's refund is disbursed in accordance with the RT contract with the taxpayer customer. The fee paid by the taxpayer for the RT is shared between the Bank and the Tax Providers based on contracts executed between the parties.

The Company presents RT revenue net of any amounts shared with the Tax Providers. The Bank's share of RT revenue is generally based on the obligations undertaken by the Tax Provider for each individual RT program, with more obligations generally corresponding to higher RT revenue share. The significant majority of net RT revenue is recognized and obligations under RT contracts fulfilled by the Bank during the first half of each year. Incremental expenses associated with the fulfilment of RT contracts are generally expensed during the first half of the year.

Interchange fee income – As an "issuing bank" for card transactions, the Company earns interchange fee income on transactions executed by its cardholders with various third-party merchants. Through third-party intermediaries, merchants compensate the

Company for each transaction for the ability to efficiently settle the transaction and for the Company's willingness to accept certain risks inherent in the transaction. There is no written contract between the merchant and the Company, but a contract is implied between the two parties by customary business practices. Interchange fee income is recognized almost simultaneously by the Company upon the completion of a related card transaction.

The Company compensates its cardholders by way of cash or other "rewards" for generating card transactions. These rewards are disclosed in cardholder agreements between the Company and its cardholders. Reward costs are accrued over time based on card transactions generated by the cardholder. Interchange fee income is presented net of reward costs within noninterest income.

Net gains/(losses) on other real estate – The Company routinely sells OREO it has acquired through loan foreclosure. Net gains/(losses) on OREO reflect both 1) the gain or loss recognized upon an executed deed and 2) mark-to-market write-downs the Company takes on its OREO inventory.

The Company generally recognizes gains or losses on OREO at the time of an executed deed, although gains may be recognized over a financing period if the Company finances the sale. For financed OREO sales, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on sale, the Company adjusts the transaction price and related gain/(loss) on sale if a significant financing component is present.

Mark-to-market write-downs taken by the Company during the property's holding period are generally at least 10% per year but may be higher based on updated real estate appraisals or BPOs. Incremental expenditures to bring OREO to salable condition are generally expensed as-incurred.

Capital commitment fee (within other income) – The Company received and recorded a $1.0 million nonrefundable capital commitment fee during the first quarter of 2018. The fee was paid by a third party upon the Company's completion of its contractual obligations to build the infrastructure and disburse funds for a new collaborative credit product offered to the third party's customers through the Bank. The completion of the infrastructure and the first disbursement of funds were made for this new credit product during the first quarter of 2018. Incremental expenses incurred by the Company to fulfil its obligation under this contract were expensed as-incurred.

25. SEGMENT INFORMATION

Reportable segments are determined by the type of products and services offered and the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business (such as banking centers and business units), which are then aggregated if operating performance, products/services, and clients are similar.

As of December 31, 2020, the Company was divided into five reportable segments: Traditional Banking, Warehouse, Mortgage Banking, TRS and RCS. Management considers the first three segments to collectively constitute "Core Bank" or "Core Banking" operations, while the last two segments collectively constitute RPG operations. The Company's national branchless banking platform, MemoryBank, is considered part of the Traditional Banking segment.

The nature of segment operations and the primary drivers of net revenues by reportable segment are provided below:

Reportable Segment:	Nature of Operations:	Primary Drivers of Net Revenue:
Core Banking:		
Traditional Banking	Provides traditional banking products to clients in its market footprint primarily via its network of banking centers and to clients outside of its market footprint primarily via its digital delivery channels.	Loans, investments, and deposits.
Warehouse Lending	Provides short-term, revolving credit facilities to mortgage bankers across the United States.	Mortgage warehouse lines of credit.
Mortgage Banking	Primarily originates, sells and services long-term, single-family, first-lien residential real estate loans primarily to clients in the Bank's market footprint.	Loan sales and servicing.
Republic Processing Group:		
Tax Refund Solutions	TRS offers tax-related credit products and facilitates the receipt and payment of federal and state tax refunds through Refund Transfer products. The RPS division of TRS offers general-purpose reloadable cards. TRS and RPS products are primarily provided to clients outside of the Bank's market footprint.	Loans, refund transfers, and prepaid cards.
Republic Credit Solutions	Offers consumer credit products. RCS products are primarily provided to clients outside of the Bank's market footprint, with a substantial portion of RCS clients considered subprime or near-prime borrowers.	Unsecured, consumer loans.

The accounting policies used for Republic's reportable segments are the same as those described in the summary of significant accounting policies. Segment performance is evaluated using operating income. Goodwill is allocated to the Traditional Banking segment. Income taxes are generally allocated based on income before income tax expense unless specific segment allocations can be reasonably made. Transactions among reportable segments are made at carrying value.

Segment information for the years ended December 31, 2020, 2019, and 2018 is as follows:

	Year Ended December 31, 2020							
	Core Banking				Republic Processing Group			
(dollars in thousands)	Traditional Banking	Warehouse Lending	Mortgage Banking	Total Core Banking	Tax Refund Solutions	Republic Credit Solutions	Total RPG	Total Company
Net interest income	**$ 159,381**	**$ 25,957**	**$ 1,362**	**$ 186,700**	**$ 22,972**	**$ 22,643**	**$ 45,615**	**$ 232,315**
Provision for expected credit loss expense	**16,257**	**613**	**—**	**16,870**	**13,189**	**1,219**	**14,408**	**31,278**
Net refund transfer fees	**—**	**—**	**—**	**—**	**20,297**	**—**	**20,297**	**20,297**
Mortgage banking income	**—**	**—**	**31,847**	**31,847**	**—**	**—**	**—**	**31,847**
Program fees	**—**	**—**	**—**	**—**	**2,193**	**4,902**	**7,095**	**7,095**
Other noninterest income	**27,404**	**24**	**103**	**27,531**	**283**	**—**	**283**	**27,814**
Total noninterest income	**27,404**	**24**	**31,950**	**59,378**	**22,773**	**4,902**	**27,675**	**87,053**
Total noninterest expense	**149,061**	**4,387**	**10,760**	**164,208**	**17,514**	**3,735**	**21,249**	**185,457**
Income before income tax expense	**21,467**	**20,981**	**22,552**	**65,000**	**15,042**	**22,591**	**37,633**	**102,633**
Income tax expense	**1,395**	**4,721**	**4,736**	**10,852**	**3,323**	**5,212**	**8,535**	**19,387**
Net income	**$ 20,072**	**$ 16,260**	**$ 17,816**	**$ 54,148**	**$ 11,719**	**$ 17,379**	**$ 29,098**	**$ 83,246**
Period-end assets	**$ 4,750,460**	**$ 962,692**	**$ 62,400**	**$ 5,775,552**	**$ 285,612**	**$ 107,161**	**$ 392,773**	**$ 6,168,325**
Net interest margin	**3.42 %**	**3.19 %**	**NM**	**3.39 %**	**NM**	**NM**	**NM**	**4.10 %**
Net-revenue concentration*	**59 %**	**8 %**	**10 %**	**77 %**	**14 %**	**9 %**	**23 %**	**100 %**

