
Section 1: 8-K (REPUBLIC BANCORP, INC. 8-K)

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): January 25, 2019

REPUBLIC BANCORP, INC.

(Exact name of registrant as specified in its charter)

Kentucky
(State or other jurisdiction
of incorporation)

0-24649
(Commission File Number)

61-0862051
(IRS 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

NOT APPLICABLE

(Former Name or former Address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On January 25, 2019, Republic Bancorp, Inc. announced its results of operations for the quarter and year ended December 31, 2018. The public announcement was made by means of a news release, the text of which is set forth in Exhibit 99.1 hereto.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

Exhibit No.

99.1 Republic Bancorp, Inc. News Release dated January 25, 2019.

The information in this Form 8-K, including Exhibit 99.1 attached hereto, is being furnished under Item 2.02 and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), or otherwise subject to the liability of such section, nor shall it be deemed incorporated by reference in any filing of Republic Bancorp, Inc. under the Securities Act of 1933 or the Exchange Act, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference in such filing.

SIGNATURES

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

Republic Bancorp, Inc.

(Registrant)

Date: January 25, 2019

By: /s/ Kevin Sipes
Kevin Sipes
Executive Vice President, Chief Financial Officer &
Chief Accounting Officer

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description of Exhibit</u> |
|--------------------|---|
| <u>99.1</u> | <u>News Release dated January 25, 2019. Filed herewith.</u> |

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Section 2: EX-99.1 (EXHIBIT 99.1)

Exhibit 99.1

Republic Bancorp, Inc. Reports a 22% Year-Over-Year Increase in Fourth Quarter Pre-Tax Net Income

LOUISVILLE, Ky.--(BUSINESS WIRE)--January 25, 2019--Republic Bancorp, Inc. (NASDAQ: RBCAA), headquartered in Louisville, Kentucky, is

the holding company of Republic Bank & Trust Company (the “Bank”).

Republic Bancorp, Inc. (“Republic” or the “Company”) is pleased to report fourth quarter net income of \$17.3 million, a 258% increase over the fourth quarter of 2017, resulting in Diluted Earnings per Class A Common Share (“Diluted EPS”) of \$0.83. Year-to-date net income was \$77.9 million, a \$32.2 million, or 71%, increase from the same period in 2017, resulting in a return on average assets (“ROA”) and a return on average equity (“ROE”) of 1.52% and 11.67% for 2018.

Steve Trager, Chairman & CEO of Republic commented, “With the change in the tax law during 2018 playing such a large role in the comparability of our quarterly and year-over-year net income metrics, we have focused the benchmarks for our 2018 results using pre-tax net income, as we believe this is more reflective of the true operating performance of the Company on a comparable basis. I am excited about these results, as we were able to grow our pre-tax net income to \$20.3 million for the fourth quarter of 2018, an increase of 22% over the fourth quarter of 2017. In addition, pre-tax net income for the year ended December 31, 2018 increased \$15.9 million, or 20%, over the year ended December 31, 2017. A healthy expansion in our net interest margin was the primary driver for the increase in our net interest income and our solid year-over-year performance, despite less growth in our Core Bank loan portfolio than the recent past. We were able to achieve these results in our net interest margin thanks to our strong balance sheet management strategies and continued success in maintaining our noninterest-bearing deposit base.

“Looking ahead to 2019, an increase in short-term interest rates, a continued flattening of the yield curve, and stiff competition for lower-cost core deposits are all expected in the market for the coming year. We believe these projected headwinds will be a stern challenge for all in the banking industry. We further believe, however, that we are well positioned to face these challenges thanks to a strong management team and our 1,000+ dedicated associates that are willing to go the extra mile each and every day, in our efforts to make Republic one of the best performing banks in the industry,” concluded Steve Trager.

The following table highlights Republic’s financial performance for the fourth quarters and years ended December 31, 2018 and 2017:

| <i>(dollars in thousands, except per share data)</i> | Total Company Financial Performance Highlights | | | | | | | |
|--|---|-------------|------------------|-----------------|----------------------------|-------------|------------------|-----------------|
| | Three Months Ended Dec. 31, | | | | Year Ended Dec. 31, | | | |
| | 2018 | 2017 | \$ Change | % Change | 2018 | 2017 | \$ Change | % Change |
| Income Before Income Taxes* | \$ 20,328 | \$ 16,612 | \$ 3,716 | 22% | \$ 94,263 | \$ 78,386 | \$ 15,877 | 20% |
| Net Income* | 17,306 | 4,838 | 12,468 | 258 | 77,852 | 45,632 | 32,220 | 71 |
| Diluted Earnings per Class A Common Stock | 0.83 | 0.23 | 0.60 | 261 | 3.74 | 2.20 | 1.54 | 70 |
| Return on Average Assets | 1.37% | 0.39% | NA | 251 | 1.52% | 0.95% | NA | 60 |
| Return on Average Equity | 10.07 | 3.02 | NA | 233 | 11.67 | 7.26 | NA | 61 |

NA – Not applicable

*See Segment Data at the End of this Earnings Release

Results of Operations for the Fourth Quarter of 2018 Compared to the Fourth Quarter of 2017

Core Bank⁽¹⁾ – Net income from Core Banking was \$16.2 million for the fourth quarter of 2018, an increase of \$9.2 million, or 134%, over the fourth quarter of 2017. The Core Bank’s pre-tax net income for the fourth quarter of 2018 increased \$1.7 million, or 10%, over the same period in 2017, benefitting from growth in net interest income and noninterest income, as well as continued strong credit quality.

Core Bank net interest income increased \$2.0 million, or 4%, over the fourth quarter of 2017 driven by a 13 basis-point expansion in the Core Bank’s net interest margin and further complemented by an increase of \$92 million, or 2%, in quarterly average Core Bank loans. The table below presents the overall change in the Core Bank’s net interest income, as well as average and period-end loan balances by origination channel:

| <i>(dollars in thousands)</i> | Net Interest Income for the Three Months Ended Dec. 31, | | | |
|-------------------------------|--|------------------|------------------|-----------------|
| | 2018 | 2017 | \$ Change | % Change |
| | 2018 | 2017 | \$ Change | % Change |
| Traditional Network | \$ 41,964 | \$ 37,529 | \$ 4,435 | 12 % |
| Warehouse Lending | 3,557 | 4,460 | (903) | (20) |
| Correspondent Lending | 248 | 247 | 1 | 0 |
| 2012-FDIC Acquired Loans | 89 | 1,648 | (1,559) | (95) |
| Total Core Bank | \$ 45,858 | \$ 43,884 | \$ 1,974 | 4 |

| <i>(dollars in thousands)</i> Origination Channel | Average Loan Balances | | | | Period-End Loan Balances | | | |
|--|-----------------------------|---------------------|------------------|----------|--------------------------|---------------------|-------------------|----------|
| | Three Months Ended Dec. 31, | | | | Dec. 31, | | | |
| | 2018 | 2017 | \$ Change | % Change | 2018 | 2017 | \$ Change | % Change |
| Traditional Network | \$ 3,434,020 | \$ 3,247,472 | \$ 186,548 | 6 % | \$ 3,475,999 | \$ 3,286,582 | \$ 189,417 | 6 % |
| Warehouse Lending | 453,794 | 523,725 | (69,931) | (13) | 469,695 | 525,573 | (55,878) | (11) |
| Correspondent Lending | 97,252 | 120,734 | (23,482) | (19) | 94,827 | 116,792 | (21,965) | (19) |
| 2012-FDIC Acquired Loans | 5,448 | 6,836 | (1,388) | (20) | 5,218 | 6,551 | (1,333) | (20) |
| Total Core Bank | <u>\$ 3,990,514</u> | <u>\$ 3,898,767</u> | <u>\$ 91,747</u> | 2 | <u>\$ 4,045,739</u> | <u>\$ 3,935,498</u> | <u>\$ 110,241</u> | 3 |

The primary drivers of the changes in the Core Bank's average loan balances and net interest income for the fourth quarter of 2018, as compared to the fourth quarter of 2017, follow:

