

ADVANCED MICRO DEVICES INC

Form 4

May 23, 2008

**FORM 4****UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

Check this box  
if no longer  
subject to  
Section 16.  
Form 4 or  
Form 5  
obligations  
may continue.  
*See Instruction*  
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF  
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,  
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section  
30(h) of the Investment Company Act of 1940

## OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person \*  
MCCOY THOMAS M

2. Issuer Name **and** Ticker or Trading  
Symbol  
ADVANCED MICRO DEVICES  
INC [AMD]

5. Relationship of Reporting Person(s) to  
Issuer

(Check all applicable)

(Last) (First) (Middle)  
ADVANCED MICRO DEVICES,  
INC., ONE AMD PLACE

3. Date of Earliest Transaction  
(Month/Day/Year)  
05/22/2008

\_\_\_\_ Director \_\_\_\_ 10% Owner  
\_X\_ Officer (give title below) \_\_\_\_ Other (specify below)  
EVP, Chief Admin Officer

(Street)  
SUNNYVALE, CA 94088-3453

4. If Amendment, Date Original  
Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check  
Applicable Line)  
\_X\_ Form filed by One Reporting Person  
\_\_\_\_ Form filed by More than One Reporting  
Person

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	05/22/2008		M	375	A \$ 0 64,514	D	
Common Stock	05/22/2008		S <sup>(1)</sup>	375	D \$ 7.1 64,139	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
(9-02)

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**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. D S (I
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Restricted Stock Units	\$ 0	05/22/2008		M	375	05/22/2008	05/04/2013	Common Stock	375

## Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
MCCOY THOMAS M ADVANCED MICRO DEVICES, INC. ONE AMD PLACE SUNNYVALE, CA 94088-3453	EVP, Chief Admin Officer

## Signatures

Faina Medzonsky By Power of Attorney  
05/23/2008  
\*\*Signature of Reporting Person Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Sales reported in this Form 4 effected pursuant to a Rule 10b5-1 Plan effective as of August 7, 2007.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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0.89

Allowance to nonperforming loans

284

205

125

103

109

Delinquent loans to total loans(7)

0.35

0.24

0.35

Explanation of Responses:

0.52

0.63

Net loan charge-offs to average loans

0.47

0.25

0.07

0.05

0.14

Credit Quality Ratios - Core Bank:

Nonperforming loans to total loans

Explanation of Responses:

0.36

%

0.42

%

0.66

%

0.78

%

0.81

%

Nonperforming assets to total loans (including OREO)

0.36

0.46

0.70

Explanation of Responses:

1.15

1.46

Nonperforming assets to total assets

0.28

0.36

0.55

0.93

1.13

Allowance to total loans

0.77

Explanation of Responses:



0.74

0.78

0.80

0.89

Allowance to nonperforming loans

213

175

118

103

Explanation of Responses:

109

Delinquent loans to total loans

0.21

0.18

0.35

0.52

0.63

Net charge-offs to average loans

0.04

Explanation of Responses:

0.05

0.05

0.08

0.18

46

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## 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 24 “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 U.S. generally accepted accounting principles (“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.

December 31, (dollars in thousands, except per share data)	2017	2016	2015	2014	2013
Total stockholders' equity - GAAP					
(a)	\$ 632,424	\$ 604,406	\$ 576,547	\$ 558,731	\$ 542,793
Less: Goodwill	16,300	16,300	10,168	10,168	10,168
Less: Mortgage servicing rights	5,044	5,180	4,912	4,813	5,409
Less: Core deposit intangible	858	1,070	—	—	—
Tangible stockholders' equity - Non-GAAP (c)	\$ 610,222	\$ 581,856	\$ 561,467	\$ 543,750	\$ 527,216
Total assets - GAAP (b)	\$ 5,085,362	\$ 4,816,309	\$ 4,230,289	\$ 3,747,013	\$ 3,371,904
Less: Goodwill	16,300	16,300	10,168	10,168	10,168
Less: Mortgage servicing rights	5,044	5,180	4,912	4,813	5,409
Less: Core deposit intangible	858	1,070	—	—	—
Tangible assets - Non-GAAP (d)	\$ 5,063,160	\$ 4,793,759	\$ 4,215,209	\$ 3,732,032	\$ 3,356,327
Total stockholders' equity to total assets - GAAP (a/b)	12.44	% 12.55	% 13.63	% 14.91	% 16.10
Tangible stockholders' equity to tangible assets - Non-GAAP (c/d)	12.05	% 12.14	% 13.32	% 14.57	% 15.71
Number of shares outstanding (e)	20,850	20,860	20,897	20,848	20,801
Book value per share - GAAP (a/e)	\$ 30.33	\$ 28.97	\$ 27.59	\$ 26.80	\$ 26.09
Tangible book value per share - Non-GAAP (c/e)	29.27	27.89	26.87	26.08	25.35

- (3) 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.
- (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) Republic Processing Group (“RPG”) operations consist of the Tax Refund Solutions and Republic Credit Solutions 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.