	Year Ended December 31, 2019							
	Core Banking				Republic Processing Group			
(dollars in thousands)	Traditional Banking	Warehouse Lending	Mortgage Banking	Total Core Banking	Tax Refund Solutions	Republic Credit Solutions	Total RPG	Total Company
Net interest income	$ 168,076	$ 15,801	$ 697	$ 184,574	$ 21,626	$ 29,926	$ 51,552	$ 236,126
Provision for expected credit loss expense	2,444	622	—	3,066	11,249	11,443	22,692	25,758
Net refund transfer fees	—	—	—	—	21,158	—	21,158	21,158
Mortgage banking income	—	—	9,499	9,499	—	—	—	9,499
Program fees	—	—	—	—	437	4,275	4,712	4,712
Net gain on branch divestiture	7,829	—	—	7,829	—	—	—	7,829
Other noninterest income	30,724	(46)	213	30,891	260	659	919	31,810
Total noninterest income	38,553	(46)	9,712	48,219	21,855	4,934	26,789	75,008
Total noninterest expense	143,671	3,268	6,112	153,051	16,539	2,593	19,132	172,183
Income before income tax expense	60,514	11,865	4,297	76,676	15,693	20,824	36,517	113,193
Income tax expense	9,651	2,670	902	13,223	3,454	4,817	8,271	21,494
Net income	$ 50,863	$ 9,195	$ 3,395	$ 63,453	$ 12,239	$ 16,007	$ 28,246	$ 91,699
Period-end assets	$ 4,684,116	$ 717,994	$ 26,469	$ 5,428,579	$ 86,849	$ 104,891	$ 191,740	$ 5,620,319
Net interest margin	3.76 %	2.42 %	NM	3.61 %	NM	NM	NM	4.46 %
Net-revenue concentration*	67 %	5 %	3 %	75 %	14 %	11 %	25 %	100 %

	Year Ended December 31, 2018							
	Core Banking				Republic Processing Group			
(dollars in thousands)	Traditional Banking	Warehouse Lending	Mortgage Banking	Total Core Banking	Tax Refund Solutions	Republic Credit Solutions	Total RPG	Total Company
Net interest income	$ 160,398	$ 15,726	$ 402	$ 176,526	$ 19,203	$ 30,329	$ 49,532	$ 226,058
Provision for expected credit loss expense	3,710	(142)	—	3,568	10,919	16,881	27,800	31,368
Net refund transfer fees	—	—	—	—	20,029	—	20,029	20,029
Mortgage banking income	—	—	4,825	4,825	—	—	—	4,825
Program fees	—	—	—	—	295	5,930	6,225	6,225
Other noninterest income	29,965	40	550	30,555	1,229	562	1,791	32,346
Total noninterest income	29,965	40	5,375	35,380	21,553	6,492	28,045	63,425
Total noninterest expense	136,439	3,367	4,356	144,162	14,686	5,004	19,690	163,852
Income before income tax expense	50,214	12,541	1,421	64,176	15,151	14,936	30,087	94,263
Income tax expense	6,819	2,869	298	9,986	3,033	3,392	6,425	16,411
Net income	$ 43,395	$ 9,672	$ 1,123	$ 54,190	$ 12,118	$ 11,544	$ 23,662	$ 77,852
Period-end assets	$ 4,647,037	$ 470,126	$ 14,246	$ 5,131,409	$ 20,288	$ 88,707	$ 108,995	$ 5,240,404
Net interest margin	3.76 %	3.18 %	NM	3.70 %	NM	NM	NM	4.62 %
Net-revenue concentration*	66 %	5 %	2 %	73 %	14 %	13 %	27 %	100 %

**Net revenue represents net interest income plus total noninterest income. Net-revenue concentration equals segment-level net revenue divided by total Company net revenue.*

NM - Not Meaningful

26. BRANCH DIVESTITURE

In July 2019, the Bank entered into a definitive agreement to sell its four banking centers located in the Kentucky cities of Owensboro, Elizabethtown, and Frankfort to Limestone Bank ("Limestone"), a subsidiary of Limestone Bancorp, Inc. The agreement provided that Limestone acquire loans with balances of approximately $128 million as of November 15, 2019 (the "Closing Date") and assume deposits with balances of approximately $132 million as of the Closing Date, associated with the four banking centers.

In addition to the sale of loans and assumption of deposits, Limestone also acquired substantially all of the fixed assets of these locations, which had a book value of $1.3 million as of the Closing Date. Based on the Closing Date deposits, the all-in blended premium for the transaction was 6.1% of the total deposits transferred. The final calculated premium was based on the trailing 10-day average amount of the deposits as of the Closing Date, as well as the branch location for the deposits.

The Company operated its divested branches for 10.5 and 12 months, respectively during 2019 and 2018.

27. SUMMARY OF QUARTERLY FINANCIAL DATA (UNAUDITED)

Presented below is a summary of the consolidated quarterly financial data for the years ended December 31, 2020 and 2019.