- The difference between the Core Bank's net interest margin and net interest spread was 32 basis points during the fourth quarter of 2018 compared to 22 basis points during the fourth quarter of 2017. The differential between the net interest margin and net interest spread represents the value of the Core Bank's noninterest-bearing deposits and stockholders' equity to its net interest margin. Because of rising short-term interest rates from December 31, 2017 to December 31, 2018, as measured by the increase of 100 basis points in the Federal Funds Target Rate during this period, the contribution of the Core Bank's noninterest-bearing deposits and stockholders' equity to the net interest margin increased significantly.
- The Traditional Network experienced solid growth in average loan balances of \$187 million, or 6%, from the fourth quarter of 2017 to the fourth quarter of 2018. This growth was largely concentrated in the commercial loan sector, with average commercial real estate balances growing \$43 million, or 4%, and average commercial and industrial balances growing \$63 million, or 21%.
- During the fourth quarter of 2017, the Core Bank's Traditional Network received a favorable payoff of a purchased credit-impaired loan acquired in the Company's 2016 acquisition of Cornerstone Bancorp, Inc. This favorable payoff contributed approximately \$670,000 of non-recurring interest income and approximately six basis points of net interest margin to the Core Bank for the fourth quarter of 2017.
- The Core Bank's 2012 FDIC-Acquired loans contributed \$1.6 million less in net interest income during the fourth quarter of 2018 compared to the same period in 2017. During the fourth quarter of 2017, a purchased credit-impaired loan paid off contributing approximately \$1.6 million of non-recurring interest income and approximately 13 basis points of net interest margin to the Core Bank for the fourth quarter of 2017. Substantially all discount on the Core Bank's 2012 FDIC-Acquired loans had been accreted by December 31, 2017.
- Average Warehouse Lending ("Warehouse") balances decreased \$70 million from the fourth quarter of 2017 to the fourth quarter of 2018, as increasing home-mortgage interest rates during 2018 drove an overall decline in demand for residential mortgage loans. Additionally, an internal change in the way the Company assigns a cost of funds to Warehouse through its Funds Transfer Pricing ("FTP") methodology resulted in a portion of the Warehouse segment's fluctuation in net interest income. Effective January 1, 2018, the Company changed its Warehouse FTP methodology to be more consistent with the FTP methodology used for other Core Bank loan products with similar pricing and duration characteristics. This change in FTP methodology had a \$287,000 negative comparable impact on the Warehouse net interest income for the fourth quarter of 2018 and a corresponding positive comparable impact of \$287,000 to the Traditional Network's net interest income.

The Core Bank's provision for loan and lease losses ("Provision") increased to \$1.3 million for the fourth quarter of 2018 from \$1.2 million for the same period in 2017. Overall, the Core Bank's credit quality metrics remained strong from period to period, with the Core Bank's ratios of nonperforming loans to total loans and delinquent loans to total loans remaining near historically low levels.

The table below presents the Core Bank's credit quality metrics:

| Core Banking Credit Quality Ratios | As of and for the: | | | | | | |
|--|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Quarters Ended: | | | | Years Ended: | | |
| | Dec. 31, 2018 | Sep. 30, 2018 | Jun. 30, 2018 | Mar. 31, 2018 | Dec. 31, 2018 | Dec. 31, 2017 | Dec. 31, 2016 |
| Nonperforming loans to total loans | 0.40% | 0.42% | 0.43% | 0.37% | 0.40% | 0.36% | 0.42% |
| Nonperforming assets to total loans (including OREO) | 0.40 | 0.42 | 0.43 | 0.38 | 0.40 | 0.36 | 0.46 |
| Delinquent loans to total loans(2) | 0.22 | 0.29 | 0.21 | 0.21 | 0.22 | 0.21 | 0.18 |

| | | | | | | | |
|--|------|------|---|------|------|------|------|
| Net charge-offs to average loans (Quarterly rates annualized) | 0.12 | 0.04 | — | 0.06 | 0.06 | 0.04 | 0.05 |
|--|------|------|---|------|------|------|------|

OREO = Other Real Estate Owned

Noninterest income for the Core Bank was \$8.9 million during the fourth quarter of 2018, a \$986,000, or 13%, increase from the \$7.9 million achieved during the fourth quarter of 2017. The following primarily drove this increase:

- Service charges on deposits increased \$240,000, or 7%, consistent with an 8% increase in transactional accounts from December 31, 2017 to December 31, 2018.
- Mortgage banking income increased \$194,000, with secondary market loan originations increasing slightly from \$43 million during the fourth quarter of 2017 to \$44 million during the fourth quarter of 2018.
- Interchange fee income increased \$327,000, or 13%, driven primarily by a 9% year-over-year increase in active debit cards.

Core Bank noninterest expenses increased \$1.1 million, or 3%, during the fourth quarter of 2018 compared to the fourth quarter of 2017. The following primarily drove the increase:

- Salaries and employee benefits expense increased \$1.4 million, or 8%. This change was driven primarily by an increase of \$1.3 in employee base-salary expense resulting from an increase of 53 Core Bank full-time-equivalent employees (“FTEs”) from December 31, 2017 to December 31, 2018.
- Marketing expense declined \$282,000 primarily due to a reduction in marketing spend for the Core Bank’s separately branded digital banking product offerings.
- Data processing expense decreased \$376,000, with a large portion of this decrease due to estimated conversion-related expenses recorded during the fourth quarter of 2017 for a change to the Company’s digital-banking platform for its commercial clients.
- Interchange-related expenses increased \$323,000, driven primarily by a 9% year-over-year increase in active debit cards.

Republic Processing Group⁽³⁾

Republic Processing Group (“RPG”) reported net income of \$1.2 million for the fourth quarter of 2018 compared to a net loss of \$2.0 million for the same period in 2017. RPG reported pre-tax net income of \$1.5 million for the fourth quarter of 2018 compared to a pre-tax loss of \$493,000 for the same period in 2017. Revenue growth within the Republic Credit Solutions (“RCS”) line-of-credit product drove the overall improvement in RPG profitability, increasing \$1.5 million, or 22%, over the fourth quarter of 2017.

Total Company Income Taxes⁽⁴⁾

As with the previous quarters of 2018, the Company’s performance metrics and the comparability of those metrics for both the fourth quarter and the 12 months ending December 31, 2018 were positively impacted by the 2017 Tax Cuts and Jobs Act (“TCJA”). The TCJA, among other things, lowered the federal statutory corporate tax rate from 35% to 21%, effective for all of 2018. Along with the 14% lower 2018 statutory corporate tax rate, comparability between the fourth quarter of 2018 and the same period in 2017 was impacted by a \$6.3 million charge during the fourth quarter of 2017 representing the decrease in the value of Republic’s net deferred tax assets (“DTAs”) as a result of the passage of the TCJA in December 2017.

The Company estimates that the charge recorded during the fourth quarter of 2017 had a negative impact to the fourth quarter 2017 net income of \$6.3 million, a negative impact to fourth quarter 2017 Diluted EPS of \$0.30, and a reduction to fourth quarter 2017 ROA of 0.51% and ROE of 3.95%. Conversely, the on-going decrease in the federal statutory tax rate of 35% to 21% during 2018 benefitted the Company’s fourth quarter 2018 net income approximately \$3.2 million, Diluted EPS by \$0.14, ROA by 0.25%, and ROE by 1.85%.

In addition to the TCJA, the income tax expense line item for the fourth quarters and years ended December 31, 2018 and 2017 contained other items impacting the overall effective tax rate for the Company. See Footnote 4 of this earnings release for a high-level summary of those items and their overall impact to the effective income tax rates of the Company for the fourth quarters and years ended December 31, 2018 and 2017.