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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 ("RB&T" or the "Bank") and Republic Insurance Services, Inc. (the "Captive"). 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; and the term the "Bank" refers to the Company's subsidiary bank, RB&T. All significant intercompany balances and transactions are eliminated in consolidation.

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."

Republic Bancorp, Inc. 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 United States.

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

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

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 may not update them to reflect changes that occur subsequent to the date the statements are made.

Broadly speaking, forward-looking statements include:

- 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:

- changes in political and economic conditions;
- new information concerning the impact of the Tax Cuts and Jobs Act (“TCJA”);
- the magnitude and frequency of changes to the Federal Funds Target Rate (“FFTR”) implemented by the Federal Open Market Committee (“FOMC”) of the Federal Reserve Bank (“FRB”);
- long-term and short-term interest rate fluctuations as well as the overall steepness of the 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;

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- recession;
- natural disasters impacting Company operations;
- 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;
- 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 Securities and Exchange Commission ("SEC"), including Part 1 Item 1A "Risk Factors."

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Republic's consolidated financial statements and accompanying footnotes have been prepared in accordance with U.S. generally accepted accounting principles ("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:

- Allowance for Loan and Lease Losses (“Allowance”) and Provisions for Loan and Lease losses (“Provision”)
- Accounting for Business Acquisitions
- Goodwill and Other Intangible Assets
- Mortgage Servicing Rights (“MSRs”)
- Income Tax Accounting
- Investment Securities
- Other Real Estate Owned (“OREO”)

Allowance for Loan and Leases Losses and Provision for Loan and Lease Losses — The Bank maintains an allowance for probable incurred credit losses inherent in the Bank’s loan portfolio, which includes overdrawn deposit accounts. Management evaluates the adequacy of the Allowance on a monthly basis and presents and discusses the analysis with the Audit Committee and the Board of Directors on a quarterly basis.

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The Allowance consists of both specific and general components. The specific component relates to loans that are individually classified as impaired. The general component relates to pooled loans collectively evaluated on historical loss experience adjusted for qualitative factors.

### Specific Component – Loans Individually Classified as Impaired

The Bank defines impaired loans as follows:

- All loans internally rated as “Substandard,” “Doubtful” or “Loss”;
- All loans on nonaccrual status;
- All Troubled Debt Restructurings (“TDRs”);
- All loans internally rated in a purchased credit impaired (“PCI”) category with cash flows that have deteriorated from management’s initial acquisition day estimate; and
- Any other situation where the full collection of the total amount due for a loan is improbable or otherwise meets the definition of impaired.

Generally, loans are designated as “Classified” or “Special Mention” to ensure more frequent monitoring. These loans are reviewed to ensure proper accrual status and management strategy. If it is determined that there is serious doubt as to performance in accordance with original or modified contractual terms, then the loan is generally downgraded and may be charged down to its estimated value and placed on nonaccrual status.

Under GAAP, the Bank uses the following methods to measure specific loan impairment, including:

- Cash Flow Method — The recorded investment in the loan is measured against the present value of expected future cash flows discounted at the loan’s effective interest rate. The Bank employs this method for a significant portion of its TDRs. Impairment amounts under this method are reflected in the Bank’s Allowance as specific reserves on the respective impaired loan. These specific reserves are adjusted quarterly based upon reevaluation of the expected future cash flows and changes in the recorded investment.
- Collateral Method — The recorded investment in the loan is measured against the fair value of the collateral less estimated selling costs. The Bank employs the fair value of collateral method for its impaired loans when repayment is based solely on the sale or operations of the underlying collateral. Collateral fair value is typically based on the most recent real estate valuation on file. Measured impairment under this method is generally charged off unless the loan is a smaller-balance, homogeneous loan. The Bank’s estimated selling costs for its collateral-dependent loans typically range from 10-13% of the fair value of the underlying collateral, depending on the asset class. Selling costs are not applicable for collateral-dependent loans whose repayment is based solely on the operations of the underlying collateral.

Explanation of Responses:

In addition to obtaining appraisals at the time of origination, the Bank typically updates appraisals and/or broker price opinions (“BPOs”) for loans with potential impairment. Updated valuations for commercial-related credits exhibiting an increased risk of loss are typically obtained within one year of the previous valuation. Collateral values for delinquent residential mortgage loans and home equity loans are generally updated prior to a loan becoming 90 days delinquent, but no more than 180 days past due. When measuring impairment, to the extent updated collateral values cannot be obtained due to the lack of recent comparable sales or for other reasons, the Bank discounts such stale valuations primarily based on age of valuation and market conditions of the underlying collateral.