	2020			
(dollars in thousands, except per share data)	**Fourth Quarter**	**Third Quarter**	**Second Quarter**	**First Quarter (1)**
Interest income	**$ 57,970**	**$ 56,038**	**$ 57,091**	**$ 81,159**
Interest expense	**2,850**	**3,786**	**4,886**	**8,421**
Net interest income	**55,120**	**52,252**	**52,205**	**72,738**
Provision for loan and lease losses (2)	**484**	**1,500**	**6,534**	**22,760**
Net interest income after provision	**54,636**	**50,752**	**45,671**	**49,978**
Noninterest income	**17,136**	**20,597**	**18,751**	**30,569**
Noninterest expense (4)	**48,140**	**45,523**	**44,825**	**46,969**
Income before income taxes	**23,632**	**25,826**	**19,597**	**33,578**
Income tax expense (5)	**3,276**	**5,437**	**3,793**	**6,881**
Net income	**$ 20,356**	**$ 20,389**	**$ 15,804**	**$ 26,697**
Basic earnings per share:				
Class A Common Stock	**$ 0.98**	**$ 0.98**	**$ 0.77**	**$ 1.29**
Class B Common Stock	**0.89**	**0.89**	**0.69**	**1.17**
Diluted earnings per share:				
Class A Common Stock	**$ 0.98**	**$ 0.98**	**$ 0.76**	**$ 1.28**
Class B Common Stock	**0.89**	**0.89**	**0.69**	**1.16**
Dividends declared per common share:				
Class A Common Stock	**$ 0.286**	**$ 0.286**	**$ 0.286**	**$ 0.286**
Class B Common Stock	**0.260**	**0.260**	**0.260**	**0.260**

	2019			
(dollars in thousands, except per share data)	Fourth Quarter	Third Quarter	Second Quarter	First Quarter(1)
Interest income	$ 64,527	$ 68,059	$ 65,664	$ 82,633
Interest expense	10,132	12,573	11,718	10,334
Net interest income	54,395	55,486	53,946	72,299
Provision for loan and lease losses(2)	914	3,153	4,460	17,231
Net interest income after provision	53,481	52,333	49,486	55,068
Noninterest income (3)	19,655	12,811	15,125	27,417
Noninterest expense (4)	40,835	42,411	43,428	45,509
Income before income taxes	32,301	22,733	21,183	36,976
Income tax expense (5)	6,533	4,325	3,176	7,460
Net income	$ 25,768	$ 18,408	$ 18,007	$ 29,516
Basic earnings per share:				
Class A Common Stock	$ 1.23	$ 0.88	$ 0.86	$ 1.42
Class B Common Stock	1.13	0.80	0.79	1.29
Diluted earnings per share:				
Class A Common Stock	$ 1.23	$ 0.88	$ 0.86	$ 1.41
Class B Common Stock	1.12	0.80	0.78	1.28
Dividends declared per common share:				
Class A Common Stock	$ 0.264	$ 0.264	$ 0.264	$ 0.264
Class B Common Stock	0.240	0.240	0.240	0.240

(1) The first quarters of 2020 and 2019 were significantly impacted by the TRS segment of RPG.

(2) Provision expense:

The relatively higher levels of Provision expense during the first quarters of 2020 and 2019 were driven by the TRS segment's EA product. Provision expense for EAs during the first quarters of 2020 and 2019 was $15.2 million and $13.4 million.

Provision expense during 2020 was negatively impacted by economic conditions created by the COVID-19 pandemic.

The relatively low Provision expense during the fourth quarter of 2019 is partially attributable to the release of $900,000 in reserves associated with divested loans upon final settlement of the Bank's branch divestiture. See Footnote 26 in this section of the filing for additional information on the Company's branch divestiture.

(3) Noninterest income:

The fourth quarter of 2019 included a $7.9 million net gain on the final settlement of the Bank's branch divestiture. See Footnote 26 in this section of the filing for additional information on the Company's branch divestiture.

(4) Noninterest expense:

During the fourth quarters of 2020 and 2019, the Company reversed $600,000 and $1.2 million of incentive compensation accruals based on revised payout estimates.

The fourth quarter of 2020 included $2.1 million of non-recurring FHLB advance early termination penalties.

(5) See Footnote 19 in this section of the filing for more information on the Company's income taxes for 2020 and 2019.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None

Item 9A. Controls and Procedures.

As of the end of the period covered by this report, an evaluation was carried out by Republic Bancorp, Inc.'s management, with the participation of the Company's Chairman/Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the fourth quarter of the Company's fiscal year ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting and on the Financial Statements, thereon are set forth under Part II Item 8 *"Financial Statements and Supplementary Data."*

Item 9B. Other Information.

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item appears under the headings "*PROPOSAL ONE: ELECTION OF DIRECTORS,*" "*DELINQUENT SECTION 16(a) REPORTS*" and "*THE BOARD OF DIRECTORS AND ITS COMMITTEES*" of the Proxy Statement of Republic for the 2020 Annual Meeting of Shareholders ("Proxy Statement") to be held April 22, 2021, all of which is incorporated herein by reference.

Set forth below is certain information with respect to the Company's executive officers:

Name	Age	Position with the Company
Steven E. Trager	60	Chairman and CEO
A. Scott Trager	68	Vice Chairman and President
Kevin Sipes	49	EVP, CFO and Chief Accounting Officer
Andrew Trager-Kusman	34	Director of Republic and SVP of Republic Bank & Trust Company
Logan Pichel	56	President, Republic Bank
William R. Nelson	57	President, Republic Processing Group
Pedro Bryant	59	EVP, Republic Bank & Trust Company
Steven E. DeWeese	52	EVP, Republic Bank & Trust Company
Juan Montano	51	EVP, Republic Bank & Trust Company
Anthony T. Powell	53	EVP, Republic Bank & Trust Company
John Rippy	60	EVP, Republic Bank & Trust Company
Margaret Wendler	66	EVP, Republic Bank & Trust Company

Executive officers of the Company are elected by the Board of Directors and serve at the pleasure of the Board of Directors. Steven E. Trager and A. Scott Trager are cousins.

Steven E. Trager began serving as Chairman and CEO of Republic in 2012 and has served as Chairman and CEO of the Bank since 1998. From 1994 to 1997 he served as Vice Chairman of the Company. From 1994 to 1998 he served as Secretary, and from 1998 to 2012 he served as President and CEO of Republic.

A. Scott Trager has served as Vice Chairman of Republic and the Bank since April 2017. He has also served as Director and President of Republic since 2012. He served as President of the Bank from 1984 to 2017 and Vice Chairman of Republic from 1994 to 2012.

Kevin Sipes joined the Company in 1995 and has served as EVP and Treasurer of Republic and the Company since 2002 and CFO of Republic and the Company since 2000. He began serving as Chief Accounting Officer of the Company in 2000.

Andrew Trager-Kusman has served as Managing Director of Corporate Strategies for the Bank since 2016. He was named a Director of Republic in April 2019 and a Senior Vice President of the Bank in January 2020.