Republic Bancorp, Inc. (the “Company”) is the parent company of Republic Bank & Trust Company (the “Bank”). The Bank currently has 45 full-service banking centers and one loan production office throughout five states: 32 banking centers in 11 Kentucky communities - Covington, Crestview Hills, Elizabethtown, Florence, Frankfort, Georgetown, Lexington, Louisville, Owensboro, Shelbyville, and Shepherdsville; three banking centers in southern Indiana – Floyds Knobs, Jeffersonville, and New Albany; seven banking centers in six Florida communities (Tampa MSA) – Largo, Port Richey, St. Petersburg, Seminole, Tampa, and Temple Terrace; two banking centers in Tennessee (Nashville MSA) – Cool Springs (Franklin) and Green Hills (Nashville) and one loan production office in Brentwood; and one banking center in Norwood (Cincinnati), Ohio. The Bank offers internet banking at www.republicbank.com. The Bank also offers separately branded, nation-wide digital banking at www.mymemorybank.com. The Company has \$5.2 billion in assets and is headquartered in Louisville, Kentucky. The Company’s Class A Common Stock is listed under the symbol “RBCAA” on the NASDAQ Global Select Market.

Forward-Looking Statements

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements in the preceding paragraphs are based on our current expectations and assumptions regarding our business, the future impact to our balance sheet and income statement resulting from changes in interest rates, the ability to develop products and strategies in order to meet the Company's long-term strategic goals, the economy, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by forward-looking statements. We caution you therefore against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Actual results could differ materially based upon factors disclosed from time to time in the Company's filings with the U.S. Securities and Exchange Commission, including those factors set forth as "Risk Factors" in the Company's Annual Report on Form 10-K for the period ended December 31, 2017. The Company undertakes no obligation to update any forward-looking statements. These forward-looking statements are made only as of the date of this release, and the Company undertakes no obligation to release revisions to these forward-looking statements to reflect events or conditions after the date of this release.

Republic Bancorp, Inc. Financial Information
Fourth Quarter 2018 Earnings Release

(all amounts other than per share amounts, number of employees, and number of banking centers are expressed in thousands unless otherwise noted)

Balance Sheet Data

| | <u>Dec. 31, 2018</u> | <u>Dec. 31, 2017</u> |
|--|----------------------|----------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 351,474 | \$ 299,351 |
| Investment securities | 543,771 | 591,458 |
| Loans held for sale | 21,809 | 16,989 |
| Loans | 4,148,227 | 4,014,034 |
| Allowance for loan and lease losses | (44,675) | (42,769) |
| Loans, net | 4,103,552 | 3,971,265 |
| Federal Home Loan Bank stock, at cost | 32,067 | 32,067 |
| Premises and equipment, net | 44,820 | 45,605 |
| Goodwill | 16,300 | 16,300 |
| Other real estate owned ("OREO") | 160 | 115 |
| Bank owned life insurance ("BOLI") | 64,883 | 63,356 |
| Other assets and accrued interest receivable | 61,568 | 48,856 |
| Total assets | <u>\$ 5,240,404</u> | <u>\$ 5,085,362</u> |
| Liabilities and Stockholders' Equity: | | |
| Deposits: | | |
| Noninterest-bearing | \$ 1,003,969 | \$ 1,022,042 |
| Interest-bearing | 2,452,176 | 2,411,116 |
| Total deposits | 3,456,145 | 3,433,158 |
| Securities sold under agreements to repurchase and other short-term borrowings | 182,990 | 204,021 |
| Federal Home Loan Bank advances | 810,000 | 737,500 |
| Subordinated note | 41,240 | 41,240 |
| Other liabilities and accrued interest payable | 60,095 | 37,019 |
| Total liabilities | 4,550,470 | 4,452,938 |
| Stockholders' equity | 689,934 | 632,424 |
| Total liabilities and stockholders' equity | <u>\$ 5,240,404</u> | <u>\$ 5,085,362</u> |

Average Balance Sheet Data

| | <u>Three Months Ended Dec. 31,</u> | | <u>Year Ended Dec. 31,</u> | |
|--|------------------------------------|-------------|----------------------------|-------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Assets: | | | | |
| Investment securities, including FHLB stock | \$ 579,429 | \$ 559,381 | \$ 542,258 | \$ 574,027 |
| Federal funds sold and other interest-earning deposits | 199,134 | 229,638 | 255,708 | 188,427 |
| Loans, including loans held for sale | 4,092,004 | 3,967,211 | 4,094,918 | 3,831,406 |
| Total interest-earning assets | 4,870,567 | 4,756,230 | 4,892,884 | 4,593,860 |

| | | | | | |
|--|----|-----------|--------------|--------------|--------------|
| Total assets | | 5,070,845 | 4,953,134 | 5,130,628 | 4,826,208 |
| Liabilities and Stockholders' Equity: | | | | | |
| Noninterest-bearing deposits | \$ | 1,050,236 | \$ 1,045,939 | \$ 1,147,432 | \$ 1,073,181 |
| Interest-bearing deposits | | 2,477,962 | 2,383,196 | 2,445,385 | 2,267,663 |
| Securities sold under agreements to repurchase and other short-term borrowings | | 252,073 | 271,434 | 225,145 | 219,515 |
| Federal Home Loan Bank advances | | 515,413 | 537,326 | 557,090 | 563,552 |
| Subordinated note | | 41,240 | 41,240 | 41,240 | 41,240 |
| Total interest-bearing liabilities | | 3,286,688 | 3,233,196 | 3,268,860 | 3,091,970 |
| Stockholders' equity | | 687,156 | 640,686 | 666,979 | 628,329 |

Republic Bancorp, Inc. Financial Information
Fourth Quarter 2018 Earnings Release (continued)

(all amounts other than per share amounts, number of employees, and number of banking centers are expressed in thousands unless otherwise noted)

Income Statement Data

| | Three Months Ended Dec. 31, | | Year Ended Dec. 31, | |
|--|-----------------------------|-----------|---------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Total interest income(5) | \$ 62,902 | \$ 56,349 | \$ 256,181 | \$ 218,778 |
| Total interest expense | 8,626 | 5,711 | 30,123 | 20,258 |
| Net interest income | 54,276 | 50,638 | 226,058 | 198,520 |
| Provision for loan and lease losses | 5,104 | 6,071 | 31,368 | 27,704 |
| Noninterest income: | | | | |
| Service charges on deposit accounts | 3,565 | 3,325 | 14,273 | 13,357 |
| Net refund transfer fees | 55 | 171 | 20,029 | 18,500 |
| Mortgage banking income | 1,129 | 935 | 4,825 | 4,642 |
| Interchange fee income | 2,844 | 2,533 | 11,159 | 9,881 |
| Program fees | 1,520 | 1,851 | 6,225 | 5,824 |
| Increase in cash surrender value of BOLI | 392 | 384 | 1,527 | 1,562 |
| Losses on available-for-sale debt securities | — | (136) | — | (136) |
| Net gains on OREO | 29 | 254 | 729 | 676 |
| Other | 585 | 873 | 4,658 | 4,108 |
| Total noninterest income | 10,119 | 10,190 | 63,425 | 58,414 |
| Noninterest expense: | | | | |
| Salaries and employee benefits | 21,743 | 20,502 | 91,189 | 82,233 |
| Occupancy and equipment, net | 6,474 | 6,518 | 25,365 | 25,194 |
| Communication and transportation | 1,115 | 1,261 | 4,785 | 4,711 |
| Marketing and development | 784 | 1,098 | 4,432 | 5,188 |
| FDIC insurance expense | 264 | 328 | 1,494 | 1,378 |
| Bank franchise tax expense | 863 | 652 | 4,951 | 4,626 |
| Data processing | 2,434 | 2,606 | 9,613 | 7,748 |
| Interchange related expense | 1,237 | 931 | 4,480 | 3,988 |
| Supplies | 446 | 565 | 1,444 | 1,594 |
| OREO expense | 31 | 104 | 94 | 388 |
| Legal and professional fees | 753 | 616 | 3,459 | 2,410 |
| Other | 2,819 | 2,964 | 12,546 | 11,386 |
| Total noninterest expense | 38,963 | 38,145 | 163,852 | 150,844 |
| Income before income tax expense | 20,328 | 16,612 | 94,263 | 78,386 |
| Income tax expense(4) | 3,022 | 11,774 | 16,411 | 32,754 |
| Net income | \$ 17,306 | \$ 4,838 | \$ 77,852 | \$ 45,632 |

(all amounts other than per share amounts, number of employees, and number of banking centers are expressed in thousands unless otherwise noted)