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### General Component – Pooled Loans Collectively Evaluated

The general component of the Allowance covers loans collectively evaluated for impairment by loan class and is based on historical loss experience, with potential adjustments for current relevant qualitative factors. Historical loss experience is determined by loan performance and class and is based on the actual loss history experienced by the Bank. Large groups of smaller-balance, homogeneous loans are typically included in the general component but may be individually evaluated if classified as a TDR, on nonaccrual, or a case where the full collection of the total amount due for a such loan is improbable or otherwise meets the definition of impaired.

In determining the historical loss rates for each respective loan class, management evaluates the following historical loss rate scenarios:

- Current year to date historical loss factor average
- Rolling four quarter average
- Rolling eight quarter average
- Rolling twelve quarter average
- Rolling sixteen quarter average
- Rolling twenty quarter average
- Rolling twenty-four quarter average
- Rolling twenty-eight quarter average
- Rolling thirty-two quarter average
- Rolling thirty-six quarter average

In order to take account of periods of economic growth and economic downturn, management generally uses the highest of the evaluated averages above for each loan class when determining its historical loss factors.

Loan classes are also evaluated utilizing subjective factors in addition to the historical loss calculations to determine a loss allocation for each class. Management assigns risk multiples to certain classes to account for qualitative factors such as:

- Changes in nature, volume and seasoning of the portfolio;
- Changes in experience, ability and depth of lending management and other relevant staff;
- Changes in the quality of the Bank's credit review system;
- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;
  - Changes in the volume and severity of past due, nonperforming and classified loans;
- Changes in the value of underlying collateral for collateral-dependent loans;

Explanation of Responses:

- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of portfolios, including the condition of various market segments;
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations; and
- The effect of other external factors, such as competition and legal and regulatory requirements on the level of estimated credit losses in the Bank's existing portfolio.

As this analysis, or any similar analysis, is an imprecise measure of loss, the Allowance is subject to ongoing adjustments. Therefore, management will often take into account other significant factors that may be necessary or prudent in order to reflect probable incurred losses in the total loan portfolio.

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### Management's Evaluation of the Allowance

Management evaluates the Allowance for its more traditional Core Banking operations differently than its non-traditional Republic Processing Group ("RPG") operations. Core Banking operations consist of the Company's Traditional Banking, Warehouse Lending and Mortgage Banking segments. RPG operations consist of the Company's Tax Refund Solutions ("TRS") and Republic Credit Solutions ("RCS") segments.

For Core Banking operations, management performs two calculations at year-end in order to confirm the reasonableness of its Allowance. In the first calculation, management compares the beginning Allowance to the net charge-offs for the most recent calendar year. The ratio of net charge-offs to the beginning-of-year Allowance indicates how adequately the beginning-of-year Allowance accommodated subsequent charge-offs. Higher ratios suggest the beginning-of-year Allowance may not have been large enough to absorb impending charge-offs, while inordinately low ratios might indicate the accumulation of excessive allowances. The Core Bank's net charge-off ratio to the beginning-of-year Allowance was 6% at December 31, 2017 compared to 7% at December 31, 2016. The Core Bank's five-year annual average for this ratio was 9% as of December 31, 2017. Management believes the Core Bank's net charge-off ratio to beginning Allowance was within a reasonable range at December 31, 2017 and 2016.

For the second calculation, management assesses the Core Bank's Allowance exhaustion rate. Exhaustion rates indicate the time (expressed in years) taken to use the beginning-of-year Allowance in the form of actual charge-offs. Management believes an exhaustion rate that indicates a reasonable Allowance is in a range of five to twelve years. The Core Bank's Allowance exhaustion rates at December 31, 2017 and 2016 were 10.0 years and 7.6 years compared to the five-year annual average of 6.2 years as of December 31, 2017. Management believes the Core Bank's Allowance exhaustion rates were within a reasonable range at December 31, 2017 and 2016.

Based on management's calculation, a Core Bank Allowance of \$30 million, or 0.77% of total loans and leases, was an adequate estimate of probable incurred losses within the loan portfolio as of December 31, 2017 compared to \$28 million, or 0.74%, at December 31, 2016. This estimate resulted in Core Banking Provision of \$3.8 million during 2017 compared to \$3.9 million in 2016. 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 Allowance and the resulting effect on the income statement could be material.

The RPG Allowance at December 31, 2017 and 2016 primarily related 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 two 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.