Logan Pichel, who has over 25 years in the banking industry, joined the Company in June 2020 as the Bank's President. Prior to joining Republic, he served from 2005 to 2020 at Regions Bank, most recently as their Executive Vice President, Head of Corporate Development and Financial Planning & Analysis and Mergers and Acquisitions.

William R. Nelson has served as President of Republic Processing Group since 2007. He previously served as Director of Relationship Management of HSBC, Taxpayer Financial Services, in 2004 and was promoted to Group Director — Independent Program in 2006 through 2007. He previously served as Director of Sales, Marketing and Customer Service with the Bank from 1999 through 2004.

Pedro Bryant, who has almost 40 years in the banking industry, joined the Company in July 2020 as the Bank's Managing Director of Community Lending. Prior to joining Republic, he served from 2002 to 2020 as President and CEO of Metro Bank, a Louisville-based community development bank.

Steven E. DeWeese joined the Company in 1990 and has held various positions within the Company since then. In 2000, he was promoted to SVP. In 2003, he was promoted to Managing Director of Business Development. In 2006, he was promoted to Managing Director of Retail Banking, and in January 2010 he was promoted to EVP of the Company. In 2015, he was named the Company's Managing Director of Private and Business Banking.

Juan Montano joined the Company in 2009 as SVP and Managing Director of Finance. In 2015, he was named SVP and Managing Director of Mortgage Lending. In 2018, he was named EVP and Chief Mortgage Banking Officer.

Anthony T. Powell joined the Company in 1999 as VP. In 2001, he was promoted to SVP and Senior Commercial Lending Officer. In 2005, he was promoted to SVP and Managing Director of Business Banking. In 2015, he assumed responsibility for the Retail Banking division of the Company and was named SVP and Chief Credit and Retail Officer. In January 2017, he was named EVP and Chief Lending Officer.

John Rippy joined the Company in 2005 as SVP and Risk Management Officer. In 2009, he was named SVP and Chief Legal and Compliance Officer. In 2013, he was named SVP and Chief Risk Management Officer. In 2018, he was named EVP and Chief Risk Officer.

Margaret S Wendler joined the Company in 1996. She has served the Company in human resources since 2005. Most recently, in 2019 she was named Chief Human Resources Officer. In 2021, she was also named EVP.

Item 11. Executive Compensation.

The information required by this Item appears under the sub-heading "*Director Compensation*" and under the headings "*CERTAIN INFORMATION AS TO MANAGEMENT*" and *"COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION"* of the Proxy Statement all of which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity Compensation Plan Information

The following table sets forth information regarding Republic's Common Stock that may be issued upon exercise of options, warrants and rights under all equity compensation plans as of December 31, 2020. Republic's security holders approved each of the three equity compensation plans listed in the table below. There were no equity compensation plans not approved by security holders at December 31, 2020.

Plan Category	(a) (1) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
2005 Stock Incentive Plan	500	$ 23.50	—
2015 Stock Incentive Plan	505,445 (2)	$ 36.20	2,329,345
2018 Employee Stock Purchase Plan (3)	—	$ —	214,296

(1) Column (a) above includes options issued for Class A Common Stock only. Options for Class B Common Stock have been authorized but are not issued.

(2) Includes 125,210 shares of Class A Common Stock subject to issuance in accordance with the Republic Bancorp, Inc. Non-Employee Director and Key Employee Deferred Compensation Plan for service previously rendered. Republic's security holders previously approved this plan. These shares are to be issued from shares available for issuance under the 2015 Stock Incentive Plan; the weighted-average exercise price in Column (b) does not take these awards into account. For further information, see Footnote 17 "Stock Plans and Stock Based Compensation" of Part II Item 8 "Financial Statements and Supplementary Data."

(3) *The 2018 Employee Stock Purchase Plan is a qualified Employee Stock Purchase Plan under Section 423 of the Code, pursuant to which up to 250,000 shares of Class A Common Stock were authorized for issuance. Under the ESPP, employees may purchase shares at a purchase price that cannot be less than 85% of the lower of the fair market value of the Company's Class A Common Stock on the first trading day of each offering period or on the last trading day of each offering period. No offering period may exceed 27 months in length. As of the close of business on December 31, 2020, there were no shares of Class A Common Stock subject to purchase during open offering periods.*

Additional information required by this Item appears under the heading "*SHARE OWNERSHIP*" of the Proxy Statement, which is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by this Item is under the headings "*COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION*" and "*CERTAIN OTHER RELATIONSHIPS AND RELATED TRANSACTIONS*" of the Proxy Statement, all of which is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

Information required by this Item appears under the heading "*INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM*" of the Proxy Statement which is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) Financial Statements:

The following are included under Item 8 *"Financial Statements and Supplementary Data:"*

Management's Report on Internal Control Over Financial Reporting
Report of Independent Registered Public Accounting Firm
Consolidated balance sheets — December 31, 2020 and 2019
Consolidated statements of income and comprehensive income — years ended December 31, 2020, 2019, and 2018
Consolidated statements of stockholders' equity — years ended December 31, 2020, 2019, and 2018
Consolidated statements of cash flows — years ended December 31, 2020, 2019, and 2018
Notes to consolidated financial statements

(a)(2) Financial Statements Schedules:

Financial statement schedules are omitted because the information is not applicable.

(a)(3) Exhibits:

The Exhibit Index of this report is incorporated herein by reference. The management contracts and compensatory plans or arrangements required to be filed as exhibits to this Form 10-K pursuant to Item 15(b) are noted in the Exhibit Index.

Item 16. Form 10K Summary.

Not applicable.