Selected Data and Ratios

| | Three Months Ended Dec. 31, | | Year Ended Dec. 31, | |
|--|-----------------------------|----------|---------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Per Share Data: | | | | |
| Basic weighted average shares outstanding | 20,975 | 21,149 | 20,960 | 20,921 |
| Diluted weighted average shares outstanding | 21,113 | 21,258 | 21,065 | 21,007 |
| Period-end shares outstanding: | | | | |
| Class A Common Stock | 18,675 | 18,607 | 18,675 | 18,607 |
| Class B Common Stock | 2,213 | 2,243 | 2,213 | 2,243 |
| Book value per share(6) | \$ 33.03 | \$ 30.33 | \$ 33.03 | \$ 30.33 |
| Tangible book value per share(6) | 31.98 | 29.27 | 31.98 | 29.27 |
| Earnings per share ("EPS"): | | | | |
| Basic EPS - Class A Common Stock | \$ 0.83 | \$ 0.23 | \$ 3.76 | \$ 2.21 |
| Basic EPS - Class B Common Stock | 0.76 | 0.21 | 3.41 | 2.01 |
| Diluted EPS - Class A Common Stock | 0.83 | 0.23 | 3.74 | 2.20 |
| Diluted EPS - Class B Common Stock | 0.75 | 0.21 | 3.40 | 2.00 |
| Cash dividends declared per Common share: | | | | |
| Class A Common Stock | \$ 0.242 | \$ 0.220 | \$ 0.968 | \$ 0.869 |
| Class B Common Stock | 0.220 | 0.200 | 0.880 | 0.790 |
| Performance Ratios: | | | | |
| Return on average assets | 1.37% | 0.39% | 1.52% | 0.95% |
| Return on average equity | 10.07 | 3.02 | 11.67 | 7.26 |
| Efficiency ratio(7) | 61 | 63 | 57 | 59 |
| Yield on average interest-earning assets(5) | 5.17 | 4.74 | 5.24 | 4.76 |
| Cost of average interest-bearing liabilities | 1.05 | 0.71 | 0.92 | 0.66 |
| Cost of average deposits(8) | 0.59 | 0.35 | 0.47 | 0.29 |
| Net interest spread(5) | 4.12 | 4.03 | 4.32 | 4.10 |
| Net interest margin - Total Company(5) | 4.46 | 4.26 | 4.62 | 4.32 |
| Net interest margin - Core Bank(1) | 3.85 | 3.72 | 3.70 | 3.55 |
| Other Information: | | | | |
| End of period FTEs(9) - Total Company | 1,051 | 997 | 1,051 | 997 |
| End of period FTEs - Core Bank | 968 | 915 | 968 | 915 |
| Number of full-service banking centers | 45 | 45 | 45 | 45 |

Republic Bancorp, Inc. Financial Information Fourth Quarter 2018 Earnings Release (continued)

(all amounts other than per share amounts, number of employees, and number of banking centers are expressed in thousands unless otherwise noted)

Credit Quality Data and Ratios

| | As of and for the | | As of and for the | |
|---|-----------------------------|-----------|---------------------|-----------|
| | Three Months Ended Dec. 31, | | Year Ended Dec. 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Credit Quality Asset Balances: | | | | |
| Nonperforming Assets - Total Company: | | | | |
| Loans on nonaccrual status | \$ 15,993 | \$ 14,118 | \$ 15,993 | \$ 14,118 |
| Loans past due 90-days-or-more and still on accrual | 145 | 956 | 145 | 956 |
| Total nonperforming loans | 16,138 | 15,074 | 16,138 | 15,074 |
| OREO | 160 | 115 | 160 | 115 |
| Total nonperforming assets | \$ 16,298 | \$ 15,189 | \$ 16,298 | \$ 15,189 |

Nonperforming Assets - Core Bank(1):

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Loans on nonaccrual status | \$ 15,993 | \$ 14,118 | \$ 15,993 | \$ 14,118 |
| Loans past due 90-days-or-more and still on accrual | 13 | 19 | 13 | 19 |
| Total nonperforming loans | 16,006 | 14,137 | 16,006 | 14,137 |
| OREO | 160 | 115 | 160 | 115 |
| Total nonperforming assets | \$ 16,166 | \$ 14,252 | \$ 16,166 | \$ 14,252 |

Delinquent loans:

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Delinquent loans - Core Bank | \$ 8,875 | \$ 8,460 | \$ 8,875 | \$ 8,460 |
| Delinquent loans - RPG(3) | 7,087 | 5,641 | 7,087 | 5,641 |
| Total delinquent loans - Total Company | \$ 15,962 | \$ 14,101 | \$ 15,962 | \$ 14,101 |

Credit Quality Ratios - Total Company:

| | | | | |
|--|-------|-------|-------|-------|
| Nonperforming loans to total loans | 0.39% | 0.38% | 0.39% | 0.38% |
| Nonperforming assets to total loans (including OREO) | 0.39 | 0.38 | 0.39 | 0.38 |
| Nonperforming assets to total assets | 0.31 | 0.30 | 0.31 | 0.30 |
| Allowance for loan and lease losses to total loans | 1.08 | 1.07 | 1.08 | 1.07 |
| Allowance for loan and lease losses to nonperforming loans | 277 | 284 | 277 | 284 |
| Delinquent loans to total loans(2) | 0.38 | 0.35 | 0.38 | 0.35 |
| Net charge-offs to average loans (annualized) | 0.42 | 0.35 | 0.72 | 0.47 |

Credit Quality Ratios - Core Bank:

| | | | | |
|--|-------|-------|-------|-------|
| Nonperforming loans to total loans | 0.40% | 0.36% | 0.40% | 0.36% |
| Nonperforming assets to total loans (including OREO) | 0.40 | 0.36 | 0.40 | 0.36 |
| Nonperforming assets to total assets | 0.31 | 0.28 | 0.31 | 0.28 |
| Allowance for loan and lease losses to total loans | 0.78 | 0.77 | 0.78 | 0.77 |
| Allowance for loan and lease losses to nonperforming loans | 197 | 213 | 197 | 213 |
| Delinquent loans to total loans | 0.22 | 0.21 | 0.22 | 0.21 |
| Net charge-offs to average loans (annualized) | 0.12 | 0.06 | 0.06 | 0.04 |

Republic Bancorp, Inc. Financial Information**Fourth Quarter 2018 Earnings Release (continued)**

(all amounts other than per share amounts, number of employees, and number of banking centers are expressed in thousands unless otherwise noted)

Balance Sheet Data

| | Quarterly Comparison | | | | |
|--|----------------------|---------------|---------------|---------------|---------------|
| | Dec. 31, 2018 | Sep. 30, 2018 | Jun. 30, 2018 | Mar. 31, 2018 | Dec. 31, 2017 |
| Assets: | | | | | |
| Cash and cash equivalents | \$ 351,474 | \$ 365,512 | \$ 386,956 | \$ 362,122 | \$ 299,351 |
| Investment securities | 543,771 | 513,766 | 485,622 | 483,573 | 591,458 |
| Loans held for sale | 21,809 | 28,899 | 26,337 | 14,295 | 16,989 |
| Loans | 4,148,227 | 4,136,195 | 4,195,984 | 4,052,500 | 4,014,034 |
| Allowance for loan and lease losses | (44,675) | (43,824) | (45,047) | (52,341) | (42,769) |
| Loans, net | 4,103,552 | 4,092,371 | 4,150,937 | 4,000,159 | 3,971,265 |
| Federal Home Loan Bank stock, at cost | 32,067 | 32,067 | 32,067 | 32,067 | 32,067 |
| Premises and equipment, net | 44,820 | 45,945 | 46,485 | 46,792 | 45,605 |
| Goodwill | 16,300 | 16,300 | 16,300 | 16,300 | 16,300 |
| Other real estate owned | 160 | 70 | — | 160 | 115 |
| Bank owned life insurance | 64,883 | 64,491 | 64,106 | 63,727 | 63,356 |
| Other assets and accrued interest receivable | 61,568 | 62,933 | 57,135 | 59,139 | 48,856 |
| Total assets | \$ 5,240,404 | \$ 5,222,354 | \$ 5,265,945 | \$ 5,078,334 | \$ 5,085,362 |