RCS's short-term line-of-credit product represented 42% and 60% of the RCS held-for-investment loan portfolio at December 31, 2017 and 2016. For this product, management conducts an analysis of historical losses and delinquencies by month of loan origination when determining the Allowance. For RCS's other products, the Allowance is estimated using a method similar to that employed for pooled loans collectively evaluated, as described above.

RPG maintained an Allowance for three loan products offered through its RCS segment at December 31, 2017, including its line-of-credit product, its credit card product and its healthcare-receivables product. At December 31, 2017, the Allowance to total loans estimated for each RCS product ranged from as low as 0.25% for its healthcare-receivables portfolio to as high as 38% for its line-of-credit portfolio. A lower reserve percentage was provided for RCS's healthcare receivables at December 31, 2017, as such receivables have recourse back to the Company's third-party service providers in the transactions. Based on management's calculation, an Allowance of \$13 million, or 16%, of total RPG loans was an adequate estimate of probable incurred losses within the RPG portfolio as of December 31, 2017 compared to an Allowance of \$5 million, or 13%, at December 31, 2016.

RPG's TRS segment first offered its Easy Advance ("EA") tax-credit product during the first two months of 2016 and again during the first two months of 2017 and 2018. An Allowance for losses on EAs is estimated during the limited, short-term period the product is offered. EAs are generally repaid within three weeks of origination. Provisions for loan losses on EAs are estimated when advances are made, with all provisions made in the first quarter of each year. No Allowance for EAs existed as of December 31, 2017 and 2016, as all EAs originated during the first two months of each year had either been paid off or charged-off within 81 days of origination. The majority of EA charge-offs are recorded during the second quarter of each year.

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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. For the first quarter 2018 tax season, the Company modified the EA product offering to increase the maximum advance amount, which is expected to increase overall EA loan volume, absent any other changes. Any increase in the frequency and/or magnitude of EA losses in 2018 would be heightened by an increase in overall EA loan volume.

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 5 "Loans and Allowance for Loan and Lease Losses"

RPG recorded a net charge of \$23.9 million and \$10.5 million to the Provision during 2017 and 2016, 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 amount 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 Allowance and the resulting effect on the income statement could be material.

**Accounting for Business Acquisitions** — The Bank accounts for its business acquisitions in accordance with the acquisition method as outlined in Account Standards Codification ("ASC") Topic 805, Business Combinations. The acquisition method requires: a) identification of the entity that obtains control of the acquiree; b) determination of the acquisition date; c) recognition and measurement of the identifiable assets acquired and liabilities assumed, and any noncontrolling interest in the acquiree; and d) recognition and measurement of goodwill or bargain purchase gain.

Identifiable assets acquired, liabilities assumed, and any noncontrolling interest in acquirees are generally recognized at their acquisition date ("day-one") fair values based on the requirements of ASC Topic 820, Fair Value Measurements and Disclosures. The measurement period for day-one fair values begins on the acquisition date and ends the earlier of: (a) the day management believes it has all the information necessary to determine day-one fair values; or (b) one year following the acquisition date. In many cases, the determination of day-one fair values requires management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly complex and subjective in nature and subject to recast adjustments, which are retrospective adjustments to reflect new information existing at the acquisition date affecting day-one fair values. More specifically, these recast adjustments for loans and other real estate owned may be made, as market value data, such as valuations, are received by the Bank. Increases or decreases to day-one fair values are reflected with a corresponding increase or decrease to



bargain purchase gain or goodwill.

Acquisition related costs are expensed as incurred unless those costs are related to issuing debt or equity securities used to finance the acquisition.

Loans purchased in a business acquisition are accounted for using one of the following accounting standards:

- ASC Topic 310-20, Non Refundable Fees and Other Costs, is used to value loans that have not demonstrated post origination credit quality deterioration and the acquirer expects to collect all contractually required payments from the borrower. For these loans, the difference between the loan's day-one fair value and amortized cost would be amortized or accreted into income using the interest method.
- ASC Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality, is used to value PCI loans. For these loans, it is probable the acquirer will be unable to collect all contractually required payments from the borrower. Under ASC Topic 310-30, the expected cash flows that exceed the initial investment in the loan, or fair value, represent the "accretable yield," which is recognized as interest income on a level-yield basis over the expected cash flow periods of the loans. Additionally, the difference between contractual cash flows and expected cash flows of PCI loans is referred to as the "non-accretable discount."

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Purchased loans accounted for under ASC Topic 310-20 are accounted for as any other Bank-originated loan, potentially becoming nonaccrual or impaired, 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 Allowance once day-one fair values are final.