INDEX TO EXHIBITS

No.	Description
3(i)	Articles of Incorporation of Registrant, as amended (Incorporated by reference to Exhibit 3(i) to the Registrant's Form 8-K filed October 13, 2016 (Commission File Number: 0-24649))
3(ii)	Restated Bylaws (Incorporated by reference to Exhibit 3(ii) of Registrant's Form 8-K filed March 15, 2017 (Commission File Number: 0-24649))
3(iii)	Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.1 of Registrant's Form 8-K filed November 18, 2020 (Commission File Number: 0-24649))
4.1	Provisions of Articles of Incorporation of Registrant defining rights of security holders (see Articles of Incorporation, as amended, of Registrant incorporated as Exhibit 3(i) herein)
4.2	Agreement Pursuant to Item 601 (b)(4)(iii) of Regulation S-K (Incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-K for the year ended December 31, 1997 (Commission File Number: 33-77324))
4.3	Description of Securities (Incorporated by reference to Exhibit 4.3 of Registrant's Form 10-K for the year ended December 31, 2019 (Commission File Number: 0-24649))
10.01*	Amended and Restated Officer Compensation Continuation Agreement dated as of January 12, 1995, with Steven E. Trager effective April 30, 2008 (Incorporated by reference to Exhibit 10.2 of Registrant's Form 10-Q for the quarter ended March 31, 2008 (Commission File Number: 0-24649))
10.02*	Amended and Restated Officer Compensation Continuation Agreement dated January 12, 1995, with A. Scott Trager effective April 30, 2008 (Incorporated by reference to Exhibit 10.3 of Registrant's Form 10-Q for the quarter ended March 31, 2008 (Commission File Number: 0-24649))
10.03*	Amended and Restated Officer Compensation Continuation Agreement dated as of June 15, 2001, with Kevin Sipes effective April 30, 2008 (Incorporated by reference to Exhibit 10.4 of Registrant's Form 10-Q for the quarter ended March 31, 2008 (Commission File Number: 0-24649))
10.04*	Agreement of Employment dated April 24, 2020, between Republic Bank & Trust Company and Logan Pichel (Incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed May 5, 2020 (Commission File Number: 0-24649))
10.05*	Change in Control Severance Agreement dated January 27, 2021 between Republic Bank & Trust Company and William Nelson (Incorporated by reference to Exhibit 10.4 of Registrant's Form 8-K filed February 1, 2021 (Commission File Number: 0-24649))
10.06*	Form of Executive Officer Change in Control Agreement between Republic Bank & Trust Company and designated Executive Officers (Incorporated by reference to Exhibit 10.5 of Registrant's Form 8-K filed February 1, 2021 (Commission File Number: 0-24649))
10.07	Split Dollar Insurance Policy with Citizens Fidelity Bank and Trust Company as the Trustee of the Bernard Trager Irrevocable Trust, dated December 14, 1989, as amended August 8, 1994 (Incorporated by reference to Exhibit 10.70 to Registrant's Form 10-K for the year ended December 31, 2012 (Commission File Number: 33-77324))
10.08	Right of First Offer Agreement by and among Republic Bancorp, Inc., Teebank Family Limited Partnership, Bernard M. Trager and Jean S. Trager. (Incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed September 19, 2007 (Commission File Number: 0-24649))

No.	Description
10.09	Lease between Republic Bank & Trust Company and Jaytee Properties, dated August 1, 1982, relating to 2801 Bardstown Road, Louisville (Incorporated by reference to Exhibit 10.11 of Registrant's Form 10-Q for the quarter ended March 31, 1998 (Commission File Number: 0-24649))
10.10	Lease between Republic Bank & Trust Company and Jaytee Properties, dated August 1, 2008, relating to 2801 Bardstown Road, Louisville (Incorporated by reference to Exhibit 10.2 of Registrant's Form 8-K filed June 9, 2008 (Commission File Number: 0-24649))
10.11	First Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated August 1, 2008, relating to 2801 Bardstown Road, Louisville (Incorporated by reference to Exhibit 10.23 of Registrant's Form 10-K filed March 9, 2018 (Commission File Number: 0-24649))
10.12	Lease between Republic Bank & Trust Company and Teeco Properties, dated April 1, 1995, relating to property at 601 West Market Street (Incorporated by reference to exhibit 10.10 of Registrant's Form 10-Q for the quarter ended March 31, 1998 (Commission File Number: 0-24649))
10.13	Lease between Republic Bank & Trust Company and Teeco Properties, dated October 1, 1996, relating to property at 601 West Market Street (Incorporated by reference to exhibit 10.10 of Registrant's Form S-1 (Commission File Number: 333-56583))
10.14	Lease extension between Republic Bank & Trust Company and Teeco Properties, dated September 25, 2001, relating to property at 601 West Market Street (Incorporated by reference to exhibit 10.25 of Registrant's Form 10-Q for the quarter ended September 30, 2001 (Commission File Number: 0-24649))
10.15	First Amendment to Lease between Republic Bank & Trust Company and Teeco Properties, dated May 1, 2002, relating to property at 601 West Market Street (Incorporated by reference to exhibit 10.1 of Registrant's Form 10-Q for the quarter ended March 31, 2002 (Commission File Number: 0-24649))
10.16	Lease between Republic Bank & Trust Company and Teeco Properties, dated October 1, 2005, relating to property at 601 West Market Street, Louisville, KY (Floor 4), amending and modifying previously filed exhibit 10.1 of Registrant's Form 10-Q for the quarter ended March 31, 2002 (Incorporated by reference to exhibit 10.1 of Registrant's Form 10-Q for the quarter ended September 30, 2005 (Commission File Number: 0-24649))
10.17	Lease between Republic Bank & Trust Company and Teeco Properties, as of October 1, 2006, relating to property at 601 West Market Street, Louisville, KY. (Incorporated by reference to exhibit 10.1 of Registrant's Form 8-K filed September 25, 2006 (Commission File Number: 0-24649))
10.18	First Amendment to Lease between Republic Bank & Trust Company and Teeco Properties, as of July 8, 2008, relating to property at 601 West Market Street (Floors 1,2,3,5 and 6), Louisville, KY. (Incorporated by reference to exhibit 10.1 of Registrant's Form 10-Q for the quarter ended June 30, 2008 (Commission File Number: 0-24649))
10.19	First Amendment to Lease between Republic Bank & Trust Company and Teeco Properties, as of July 8, 2008, relating to property at 601 West Market Street (Floor 4), Louisville, KY. (Incorporated by reference to exhibit 10.2 of Registrant's Form 10-Q for the quarter ended June 30, 2008 (Commission File Number: 0-24649))
10.20	Assignment of Lease relating to property at 601 West Market Street (Floors 1,2,3,5 and 6), Louisville, KY. (Incorporated by reference to exhibit 10.31 of Registrant's Form 10-K for the year ended December 31, 2016 (Commission File Number: 0-24649))
10.21	Assignment of Lease relating to property at 601 West Market Street (Floor 4), Louisville, KY. (Incorporated by reference to exhibit 10.32 of Registrant's Form 10-K for the year ended December 31, 2016 (Commission File Number: 0-24649))