Liabilities and Stockholders' Equity:

| | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| Deposits: | | | | | |
| Noninterest-bearing | \$ 1,003,969 | \$ 1,103,461 | \$ 1,061,182 | \$ 1,241,127 | \$ 1,022,042 |
| Interest-bearing | 2,452,176 | 2,463,224 | 2,412,187 | 2,476,496 | 2,411,116 |
| Total deposits | 3,456,145 | 3,566,685 | 3,473,369 | 3,717,623 | 3,433,158 |
| Securities sold under agreements to repurchase and other short-term borrowings | 182,990 | 163,768 | 175,291 | 175,682 | 204,021 |

| | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| Federal Home Loan Bank advances | 810,000 | 715,000 | 860,000 | 440,000 | 737,500 |
| Subordinated note | 41,240 | 41,240 | 41,240 | 41,240 | 41,240 |
| Other liabilities and accrued interest payable | 60,095 | 58,851 | 52,037 | 50,535 | 37,019 |
| Total liabilities | 4,550,470 | 4,545,544 | 4,601,937 | 4,425,080 | 4,452,938 |
| Stockholders' equity | 689,934 | 676,810 | 664,008 | 653,254 | 632,424 |
| Total liabilities and stockholders' equity | \$ 5,240,404 | \$ 5,222,354 | \$ 5,265,945 | \$ 5,078,334 | \$ 5,085,362 |

Average Balance Sheet Data

| | Quarterly Comparison | | | | |
|--|----------------------|---------------|---------------|---------------|---------------|
| | Dec. 31, 2018 | Sep. 30, 2018 | Jun. 30, 2018 | Mar. 31, 2018 | Dec. 31, 2017 |
| Assets: | | | | | |
| Investment securities, including FHLB stock | \$ 579,429 | \$ 530,468 | \$ 506,209 | \$ 552,760 | \$ 559,381 |
| Federal funds sold and other interest-earning deposits | 199,134 | 265,111 | 276,246 | 283,161 | 229,638 |
| Loans, including loans held for sale | 4,092,004 | 4,112,926 | 4,092,388 | 4,082,050 | 3,967,211 |
| Total interest-earning assets | 4,870,567 | 4,908,505 | 4,874,843 | 4,917,971 | 4,756,230 |
| Total assets | 5,070,845 | 5,101,286 | 5,074,781 | 5,278,204 | 4,953,134 |
| Liabilities and Stockholders' Equity: | | | | | |
| Noninterest-bearing deposits | \$ 1,050,236 | \$ 1,076,967 | \$ 1,146,403 | \$ 1,319,860 | \$ 1,045,939 |
| Interest-bearing deposits | 2,477,962 | 2,476,088 | 2,410,330 | 2,416,142 | 2,383,196 |
| Securities sold under agreements to repurchase and other short-term borrowings | 252,073 | 213,195 | 178,063 | 257,439 | 271,434 |
| Federal Home Loan Bank advances | 515,413 | 574,130 | 593,187 | 545,778 | 537,326 |
| Subordinated note | 41,240 | 41,240 | 41,240 | 41,240 | 41,240 |
| Total interest-bearing liabilities | 3,286,688 | 3,304,653 | 3,222,820 | 3,260,599 | 3,233,196 |
| Stockholders' equity | 687,156 | 675,470 | 663,077 | 641,624 | 640,686 |

Republic Bancorp, Inc. Financial Information Fourth Quarter 2018 Earnings Release (continued)

(all amounts other than per share amounts, number of employees, and number of banking centers are expressed in thousands unless otherwise noted)

Income Statement Data

| | Three Months Ended | | | | |
|--|--------------------|---------------|---------------|---------------|---------------|
| | Dec. 31, 2018 | Sep. 30, 2018 | Jun. 30, 2018 | Mar. 31, 2018 | Dec. 31, 2017 |
| Total interest income(5) | \$ 62,902 | \$ 61,090 | \$ 58,356 | \$ 73,833 | \$ 56,349 |
| Total interest expense | 8,626 | 8,057 | 7,272 | 6,168 | 5,711 |
| Net interest income | 54,276 | 53,033 | 51,084 | 67,665 | 50,638 |
| Provision for loan and lease losses | 5,104 | 4,077 | 4,932 | 17,255 | 6,071 |
| Noninterest income: | | | | | |
| Service charges on deposit accounts | 3,565 | 3,579 | 3,574 | 3,555 | 3,325 |
| Net refund transfer fees | 55 | 149 | 3,473 | 16,352 | 171 |
| Mortgage banking income | 1,129 | 1,360 | 1,316 | 1,020 | 935 |
| Interchange fee income | 2,844 | 2,757 | 2,891 | 2,667 | 2,533 |
| Program fees | 1,520 | 1,686 | 1,323 | 1,696 | 1,851 |
| Increase in cash surrender value of BOLI | 392 | 385 | 379 | 371 | 384 |
| Losses on available-for-sale debt securities | — | — | — | — | (136) |
| Net gains on OREO | 29 | 248 | 320 | 132 | 254 |
| Other | 585 | 1,301 | 1,020 | 1,752 | 873 |
| Total noninterest income | 10,119 | 11,465 | 14,296 | 27,545 | 10,190 |
| Noninterest expense: | | | | | |
| Salaries and employee benefits | 21,743 | 22,846 | 22,766 | 23,834 | 20,502 |
| Occupancy and equipment, net | 6,474 | 6,279 | 6,391 | 6,221 | 6,518 |
| Communication and transportation | 1,115 | 1,047 | 1,241 | 1,382 | 1,261 |
| Marketing and development | 784 | 1,449 | 1,283 | 916 | 1,098 |
| FDIC insurance expense | 264 | 360 | 345 | 525 | 328 |
| Bank franchise tax expense | 863 | 710 | 860 | 2,518 | 652 |
| Data processing | 2,434 | 2,350 | 2,443 | 2,386 | 2,606 |
| Interchange related expense | 1,237 | 1,138 | 1,098 | 1,007 | 931 |

| | | | | | |
|----------------------------------|------------------|------------------|------------------|------------------|-----------------|
| Supplies | 446 | 314 | 303 | 381 | 565 |
| OREO expense | 31 | 2 | 16 | 45 | 104 |
| Legal and professional fees | 753 | 935 | 728 | 1,043 | 616 |
| Other | 2,819 | 3,782 | 3,158 | 2,787 | 2,964 |
| Total noninterest expense | <u>38,963</u> | <u>41,212</u> | <u>40,632</u> | <u>43,045</u> | <u>38,145</u> |
| Income before income tax expense | 20,328 | 19,209 | 19,816 | 34,910 | 16,612 |
| Income tax expense(4) | <u>3,022</u> | <u>1,798</u> | <u>4,150</u> | <u>7,441</u> | <u>11,774</u> |
| Net income | <u>\$ 17,306</u> | <u>\$ 17,411</u> | <u>\$ 15,666</u> | <u>\$ 27,469</u> | <u>\$ 4,838</u> |

Republic Bancorp, Inc. Financial Information
Fourth Quarter 2018 Earnings Release (continued)

(all amounts other than per share amounts, number of employees, and number of banking centers are expressed in thousands unless otherwise noted)