Management utilized the following criteria in determining which loans were classified as PCI loans for its May 17, 2016 acquisition of Cornerstone Bancorp, Inc. ("Cornerstone"):

- Loans for which the Bank assigned a non-accretable discount
- Loans classified as nonaccrual when acquired
- Loans past due 90+ days when acquired

See additional detail regarding the Company's Cornerstone acquisition under Footnote 2 "2016 Acquisition of Cornerstone Bancorp, Inc." of Part II Item 8 "Financial Statements and Supplementary Data."

In determining the day-one fair values of PCI loans, management considers a number of factors including, among other things, the remaining life of the acquired loans, estimated prepayments, estimated loss ratios, estimated value of the underlying collateral, and net present value of cash flows expected to be received. The Bank typically accounts for PCI loans individually, as opposed to aggregating the loans into pools based on common risk characteristics such as loan type.

Management separately monitors the PCI portfolio and on a quarterly basis reviews the loans contained within this portfolio against the factors and assumptions used in determining the day-one fair values. In addition to its quarterly evaluation, a loan is typically reviewed when it is modified or extended, or when material information becomes available to the Bank that provides additional insight regarding the loan's performance, estimated life, the status of the borrower, or the quality or value of the underlying collateral.

To the extent that a PCI loan's performance does not reflect an increased risk of loss of contractual principal beyond the non-accretable discount established as part of its initial day-one evaluation, such loan would be classified in the Purchased Credit Impaired - Group 1 ("PCI-1") category, whose credit risk is considered by management equivalent to a non-PCI Special Mention loan within the Bank's credit rating matrix. PCI-1 loans are considered impaired if, based on current information and events, it is probable that the future estimated cash flows of the loan have deteriorated from management's initial acquisition day estimate. Provisions are made for impaired PCI-1 loans to further discount the loan and allow its yield to conform to at least management's initial expectations. Any improvement in the expected performance of a PCI-1 loan would result in a reversal of the Provision to the extent of prior charges and then an adjustment to accretable yield, which would have a positive impact on interest income.

If during the Bank's periodic evaluations of its PCI loan portfolio, management deems a PCI-1 loan to have an increased risk of loss of contractual principal beyond the non-accretable discount established as part of its initial day-one evaluation, such loan would be classified PCI-Substandard ("PCI-Sub") within the Bank's credit risk matrix. Management deems the risk of default and overall credit risk of a PCI-Sub loan to be greater than a PCI-1 loan and more analogous to a non-PCI Substandard loan. PCI-Sub loans are considered to be impaired. Any improvement in the expected performance of a PCI-Sub loan would result in a reversal of the Provision to the extent of prior charges and then an adjustment to accretable discount, which would have a positive impact on interest income.

PCI loans are placed on nonaccrual if management cannot reasonably estimate future cash flows on such loans.

If a troubled debt restructuring is performed on a PCI loan, the loan is considered impaired under the applicable TDR accounting standards and transferred out of the PCI population. The loan may require an additional Provision if its restructured cash flows are less than management's initial day-one expectations. PCI loans for which the Bank simply chooses to extend the maturity date are generally not considered TDRs and remain in the PCI population.

Goodwill and Other Intangible Assets — Goodwill resulting from business acquisitions prior to January 1, 2009 represents the excess of the purchase price over the fair value of the net assets of businesses acquired. Goodwill resulting from business acquisitions after January 1, 2009 represents the future economic benefits arising from other assets acquired that are individually identified and separately recognized. Goodwill and intangible assets acquired in a business acquisition and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually.

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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 both December 31, 2017 and 2016 was not impaired and is properly recorded in the consolidated financial. Related to the Company's May 17, 2016 Cornerstone acquisition, the Company recorded \$6 million of goodwill.

Other intangible assets consist of core deposit intangible ("CDI") assets arising from business acquisitions. CDI assets are initially measured at fair value and then amortized on an accelerated method over their estimated useful lives.

Related to the Company's May 17, 2016 Cornerstone acquisition, the Company maintained \$858,000 and \$1 million of CDI assets as of December 31, 2017 and 2016. The Cornerstone related CDI is scheduled to amortize through 2022.

See additional detail regarding the Company's Cornerstone acquisition under Footnote 2 "2016 Acquisition of Cornerstone Bancorp, Inc." of Part II Item 8 "Financial Statements and Supplementary Data."

**Mortgage Servicing Rights** — Mortgage loans held for sale are generally sold with the MSR 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 net servicing income within 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 portfolio 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 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 is expected to increase, as prepayment speeds on the underlying loans would be anticipated to decline. Based on the estimated fair value at December 31, 2017 and 2016, management determined there was no impairment within the MSR portfolio.

The Bank's carrying value of its MSR portfolio was \$5 million at both December 31, 2017 and 2016.