No.	Description
10.22	Master Office Lease between Republic Bank & Trust Company and Makbe LLC, dated August 1, 2020, relating to property at 601 West Market Street (Incorporated by reference to exhibit 10.1 of Registrant's Form 10-Q for the quarter ended June 30, 2020 (Commission File Number: 0-24649))
10.23	Lease between Republic Bank & Trust Company and Jaytee Properties, dated February 3, 1993, as amended, relating to 661 South Hurstbourne Parkway, Louisville (Incorporated by reference to Exhibit 10.12 of Registrant's Form 10-Q for the quarter ended March 31, 1998 (Commission File Number: 0-24649))
10.24	Fifth Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated February 1, 1999, as amended, relating to 661 South Hurstbourne Parkway (Incorporated by reference to Exhibit 10.17 of Registrant's Form 10-Q for the quarter ended June 30, 1999 (Commission File Number: 0-24649))
10.25	Sixth Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated February 1, 2000, as amended, relating to 661 South Hurstbourne Parkway (Incorporated by reference to Exhibit 10.21 of Registrant's Form 10-K for the year ended December 31, 1999 (Commission File Number: 0-24649))
10.26	Seventh Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated July 1, 2003, as amended, relating to 661 South Hurstbourne Parkway, Louisville (Incorporated by reference to Exhibit 10.1 of Registrant's Form 10-Q for the quarter ended June 30, 2003 (Commission File Number: 0-24649))
10.27	First Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated August 2, 1993, relating to 661 South Hurstbourne Parkway, Louisville (Incorporated by reference to Exhibit 10.16 of Registrant's Form 10-K for the year ended December 31, 2003 (Commission File Number: 0-24649))
10.28	Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated September 1, 1995, as amended, relating to 661 South Hurstbourne Parkway, Louisville (Incorporated by reference to Exhibit 10.18 of Registrant's Form 10-K for the year ended December 31, 2003 (Commission File Number: 0-24649))
10.29	Second Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated February 16, 1996, as amended, relating to 661 South Hurstbourne Parkway, Louisville (Incorporated by reference to Exhibit 10.19 of Registrant's Form 10-K for the year ended December 31, 2003 (Commission File Number: 0-24649))
10.30	Third Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated January 21, 1998, as amended, relating to 661 South Hurstbourne Parkway, Louisville (Incorporated by reference to Exhibit 10.20 of Registrant's Form 10-K for the year ended December 31, 2003 (Commission File Number: 0-24649))
10.31	Fourth Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated September 11, 1998, as amended, relating to 661 South Hurstbourne Parkway, Louisville (Incorporated by reference to Exhibit 10.21 of Registrant's Form 10-K for the year ended December 31, 2003 (Commission File Number: 0-24649))
10.32	Eighth Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated February 1, 2004, as amended, relating to 661 South Hurstbourne Parkway, Louisville (Incorporated by reference to Exhibit 10.1 of Registrant's Form 10-Q for the quarter ended March 31, 2004 (Commission File Number: 0-24649))
10.33	Lease between Republic Bank & Trust Company and Jaytee Properties, dated September 1, 2005, relating to 661 South Hurstbourne Parkway, Louisville, KY, amending and modifying previously filed exhibit 10.12 of Registrant's Form 10-Q for the quarter ended March 31, 1998 (Incorporated by reference to Exhibit 10.2 of Registrant's Form 10-Q for the quarter ended September 30, 2005 (Commission File Number: 0-24649))
10.34	Lease between Republic Bank & Trust Company and Jaytee Properties, dated July 1, 2008, relating to 661 South Hurstbourne Parkway, Louisville (Incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed June 9, 2008 (Commission File Number: 0-24649))

No.	Description
10.35	First Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated August 14, 2015, as amended, relating to 661 South Hurstbourne Parkway, Louisville (Incorporated by reference to Exhibit 10.1 of Registrant's Form 10Q for the quarter ended September 30, 2015 (Commission File Number: 0-24649))
10.36	Second Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated January 31, 2018, as amended, relating to 661 South Hurstbourne Parkway, Louisville (Incorporated by reference to Exhibit 10.47 of Registrant's Form 10-K filed March 9, 2018 (Commission File Number: 0-24649))
10.37	Lease between Republic Bank & Trust Company and Jaytee Properties, dated November 17, 1997, relating to 9600 Brownsboro Road (Incorporated by reference to Exhibit 10.13 of Registrant's Form 10-Q for the quarter ended March 31, 1998 (Commission File Number: 0-24649))
10.38	Lease between Republic Bank & Trust Company and Jaytee Properties, dated August 1, 1999, relating to 9600 Brownsboro Road (Incorporated by reference to Exhibit 10.18 of Registrant's Form 10-Q for the quarter ended June 30, 1999 (Commission File Number: 0-24649))
10.39	Sixth Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated August 1, 1999, as amended, relating to 9600 Brownsboro Road (Incorporated by reference to Exhibit 10.35 of Registrant's Form 10-K for the year ended December 31, 2019 (Commission File Number: 0-24649))
10.40	Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated October 30, 1999, as amended, relating to 9600 Brownsboro Road (Incorporated by reference to Exhibit 10.20 of Registrant's Form 10-K for the year ended December 31, 1999 (Commission File Number: 0-24649))
10.41	Third Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated May 1, 2003, as amended, relating to 9600 Brownsboro Road (Incorporated by reference to Exhibit 10.2 of Registrant's Form 10-Q for the quarter ended June 30, 2003 (Commission File Number: 0-24649))
10.42	Lease between Republic Bank & Trust Company and Jaytee Properties, dated November 1, 2005, relating to 9600 Brownsboro Road (Incorporated by reference to Exhibit 10.33 of Registrant's Form 10-K for the year ended December 31, 2005 (Commission File Number: 0-24649))
10.43	Assignment and Assumption of Lease by Republic Bank & Trust Company with the consent of Jaytee Properties, dated May 1, 2006, relating to 9600 Brownsboro Road, Louisville, KY. (Incorporated by reference to Exhibit 10.2 of Registrant's Form 10-Q for the quarter ended June 30, 2006 (Commission File Number: 0-24649))
10.44	First Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated January 17, 2008, as amended, relating to 9600 Brownsboro Road, Louisville, KY (Incorporated by reference to Exhibit 10.40 of Registrant's Form 10-K for the year ended December 31, 2007 (Commission File Number: 0-24649))
10.45	Fourth Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated January 15, 2014, as amended, relating to 9600 Brownsboro Road (Incorporated by reference to Exhibit 10.47 of Registrant's Form 10-K for the year ended December 31, 2013 (Commission File Number: 0-24649))
10.46	Fifth Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties, dated March 15, 2017, as amended, relating to 9600 Brownsboro Road (Incorporated by reference to Exhibit 10.1 of Registrant's Form 10-Q for the quarter ended March 31, 2017 (Commission File Number: 0-24649))
10.47	Ground lease between Republic Bank & Trust Company and Jaytee Properties, relating to 9600 Brownsboro Road, dated January 17, 2008, relating to 9600 Brownsboro Road, Louisville, KY (Incorporated by reference to Exhibit 10.41 of Registrant's Form 10-K for the year ended December 31, 2007 (Commission File Number: 0-24649))