Selected Data and Ratios

| | As of and for the Three Months Ended | | | | |
|--|--------------------------------------|---------------|---------------|---------------|---------------|
| | Dec. 31, 2018 | Sep. 30, 2018 | Jun. 30, 2018 | Mar. 31, 2018 | Dec. 31, 2017 |
| Per Share Data: | | | | | |
| Basic weighted average shares outstanding | 20,975 | 20,962 | 21,187 | 20,920 | 21,149 |
| Diluted weighted average shares outstanding | 21,113 | 21,120 | 21,331 | 21,018 | 21,258 |
| Period-end shares outstanding: | | | | | |
| Class A Common Stock | 18,675 | 18,682 | 18,677 | 18,645 | 18,607 |
| Class B Common Stock | 2,213 | 2,213 | 2,215 | 2,243 | 2,243 |
| Book value per share(6) | \$ 33.03 | \$ 32.39 | \$ 31.78 | \$ 31.27 | \$ 30.33 |
| Tangible book value per share(6) | 31.98 | 31.34 | 30.73 | 30.22 | 29.27 |
| Earnings per share ("EPS"): | | | | | |
| Basic EPS - Class A Common Stock | \$ 0.83 | \$ 0.84 | \$ 0.75 | \$ 1.32 | \$ 0.23 |
| Basic EPS - Class B Common Stock | 0.76 | 0.76 | 0.68 | 1.21 | 0.21 |
| Diluted EPS - Class A Common Stock | 0.83 | 0.83 | 0.74 | 1.32 | 0.23 |
| Diluted EPS - Class B Common Stock | 0.75 | 0.76 | 0.68 | 1.20 | 0.21 |
| Cash dividends declared per Common share: | | | | | |
| Class A Common Stock | \$ 0.242 | \$ 0.242 | \$ 0.242 | \$ 0.242 | \$ 0.220 |
| Class B Common Stock | 0.220 | 0.220 | 0.220 | 0.220 | 0.200 |
| Performance Ratios: | | | | | |
| Return on average assets | 1.37% | 1.37% | 1.23% | 2.08% | 0.39% |
| Return on average equity | 10.07 | 10.31 | 9.45 | 17.12 | 3.02 |
| Efficiency ratio(7) | 61 | 64 | 62 | 45 | 63 |
| Yield on average interest-earning assets(5) | 5.17 | 4.98 | 4.79 | 6.01 | 4.74 |
| Cost of average interest-bearing liabilities | 1.05 | 0.98 | 0.90 | 0.76 | 0.71 |
| Cost of average deposits(8) | 0.59 | 0.51 | 0.44 | 0.36 | 0.35 |
| Net interest spread(5) | 4.12 | 4.00 | 3.89 | 5.25 | 4.03 |
| Net interest margin - Total Company(5) | 4.46 | 4.32 | 4.19 | 5.50 | 4.26 |
| Net interest margin - Core Bank(1) | 3.85 | 3.76 | 3.64 | 3.55 | 3.72 |
| Other Information: | | | | | |
| End of period FTEs(9) - Total Company | 1,051 | 1,034 | 1,013 | 1,003 | 997 |
| End of period FTEs - Core Bank | 968 | 953 | 933 | 922 | 915 |
| Number of full-service banking centers | 45 | 45 | 45 | 45 | 45 |

Fourth Quarter 2018 Earnings Release (continued)*(all amounts other than per share amounts, number of employees, and number of banking centers are expressed in thousands unless otherwise noted)***Credit Quality Data and Ratios**

| | As of and for the Three Months Ended | | | | |
|--|---|----------------------|----------------------|----------------------|----------------------|
| | Dec. 31, 2018 | Sep. 30, 2018 | Jun. 30, 2018 | Mar. 31, 2018 | Dec. 31, 2017 |
| Credit Quality Asset Balances: | | | | | |
| Nonperforming Assets - Total Company: | | | | | |
| Loans on nonaccrual status | \$ 15,993 | \$ 17,015 | \$ 17,502 | \$ 14,849 | \$ 14,118 |
| Loans past due 90-days-or-more and still on accrual | 145 | 254 | 858 | 1,279 | 956 |
| Total nonperforming loans | 16,138 | 17,269 | 18,360 | 16,128 | 15,074 |
| OREO | 160 | 70 | — | 160 | 115 |
| Total nonperforming assets | <u>\$ 16,298</u> | <u>\$ 17,339</u> | <u>\$ 18,360</u> | <u>\$ 16,288</u> | <u>\$ 15,189</u> |
| Nonperforming Assets - Core Bank(1): | | | | | |
| Loans on nonaccrual status | \$ 15,993 | \$ 17,015 | \$ 17,502 | \$ 14,849 | \$ 14,118 |
| Loans past due 90-days-or-more and still on accrual | 13 | 5 | 22 | 27 | 19 |
| Total nonperforming loans | 16,006 | 17,020 | 17,524 | 14,876 | 14,137 |
| OREO | 160 | 70 | — | 160 | 115 |
| Total nonperforming assets | <u>\$ 16,166</u> | <u>\$ 17,090</u> | <u>\$ 17,524</u> | <u>\$ 15,036</u> | <u>\$ 14,252</u> |
| Delinquent Loans: | | | | | |
| Delinquent loans - Core Bank | \$ 8,875 | \$ 11,840 | \$ 8,703 | \$ 8,303 | \$ 8,460 |
| Delinquent loans - RPG(3)(10) | 7,087 | 5,986 | 4,429 | 17,530 | 5,641 |
| Total delinquent loans - Total Company | <u>\$ 15,962</u> | <u>\$ 17,826</u> | <u>\$ 13,132</u> | <u>\$ 25,833</u> | <u>\$ 14,101</u> |
| Credit Quality Ratios - Total Company: | | | | | |
| Nonperforming loans to total loans | 0.39% | 0.42% | 0.44% | 0.40% | 0.38% |
| Nonperforming assets to total loans (including OREO) | 0.39 | 0.42 | 0.44 | 0.40 | 0.38 |
| Nonperforming assets to total assets | 0.31 | 0.33 | 0.35 | 0.32 | 0.30 |
| Allowance for loan and lease losses to total loans | 1.08 | 1.06 | 1.07 | 1.29 | 1.07 |
| Allowance for loan and lease losses to nonperforming loans | 277 | 254 | 245 | 325 | 284 |
| Delinquent loans to total loans(2)(10) | 0.38 | 0.43 | 0.31 | 0.64 | 0.35 |
| Net charge-offs to average loans (annualized) | 0.42 | 0.52 | 1.19 | 0.75 | 0.35 |
| Credit Quality Ratios - Core Bank: | | | | | |
| Nonperforming loans to total loans | 0.40% | 0.42% | 0.43% | 0.37% | 0.36% |
| Nonperforming assets to total loans (including OREO) | 0.40 | 0.42 | 0.43 | 0.38 | 0.36 |
| Nonperforming assets to total assets | 0.31 | 0.33 | 0.34 | 0.31 | 0.28 |
| Allowance for loan and lease losses to total loans | 0.78 | 0.78 | 0.76 | 0.77 | 0.77 |
| Allowance for loan and lease losses to nonperforming loans | 197 | 184 | 179 | 205 | 213 |
| Delinquent loans to total loans | 0.22 | 0.29 | 0.21 | 0.21 | 0.21 |
| Net charge-offs to average loans (annualized) | 0.12 | 0.04 | — | 0.06 | 0.06 |

Segment Data:

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, 2018, the Company was divided into five reportable segments: Traditional Banking, Warehouse Lending (“Warehouse”), Mortgage Banking, Tax Refund Solutions (“TRS”), and Republic Credit Solutions (“RCS”). Management considers the first three segments to collectively constitute “Core Bank” or “Core Banking” operations, while the last two segments collectively constitute Republic Processing Group (“RPG”) operations. The Bank’s Correspondent Lending channel and the Company’s national branchless banking platform, MemoryBank[®], are considered part of the Traditional Banking segment.

The nature of segment operations and the primary drivers of net revenues by reportable segment are provided below:

| <u>Reportable Segment:</u> | <u>Nature of Operations:</u> | <u>Primary Drivers of Net Revenue:</u> |
|-----------------------------------|--|---|
| 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 and Correspondent Lending 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 refund 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 in the Company’s 2017 Annual Report on Form 10-K. Republic evaluates segment performance using operating income. The Company allocates goodwill to the Traditional Banking segment. Republic generally allocates income taxes based on income before income tax expense unless Republic can reasonably make specific segment allocations. The Company makes transactions among reportable segments at carrying value.