**Income Tax Accounting** — Income tax liabilities or assets are established for the amount of taxes payable or refundable for the current year. Deferred tax liabilities ("DTLs") and assets ("DTAs") are also established for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. A DTL or DTA is recognized for the estimated future tax effects attributable to temporary differences and deductions that can be carried forward (used) in future years. The valuation of current and deferred income tax liabilities and assets is considered critical, as it requires management to make estimates based on provisions of the enacted tax laws. The assessment of tax liabilities and assets involves the use of estimates, assumptions, interpretations and judgments concerning certain accounting pronouncements and federal and state tax codes.

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On December 22, 2017, President Donald Trump signed into law the Tax Cuts and Jobs Act (“TCJA”). The TCJA, among other things, reduces the federal corporate tax rate from 35% to 21%, effective January 1, 2018. As a result of the reduced tax rate, the Company incurred a charge of \$6.3 million to income tax expense during 2017 representing the decrease in value of its net DTA upon enactment of the TCJA. With the exception of deferred taxes related to depreciation on a portion of its property and equipment, the Company has materially completed its accounting for the tax effects upon enactment of the TCJA. Regarding its deferred taxes related to depreciation, the Company awaits the completion of a cost segregation study. For the year ended December 31, 2017, the Company did not have the necessary information available, analyzed or prepared to make a reasonable estimate of the impact of the cost segregation study on its deferred taxes related to depreciation. The cost segregation study is scheduled to be completed in the latter half of 2018, prior to the Company’s filing of its 2017 income tax returns. The cost segregation study is expected to provide the Company with the necessary information to complete the accounting for the deferred taxes related to depreciation.

There can be no assurance that future events, such as court decisions or positions of federal and state taxing authorities, or additional information concerning the TCJA’s impact on the Company’s net DTAs, will not differ from management’s current assessment, the impact of which could be significant to the consolidated results of operations and reported earnings. The Company believes its tax assets and liabilities are adequate and are properly recorded in the consolidated financial statements at December 31, 2017 and 2016.

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

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

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

The Bank held one security at December 31, 2017 and 2016 with a total carrying value of \$4 million and \$5 million for which it recorded OTTI charges in previous years.

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 BPO. Appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Operating costs after acquisition are expensed.

Appraisals for both collateral-dependent impaired loans 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. 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 Credit Administration Department

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(“CAD”) typically reviews the assumptions and approaches utilized in the appraisal, as well as the 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 and may lead to additional adjustments to the value of unliquidated collateral of similar class.

The Bank’s total OREO recorded was \$115,000 and \$1 million at December 31, 2017 and 2016.

## OVERVIEW

While the Company’s pre-tax earnings increased 14% to \$78.4 million during 2017, net income and diluted earnings per Class A Common Share both decreased 1% to \$45.6 million and \$2.20. The directional inconsistency between the increase in pre-tax earnings and decreases in net income and earnings per share (“EPS”) was driven by a \$6.3 million charge to income tax expense during the fourth quarter of 2017 resulting from the enactment of the TCJA on December 22, 2017.

The TCJA, among other things, reduces the federal corporate tax rate from 35% to 21%, effective January 1, 2018. As a result of the reduced tax rate, the Company incurred a charge of \$6.3 million to income tax expense during 2017 representing the decrease in value of its net DTA upon enactment of the TCJA.

See additional detail regarding the TCJA’s impact on the Company’s income tax expense under Footnote 19 “Income Taxes” of Part II Item 8 “Financial Statements and Supplementary Data.”

The following table presents Republic’s financial performance in accordance with GAAP for the years ended December 31, 2017, 2016 and 2015, along with adjusted non-GAAP performance and a reconciliation to GAAP for the impact of the previously mentioned charge to income tax expense during the fourth quarter of 2017. The non-GAAP presentation and the reconciliation to GAAP are presented to allow appropriate comparability between the reported periods and to illustrate the impact of the TCJA-driven charge to income tax expense on the Company’s financial performance.

Table 1 — Summary

				Percent Increase/(Decrease)
	2017	2016	2015	2017/2016      2016/2015

Explanation of Responses:



Years Ended December 31, (dollars  
in thousands, except per share data)