No.	Description
10.48	Lease between Republic Bank & Trust Company and Jaytee Properties II SPE, LLC, dated June 27, 2008, relating to 200 South Seventh Street, Louisville, KY. (Incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed July 1, 2008 (Commission File Number: 0-24649))
10.49	Lease between Republic Bank & Trust Company and Jaytee Properties II SPE, LLC, dated March 1, 2011, relating to 200 South Seventh Street, Louisville, KY (Incorporated by reference to Exhibit 10.66 of the Registrant's Form 10-K for the year ended December 31, 2010 (Commission File Number: 0-24649))
10.50	Lease between Republic Bank & Trust Company and Jaytee Properties II SPE, LLC, dated May 1, 2013, relating to 200 South Seventh Street, Louisville, KY (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q for the quarter ended June 30, 2013 (Commission File Number: 0-24649))
10.51	First Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties II SPE, LLC, dated January 15, 2014, as amended, relating to 200 South Seventh Street, Louisville, KY (Incorporated by reference to Exhibit 10.54 of Registrant's Form 10-K for the year ended December 31, 2013 (Commission File Number: 0-24649))
10.52	First Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties II SPE, LLC, dated March 18, 2015, as amended, relating to 200 South Seventh Street, Louisville, KY. (Incorporated by reference to Exhibit 10.1 of Registrant's Form 10-Q for the quarter ended March 31, 2015 (Commission File Number: 0-24649))
10.53	Lease between Republic Bank & Trust Company and Jaytee Properties II SPE, LLC, dated September 30, 2015, relating to 200 South Seventh Street, Louisville, KY. (Incorporated by reference to Exhibit 10.2 of Registrant's Form 10-Q for the quarter ended September 30, 2015 (Commission File Number: 0-24649))
10.54	Lease between Republic Bank & Trust Company and Jaytee Properties II SPE, LLC, dated March 15 2017 relating to 200 South Seventh Street, Louisville, KY. (Incorporated by reference to Exhibit 10.2 of Registrant's Form 10-Q for the quarter ended March 31, 2017 (Commission File Number: 0-24649))
10.55	First Amendment to Lease between Republic Bank & Trust Company and Jaytee Properties II SPE, LLC, dated September 20 2017, as amended, relating to 200 South Seventh Street, Louisville, KY. (Incorporated by reference to Exhibit 10.1 of Registrant's Form 10-Q for the quarter ended September 30, 2017 (Commission File Number: 0-24649))
10.56	Master Office Lease between Republic Bank & Trust Company and Jaytee Properties II SPE, LLC, dated October 1 2020, relating to 200 South Seventh Street, Louisville, KY.
10.57*	Form of Stock Option Agreement for Directors and Executive Officers (Incorporated by reference to Exhibit 10.2 of Registrant's Form 10-Q for the quarter ended September 30, 2004 (Commission File Number: 0-24649))
10.58*	2005 Stock Incentive Plan (Incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed March 18, 2005 (Commission File Number: 0-24649))
10.59*	2005 Stock Incentive Plan Amendment Number 1 (Incorporated by reference to Exhibit 10.61 of Registrant's Form 10- K for the year ended December 31, 2008 (Commission File Number: 0-24649))
10.60*	2005 Stock Incentive Plan Amendment, as amended November 14, 2012 (Incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed November 19, 2012 (Commission File Number: 0-24649))
10.61*	2015 Stock Incentive Plan (Incorporated by reference to Annex A of Registrant's 2015 Proxy Statement (Commission File Number: 0-24649))
10.62*	Option Award Agreement for 2015 Stock Incentive Plan (Incorporated by reference to Exhibit 10.1 of Registrant's Form 10-Q for the quarter ended June 30, 2015 (Commission File Number: 0-24649))

No.	Description
10.63*	Restricted Stock Award Agreement for 2015 Stock Incentive Plan (Incorporated by reference to Exhibit 10.2 of Registrant's Form 10-Q for the quarter ended June 30, 2015 (Commission File Number: 0-24649))
10.64*	Performance Stock Unit Award Agreement for 2015 Stock Incentive Plan (Incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed January 27, 2016 (Commission File Number: 0-24649))
10.65*	Restricted Stock Award Agreement for 2005 Stock Incentive Plan (Incorporated by reference to Exhibit 10.2 of Registrant's Form 8-K filed November 19, 2012 (Commission File Number: 0-24649))
10.66*	Form of Restricted Stock Award Agreement (Incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed February 1, 2021 (Commission File Number: 0-24649))
10.67*	Form of Performance Stock Unit Award (Incorporated by reference to Exhibit 10.2 of Registrant's Form 8-K filed February 1, 2021 (Commission File Number: 0-24649))
10.68*	Form of Option Award Agreement (Incorporated by reference to Exhibit 10.3 of Registrant's Form 8-K filed February 1, 2021 (Commission File Number: 0-24649))
10.69*	Republic Bancorp, Inc. 401(k)/Profit Sharing Plan and Trust (Incorporated by reference to Form S-8 filed December 28, 2005 (Commission File Number: 0-24649))
10.70*	Republic Bancorp, Inc. 401(k) Retirement Plan, as Amended and Restated, effective April 1, 2011 (Incorporated by reference to Exhibit 23.2 to Form 11-K for the year ended December 31, 2011 (Commission File Number: 0-24649))
10.71*	Republic Bancorp, Inc. 401(k) Retirement Plan, as Amended and Restated, effective January 1, 2015 (Incorporated by reference to Exhibit 23.2 of Form 11-K for the year ended December 31, 2014 (Commission File Number: 0-24649))
10.72*	Republic Bancorp, Inc. and subsidiaries Non-Employee Director and Key Employee Deferred Compensation and the Republic Bank & Trust Company Non-Employee Director and Key Employee Deferred Compensation Plan (as adopted November 18, 2004) (Incorporated by reference to Form S-8 filed November 30, 2004 (Commission File Number: 333- 120857))
10.73*	Republic Bancorp, Inc. and Subsidiaries Non-Employee Director and Key Employee Deferred Compensation Plan Post-Effective Amendment No. 1 (Incorporated by reference to Form S-8 filed April 13, 2005 (Commission File Number: 333-120857))
10.74*	Republic Bancorp, Inc. and subsidiaries Non-Employee Director and Key Employee Deferred Compensation, as amended and restated as of March 16, 2005 (Incorporated by reference to Exhibit 10.2 of Registrant's Form 8-K filed March 18, 2005 (Commission File Number: 333-120857))
10.75*	Republic Bancorp, Inc. and subsidiaries Non-Employee Director and Key Employee Deferred Compensation as amended and restated as of March 19, 2008 (Incorporated by reference to Exhibit 10.1 of Registrant's Form 10-Q for the quarter ended March 31, 2008 (Commission File Number: 0-24649))
10.76*	Republic Bancorp, Inc. and subsidiaries Non-Employee Director and Key Employee Deferred Compensation, as adopted November 18 2004 and then amended and restated as on March 16, 2005, March 19, 2008, and again on January 24, 2018 (Incorporated by reference to Annex A of Registrant's 2018 Proxy Statement (Commission File Number: 0-24649))
10.77*	Amendment 2019-1 to the Republic Bancorp, Inc. and Subsidiaries Non-Employee Director and Key Employee Deferred Compensation Plan (Incorporated by reference to Exhibit 10.1 of Registrant's Form 10-Q for the quarter ended March 31, 2020 (Commission File Number: 0-24649))