Republic Bancorp, Inc. Financial Information Fourth Quarter 2018 Earnings Release (continued)

Segment information for the quarters and years ended December 31, 2018 and 2017 follows:

| | Three Months Ended December 31, 2018 | | | | | | | |
|-------------------------------------|--------------------------------------|----------------------|---------------------|--------------------------|-----------------------------------|---------------------------------|--------------|------------------|
| | Core Banking | | | Total Core Banking | Republic Processing Group ("RPG") | | | Total Company |
| | Traditional Banking | Warehouse Lending | Mortgage Banking | | Tax Refund Solutions | Republic Credit Solutions | Total RPG | |
| <i>(dollars in thousands)</i> | | | | | | | | |
| Net interest income | \$ 42,207 | \$ 3,557 | \$ 94 | \$ 45,858 | \$ 76 | \$ 8,342 | \$ 8,418 | \$ 54,276 |
| Provision for loan and lease losses | 1,552 | (230) | — | 1,322 | (554) | 4,336 | 3,782 | 5,104 |
| Net refund transfer fees | — | — | — | — | 55 | — | 55 | 55 |
| Mortgage banking income | — | — | 1,129 | 1,129 | — | — | — | 1,129 |
| Program fees | — | — | — | — | 19 | 1,501 | 1,520 | 1,520 |

| | | | | | | | | |
|---|------------------|-----------------|---------------|-------------------------|-------------------|-----------------|------------------------|-------------------------|
| Other noninterest income | 7,374 | 10 | 339 | 7,723 | 17 | (325) | (308) | 7,415 |
| Total noninterest income | 7,374 | 10 | 1,468 | 8,852 | 91 | 1,176 | 1,267 | 10,119 |
| Total noninterest expense | 32,785 | 844 | 905 | 34,534 | 3,232 | 1,197 | 4,429 | 38,963 |
| Income (loss) before income tax expense | 15,244 | 2,953 | 657 | 18,854 | (2,511) | 3,985 | 1,474 | 20,328 |
| Income tax expense (benefit) | 1,913 | 676 | 138 | 2,727 | (631) | 926 | 295 | 3,022 |
| Net income (loss) | <u>\$ 13,331</u> | <u>\$ 2,277</u> | <u>\$ 519</u> | <u>\$ 16,127</u> | <u>\$ (1,880)</u> | <u>\$ 3,059</u> | <u>\$ 1,179</u> | <u>\$ 17,306</u> |
| 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 | 3.92% | 3.14 % | NM | 3.85% | NM | NM | NM | 4.46% |
| Net-revenue concentration* | 77% | 6 % | 2 % | 85% | — % | 15 % | 15 % | 100% |

Three Months Ended December 31, 2017

| | Core Banking | | | Total Core Banking | Republic Processing Group ("RPG") | | | Total Company |
|---|------------------------|----------------------|---------------------|--------------------------|-----------------------------------|---------------------------------|--------------------------|------------------------|
| | Traditional Banking | Warehouse Lending | Mortgage Banking | | Tax Refund Solutions | Republic Credit Solutions | Total RPG | |
| <i>(dollars in thousands)</i> | | | | | | | | |
| Net interest income | \$ 39,333 | \$ 4,460 | \$ 91 | \$ 43,884 | \$ 18 | \$ 6,736 | \$ 6,754 | \$ 50,638 |
| Provision for loan and lease losses | 1,312 | (114) | — | 1,198 | (228) | 5,101 | 4,873 | 6,071 |
| Net refund transfer fees | — | — | — | — | 171 | — | 171 | 171 |
| Mortgage banking income | — | — | 935 | 935 | — | — | — | 935 |
| Program fees | — | — | — | — | 73 | 1,778 | 1,851 | 1,851 |
| Other noninterest income | 6,834 | 10 | 87 | 6,931 | 12 | 290 | 302 | 7,233 |
| Total noninterest income | 6,834 | 10 | 1,022 | 7,866 | 256 | 2,068 | 2,324 | 10,190 |
| Total noninterest expense | 31,085 | 944 | 1,418 | 33,447 | 3,600 | 1,098 | 4,698 | 38,145 |
| Income (loss) before income tax expense | 13,770 | 3,640 | (305) | 17,105 | (3,098) | 2,605 | (493) | 16,612 |
| Income tax expense (benefit) | 9,518 | 1,512 | (808) | 10,222 | (1,125) | 2,677 | 1,552 | 11,774 |
| Net income (loss) | <u>\$ 4,252</u> | <u>\$ 2,128</u> | <u>\$ 503</u> | <u>\$ 6,883</u> | <u>\$ (1,973)</u> | <u>\$ (72)</u> | <u>\$ (2,045)</u> | <u>\$ 4,838</u> |
| Period-end assets | \$ 4,470,932 | \$ 525,246 | \$ 11,115 | \$ 5,007,293 | \$ 12,450 | \$ 65,619 | \$ 78,069 | \$ 5,085,362 |
| Net interest margin | 3.76% | 3.41 % | NM | 3.72% | NM | NM | NM | 4.26% |
| Net-revenue concentration* | 77% | 7 % | 2 % | 86% | — % | 14 % | 14 % | 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.

Republic Bancorp, Inc. Financial Information
Fourth Quarter 2018 Earnings Release (continued)

Year Ended December 31, 2018

| | Core Banking | | | Total Core Banking | Republic Processing Group ("RPG") | | | Total Company |
|-------------------------------------|------------------------|----------------------|---------------------|--------------------------|-----------------------------------|---------------------------------|------------------|-------------------|
| | Traditional Banking | Warehouse Lending | Mortgage Banking | | Tax Refund Solutions | Republic Credit Solutions | Total RPG | |
| <i>(dollars in thousands)</i> | | | | | | | | |
| Net interest income | \$ 160,398 | \$ 15,726 | \$ 402 | \$ 176,526 | \$ 19,203 | \$ 30,329 | \$ 49,532 | \$ 226,058 |
| Provision for loan and lease losses | 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 | <u>\$ 43,395</u> | <u>\$ 9,672</u> | <u>\$ 1,123</u> | <u>\$ 54,190</u> | <u>\$ 12,118</u> | <u>\$ 11,544</u> | <u>\$ 23,662</u> | <u>\$ 77,852</u> |
| 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% | 3.17 % | NM | 3.70% | NM | NM | NM | 4.62% |
| Net-revenue concentration* | 66% | 5 % | 2 % | 73% | 14% | 13% | 27% | 100% |

| | Year Ended December 31, 2017 | | | | | | | |
|-------------------------------------|------------------------------|-------------------|------------------|-------------------------|-----------------------------------|---------------------------|-------------------------|-------------------------|
| | Core Banking | | | | Republic Processing Group ("RPG") | | | |
| | Traditional Banking | Warehouse Lending | Mortgage Banking | Total Core Banking | Tax Refund Solutions | Republic Credit Solutions | Total RPG | Total Company |
| <i>(dollars in thousands)</i> | | | | | | | | |
| Net interest income | \$ 142,823 | \$ 17,533 | \$ 346 | \$ 160,702 | \$ 15,197 | \$ 22,621 | \$ 37,818 | \$ 198,520 |
| Provision for loan and lease losses | 3,923 | (150) | — | 3,773 | 6,535 | 17,396 | 23,931 | 27,704 |
| Net refund transfer fees | — | — | — | — | 18,500 | — | 18,500 | 18,500 |
| Mortgage banking income | — | — | 4,642 | 4,642 | — | — | — | 4,642 |
| Program fees | — | — | — | — | 176 | 5,648 | 5,824 | 5,824 |
| Other noninterest income | 27,452 | 37 | 279 | 27,768 | 164 | 1,516 | 1,680 | 29,448 |
| Total noninterest income | 27,452 | 37 | 4,921 | 32,410 | 18,840 | 7,164 | 26,004 | 58,414 |
| Total noninterest expense | 124,637 | 3,392 | 4,765 | 132,794 | 14,491 | 3,559 | 18,050 | 150,844 |
| Income before income tax expense | 41,715 | 14,328 | 502 | 56,545 | 13,011 | 8,830 | 21,841 | 78,386 |
| Income tax expense | 18,202 | 5,421 | (526) | 23,097 | 4,721 | 4,936 | 9,657 | 32,754 |
| Net income | <u>\$ 23,513</u> | <u>\$ 8,907</u> | <u>\$ 1,028</u> | <u>\$ 33,448</u> | <u>\$ 8,290</u> | <u>\$ 3,894</u> | <u>\$ 12,184</u> | <u>\$ 45,632</u> |
| Period-end assets | \$ 4,470,932 | \$ 525,246 | \$ 11,115 | \$ 5,007,293 | \$ 12,450 | \$ 65,619 | \$ 78,069 | \$ 5,085,362 |
| Net interest margin | 3.55% | 3.53 % | NM | 3.55% | NM | NM | NM | 4.32% |
| Net-revenue concentration* | 66% | 7 % | 2 % | 75% | 13% | 12% | 25% | 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.