Income before income tax expense - GAAP	\$ 78,386	\$ 68,963	\$ 53,244	14	%	30	%			
Net income:										
Net income - GAAP	\$ 45,632	\$ 45,903	\$ 35,166	(1)	%	31	%			
Impact of TCJA	6,326	—	—	NM		NM				
Adjusted net income - Non-GAAP	\$ 51,958	\$ 45,903	\$ 35,166	13		31				
Diluted earnings per share ("EPS") of Class A Common Stock:										
Diluted EPS of Class A Common Stock - GAAP	\$ 2.20	\$ 2.22	\$ 1.70	(1)	%	31	%			
Impact of TCJA	0.30	—	—	NM		NM				
Adjusted diluted EPS of Class A Common Stock - Non-GAAP	\$ 2.50	\$ 2.22	\$ 1.70	13		31				
Return on average assets ("ROA"):										
ROA - GAAP	0.95	%	1.02	%	0.88	%	(7)	%	16	%
Impact of TCJA	0.13		—		—		NM		NM	
Adjusted ROA - Non-GAAP	1.08		1.02		0.88		6		16	
Return on average equity ("ROE"):										
ROE - GAAP	7.26	%	7.68	%	6.12	%	(5)	%	25	%
Impact of TCJA	1.01		—		—		NM		NM	
Adjusted ROE - Non-GAAP	8.27		7.68		6.12		8		25	

NM – Not meaningful

Additional discussion follows in this section of the filing under “Results of Operations.”

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General highlights by reportable segment for the year ended December 31, 2017 consisted of the following:

Traditional Banking segment

- Pre-tax earnings increased \$5.7 million, or 16%, while net income decreased \$1.4 million, or 6%, for 2017 compared to 2016. Approximately \$5.1 million of the Company's previously mentioned TCJA-related charge to income tax expense was tied to the Traditional Banking segment.
- Net interest income increased \$21.1 million, or 17%, for 2017 to \$142.8 million. The Traditional Banking segment net interest margin increased 29 basis points for the year ended December 31, 2017 to 3.55%.
- The Traditional Banking Provision was \$3.9 million for 2017 compared to \$3.4 million for 2016.
- Noninterest income increased \$1.4 million, or 5%, for 2017 compared to 2016.
- Noninterest expense increased \$16.3 million, or 15%, during 2017 compared to 2016.
- Gross Traditional Bank loans increased by \$224 million, or 7%, from December 31, 2016 to December 31, 2017.
- Traditional Bank deposits grew \$243 million, or 8%, from December 31, 2016 to December 31, 2017.
- Total nonperforming loans to total loans for the Traditional Banking segment was 0.41% at December 31, 2017 compared to 0.50% at December 31, 2016.
- Delinquent loans to total loans for the Traditional Banking segment was 0.25% at December 31, 2017 compared to 0.21% at December 31, 2016.

Warehouse Lending segment

- Pre-tax earnings increased \$1.4 million, or 11%, while net income increased \$797,000, or 10%, for 2017 compared to 2016. Approximately \$181,000 of the Company's previously mentioned TCJA-related charge to income tax expense was tied to the Warehouse segment.

- Net interest income increased \$1.0 million, or 6%, for 2017 compared to 2016. The Warehouse segment net interest margin decreased six basis point from 2016 to 3.53% for 2017.
- The Warehouse Provision was a credit of \$150,000 for 2017 compared to a charge of \$497,000 for 2016.
- Total committed Warehouse lines increased from \$1.0 billion at December 31, 2016 to \$1.1 billion at December 31, 2017.
- Average line usage was 48% during 2017 compared to 57% during 2016.
- There were no nonperforming loans or delinquent loans associated with the Warehouse segment at December 31, 2017 and 2016.

#### Mortgage Banking segment

- Within the Mortgage Banking segment, mortgage banking income decreased \$2.2 million, or 33%, during 2017 compared to 2016, with \$1.1 million of the decrease attributable to a bulk loan sale of \$71 million representing a portion of the Company's correspondent loan portfolio during the third quarter of 2016.

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- Overall, excluding the aforementioned bulk loan sale, Republic's originations of secondary market loans totaled \$160 million during 2017 compared to \$217 million during the same period in 2016.

Tax Refund Solutions segment

- Pre-tax earnings increased \$1.2 million, or 11%, while net income increased \$787,000, or 10%, for 2017 compared to 2016. The TRS segment did not incur a TCJA-related charge to income tax expense during 2017.
- Net interest income increased \$8.6 million for 2017 compared to 2016.
- The TRS Provision was \$6.5 million during 2017, compared to \$2.8 million for 2016.
- Noninterest income was \$18.8 million for 2017 compared to \$19.6 million for 2016.
- Net Refund Transfers ("RT") revenue decreased \$740,000, or 4%, during 2017 compared to 2016.
- Noninterest expense was \$14.5 million for 2017 compared to \$11.7 million for 2016.
- There were no nonperforming loans or delinquent loans associated with the TRS segment at December 31, 2017 and 2016.

Republic Credit Solution segment

- Pre-tax earnings increased \$3.3 million, or 59%, while net income increased \$353,000, or 10%, for 2017 compared to 2016. Approximately \$1.7 million of the Company's previously mentioned TCJA-related charge to income tax expense was tied to the RCS segment.
- Net interest income increased \$11.6 million, or 105%, for 2017 compared to 2016.
- RCS recorded a Provision of \$17.4 million during 2017, compared to \$7.8 million for 2016.
- Noninterest income increased \$2.6 million, or 58%, for 2017 compared to 2016.