No.	Description
10.78*	Republic Bancorp, Inc. Employee Stock Purchase Plan (Incorporated by reference to Annex B of Registrant's 2018 Proxy Statement (Commission File Number: 0-24649))
10.79*	Consulting Agreement dated as of July 16, 2019, between David P. Feaster and Republic Bank & Trust Company (Incorporated by reference to Exhibit 10.70 of Registrant's Form 10-K for the year ended December 31, 2019 (Commission File Number: 0-24649))
10.80	Junior Subordinated Indenture, Amended and Restated Trust Agreement, and Guarantee Agreement (Incorporated by reference to Exhibit 4.1 of Registrant's Form 8-K filed August 19, 2005 (Commission File Number: 0-24649))
10.81*	Cash Bonus Plan for Acquisitions, effective November 7, 2012 (Incorporated by reference to Exhibit 10.3 of Registrant's Form 10-Q for the quarter ended September 30, 2012 (Commission File Number: 0-24649))
10.82**	Amended and Restated Joint Marketing Agreement, dated July 1, 2015, by and between Republic Bank & Trust Company and Elevate@Work, LLC (Incorporated by reference to Exhibit 10.87 of Registrant's Form 10-K for the year ended December 31, 2018 (Commission File Number: 0-24649))
10.83**	Written Consent to the Amended and Restated Joint Marketing Agreement, dated September 1, 2016, by and between Republic Bank & Trust Company and Elevate@Work, LLC (Incorporated by reference to Exhibit 10.88 of Registrant's Form 10-K for the year ended December 31, 2018 (Commission File Number: 0-24649))
10.84**	Amended and Restated License and Support Agreement, dated July 1, 2015, by and between Republic Bank & Trust Company and Elevate Decision Sciences, LLC (Incorporated by reference to Exhibit 10.89 of Registrant's Form 10-K for the year ended December 31, 2018 (Commission File Number: 0-24649))
10.85**	Participation Agreement, dated July 1, 2015, by and between Elastic SPV, Ltd. and Republic Bank & Trust Company (Incorporated by reference to Exhibit 10.90 of Registrant's Form 10-K for the year ended December 31, 2018 (Commission File Number: 0-24649))
21	Subsidiaries of Republic Bancorp, Inc.
23	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Principal Executive Officer, pursuant to the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer, pursuant to the Sarbanes-Oxley Act of 2002
32***	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2003
101	The following financial statements from the Company's annual report on Form 10-K were formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2020 and 2019, (ii) Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2020, 2019, and 2018, (iii) Consolidated Statement of Stockholders' Equity for the years ended December 31, 2020, 2019, and 2018, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019, and 2018 and (v) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* *Denotes management contracts and compensatory plans or arrangements required to be filed as exhibits to this Form 10-K pursuant to Item 15(b).*

** Confidential treatment has been requested for the redacted portions of this agreement. A complete copy of the agreement, including the redacted portions, has been filed separately with the Securities and Exchange Commission.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REPUBLIC BANCORP, INC.

February 26, 2021

By: Steven E. Trager
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated.

/s/ Steven E. Trager Steven E. Trager	Chairman, Chief Executive Officer and Director	February 26, 2021
/s/ A. Scott Trager A. Scott Trager	Vice Chairman, President and Director	February 26, 2021
/s/ Kevin Sipes Kevin Sipes	Chief Financial Officer and Chief Accounting Officer	February 26, 2021
/s/ Andrew Trager-Kusman Andrew Trager-Kusman	Director	February 26, 2021
/s/ Ronald F. Barnes Ronald F. Barnes	Director	February 26, 2021
/s/ Campbell P. Brown Campbell P. Brown	Director	February 26, 2021
/s/ Laura M. Douglas Laura M. Douglas	Director	February 26, 2021
/s/ David P. Feaster David P. Feaster	Director	February 26, 2021
/s/ Craig A. Greenberg Craig Greenberg	Director	February 26, 2021
/s/ Heather V. Howell Heather V. Howell	Director	February 26, 2021
/s/ Ernest W. Marshall, Jr. Ernest W. Marshall, Jr.	Director	February 26, 2021
/s/ W. Patrick Mulloy, II W. Patrick Mulloy, II	Director	February 26, 2021

SIGNATURES *(continued)*

/s/ W. Kenneth Oyler, III W. Kenneth Oyler, III	Director	February 26, 2021
/s/ Michael T. Rust Michael T. Rust	Director	February 26, 2021
/s/ Susan Stout Tamme Susan Stout Tamme	Director	February 26, 2021
/s/ Mark A. Vogt Mark A. Vogt	Director	February 26, 2021