Republic Bancorp, Inc. Financial Information Fourth Quarter 2018 Earnings Release (continued)

- (1) "Core Bank" or "Core Banking" operations consist of the Traditional Banking, Warehouse Lending, and Mortgage Banking segments.
- (2) 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.
- (3) Republic Processing Group operations consist of the Tax Refund Solutions and Republic Credit Solutions segments.
- (4) The 2017 Tax Cuts and Jobs Act ("TCJA"), enacted on December 22, 2017, lowered the federal corporate tax rate from 35% to 21%, effective January 1, 2018. With the TCJA's meaningful impact during 2018 and the fourth quarter of 2017, the Company's effective tax rate per quarter was as follows: 14.9% (quarter ended December 31, 2018); 9.4% (quarter ended September 30, 2018); 20.9% (quarter ended June 30, 2018); 21.3% (quarter ended March 31, 2018); and 70.9% (quarter ended December 31, 2017).

In addition to the TCJA lowering the Company's 2018 federal income tax rate, Republic's relatively low effective tax rate during the third quarter of 2018 was driven by approximately \$2.8 million in income tax benefits recognized during the third quarter of 2018 as part of preparing the Company's fiscal-year 2017 federal tax

return due October 15, 2018. The Company considers approximately \$2.6 million of the \$2.8 million in federal income tax benefits to be nonrecurring in nature, with a portion of the remaining benefits to be realizable in the future.

A \$6.3 million charge to income tax expense upon remeasurement of the Company's deferred tax assets and liabilities at a 21% corporate tax rate drove the relatively high effective tax rate for the fourth quarter of 2017.

The following table reflects the impact of the TCJA on Republic's income tax expense and effective tax rate for the fourth quarters and years ended December 31, 2018 and 2017.

| <i>(in thousands)</i> | Three Months Ended Dec. 31, | | | | Year Ended Dec. 31, | | | |
|--|------------------------------------|---------------------------|---------------|---------------------------|----------------------------|----------------------|---------------|---------------------------|
| | 2018 | | 2017 | | 2018 | | 2017 | |
| | Amount | Effective Tax Rate | Amount | Effective Tax Rate | Amount | Effective Tax | Amount | Effective Tax Rate |
| Income before income tax expense | \$ 20,328 | | \$ 16,612 | | \$ 94,263 | | \$ 78,386 | |
| Income tax expense, before adjusting items | \$ 4,269 | 21.00 % | \$ 5,814 | 35.00 % | \$ 19,795 | 21.00 % | \$ 27,435 | 35.00 % |
| Adjustments relating to: | | | | | | | | |
| Enactment of the TCJA | (389) | (1.91) | 6,327 | 38.09 | (2,762) | (2.93) | 6,327 | 8.07 |
| Nontaxable Income | (250) | (1.23) | (405) | (2.44) | (933) | (0.99) | (1,488) | (1.90) |
| State Taxes, net of federal benefit | 422 | 2.08 | 174 | 1.05 | 1,569 | 1.66 | 700 | 0.89 |
| General business tax credits | (213) | (1.05) | — | — | (1,355) | (1.44) | — | — |
| Tax Benefit of Vesting Employee Benefits | (191) | (0.94) | (243) | (1.46) | (191) | (0.20) | (243) | (0.31) |
| Reduction of uncertain tax positions | (210) | (1.03) | (433) | (2.61) | (210) | (0.22) | (433) | (0.55) |
| Other, net | (416) | (2.05) | 540 | 3.25 | 498 | 0.53 | 456 | 0.58 |
| Total Adjustments | (1,247) | (6.13) | 5,960 | 35.88 | (3,384) | (3.59) | 5,319 | 6.79 |
| Income tax expense, as reported | \$ 3,022 | 14.87 % | \$ 11,774 | 70.88 % | \$ 16,411 | 17.41 % | \$ 32,754 | 41.79 % |

(5) The amount of loan fee income can meaningfully impact total interest income, loan yields, net interest margin, and net interest spread. The amount of loan fee income included in total interest income was \$9.4 million and \$9.4 million for the quarters ended December 31, 2018 and 2017. The amount of loan fee income included in total interest income was \$53.8 million and \$46.2 million for the years ended December 31, 2018 and 2017.

The amount of loan fee income included in total interest income per quarter was as follows: \$9.4 million (quarter ended December 31, 2018); \$9.0 million (quarter ended September 30, 2018); \$8.5 million (quarter ended June 30, 2018); \$26.9 million (quarter ended March 31, 2018); and \$9.4 million (quarter ended December 31, 2017).

Interest income for Easy Advances ("EAs") is composed entirely of loan fees. The loan fees disclosed above included EA fees of \$17.8 million and \$14.2 million for the years ended December 31, 2018 and 2017. EAs are only offered during the first two months of each year.

(6) The following table provides a reconciliation of total stockholders' equity in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") to tangible stockholders' equity in accordance with applicable regulatory requirements, a non-GAAP disclosure. The Company provides the tangible book value per share, a 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.

| <i>(dollars in thousands, except per share data)</i> | Quarterly Comparison | | | | |
|---|-----------------------------|----------------------|----------------------|----------------------|----------------------|
| | Dec. 31, 2018 | Sep. 30, 2018 | Jun. 30, 2018 | Mar. 31, 2018 | Dec. 31, 2017 |
| Total stockholders' equity - GAAP (a) | \$ 689,934 | \$ 676,810 | \$ 664,008 | \$ 653,254 | \$ 632,424 |
| Less: Goodwill | 16,300 | 16,300 | 16,300 | 16,300 | 16,300 |
| Less: Mortgage servicing rights | 4,919 | 4,925 | 4,914 | 4,925 | 5,044 |
| Less: Core deposit intangible | 654 | 705 | 756 | 807 | 858 |
| Tangible stockholders' equity - Non-GAAP (c) | \$ 668,061 | \$ 654,880 | \$ 642,038 | \$ 631,222 | \$ 610,222 |
| Total assets - GAAP (b) | \$ 5,240,404 | \$ 5,222,354 | \$ 5,265,945 | \$ 5,078,334 | \$ 5,085,362 |
| Less: Goodwill | 16,300 | 16,300 | 16,300 | 16,300 | 16,300 |
| Less: Mortgage servicing rights | 4,919 | 4,925 | 4,914 | 4,925 | 5,044 |
| Less: Core deposit intangible | 654 | 705 | 756 | 807 | 858 |
| Tangible assets - Non-GAAP (d) | \$ 5,218,531 | \$ 5,200,424 | \$ 5,243,975 | \$ 5,056,302 | \$ 5,063,160 |
| Total stockholders' equity to total assets - GAAP (a/b) | 13.17% | 12.96% | 12.61% | 12.86% | 12.44% |

| | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Tangible stockholders' equity to tangible assets - Non-GAAP (c/d) | 12.80% | 12.59% | 12.24% | 12.48% | 12.05% |
| Number of shares outstanding (e) | <u>20,888</u> | <u>20,895</u> | <u>20,892</u> | <u>20,888</u> | <u>20,850</u> |
| Book value per share - GAAP (a/e) | \$ 33.03 | \$ 32.39 | \$ 31.78 | \$ 31.27 | \$ 30.33 |
| Tangible book value per share - Non-GAAP (c/e) | 31.98 | 31.34 | 30.73 | 30.22 | 29.27 |

(7) The efficiency ratio, a non-GAAP measure, 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.

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

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

(10) Delinquent loans for the RPG segment included \$13 million of EAs at March 31, 2018. EAs were only offered during the first two months of 2018. EAs do not have a contractual due date but are eligible for delinquency consideration three weeks after the taxpayer-customer's tax return is submitted to the applicable tax authority. All unpaid EAs are charged-off by the end of the second quarter of each year.

NM – Not meaningful

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