- Noninterest expense increased \$1.3 million, or 61%, for 2017 compared to 2016.
- Total nonperforming loans to total loans for the RCS segment was 1.40% at December 31, 2017 compared to 0.25% at December 31, 2016.
- Delinquent loans to total loans for the RCS segment was 8.43% at December 31, 2017 compared to 6.63% at December 31, 2016.

General highlights by reportable segment for the year ended December 31, 2016 consisted of the following:

Traditional Banking segment

- Net income increased \$1.0 million, or 4%, for 2016 compared to 2015.
- Net interest income increased \$13.4 million, or 12%, for 2016 to \$121.7 million.
- The Traditional Banking Provision was \$3.4 million for 2016 compared to \$2.9 million for 2015.
- Total noninterest income increased \$2.3 million, or 10%, for 2016 compared to 2015.
- Total noninterest expense increased \$14.6 million, or 16%, during 2016 compared 2015.

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- Gross Traditional Bank loans increased by \$254 million, or 9%, from December 31, 2015 to December 31, 2016.
- Traditional Bank deposits grew by \$647 million, or 27%, from December 31, 2015 to December 31, 2016.
- Total nonperforming loans to total loans for the Traditional Banking segment was 0.50% at December 31, 2016 compared to 0.75% at December 31, 2015.
- Delinquent loans to total loans for the Traditional Banking segment was 0.21% at December 31, 2016 compared to 0.39% at December 31, 2015.

Warehouse Lending segment

- Net income increased \$2.1 million, or 36%, for 2016 compared to 2015.
- Net interest income increased \$4.3 million, or 35%, for 2016 compared to 2015. The Warehouse segment net interest margin increased one basis point from 2015 to 3.59% for 2016.
- The Warehouse Provision was \$497,000 for 2016 compared to \$168,000 for 2015.
- Total committed Warehouse lines increased from \$670 million at December 31, 2015 to \$1.0 billion at December 31, 2016.
- Average line usage was 57% during 2016 compared to 55% during 2015.
- There were no nonperforming loans or delinquent loans associated with the Warehouse segment at December 31, 2016 and 2015.

Mortgage Banking segment

- Within the Mortgage Banking segment, mortgage banking income increased \$2.5 million, or 56%, during 2016 compared to 2015, with \$1.1 million of the increase attributable to a bulk loan sale of \$71 million representing a portion of the Company's correspondent loan portfolio during the third quarter of 2016.

- Overall, excluding the aforementioned bulk loan sale, Republic's originations of secondary market loans totaled \$217 million during 2016 compared to \$161 million during the same period in 2015.

Tax Refund Solution segment

- Net income increased \$1.8 million, or 31%, for 2016 compared to 2015.
- Net interest income increased \$5.7 million for 2016 compared to 2015.
- TRS recorded a net charge to the Provision of \$2.8 million during 2016, compared to a net credit of \$279,000 for 2015.
- Noninterest income was \$19.6 million for 2016 compared to \$18.6 million for 2015.
- Net RT revenue increased \$1.9 million, or 11%, during 2016 compared to 2015.
- Noninterest expense was \$11.7 million for 2016 compared to \$10.8 million for 2015.
- There were no nonperforming loans or delinquent loans associated with the TRS segment at December 31, 2016 and 2015.

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Republic Credit Solutions segment

- Net income increased \$4.0 million for 2016 compared to 2015.
- Net interest income increased \$8.7 million for 2016 compared to 2015.
- RCS recorded a Provision of \$7.8 million during 2016, compared to \$2.6 million for 2015.
- Noninterest income was \$4.5 million for 2016 compared to \$979,000 for 2015.
- Noninterest expense was \$2.2 million for 2016 compared to \$1.4 million for 2015.
- Total nonperforming loans to total loans for the RCS segment was 0.25% at December 31, 2016. There were no nonperforming loans associated with the RCS segment at December 31, 2015.
- Delinquent loans to total loans for the RCS segment was 6.63% at December 31, 2016 compared to 3.63% at December 31, 2015.

RESULTS OF OPERATIONS

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 Federal Home Loan Bank (“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.

Discussion of 2017 vs. 2016

Total Company net interest income increased \$42.5 million, or 27%, during 2017 compared to the same period in 2016. A 67-basis point expansion in the Company’s net interest margin, complemented by growth in average loans

Explanation of Responses:



throughout each of the Company's reportable segments, drove the increase in net interest income. Growth in higher-yielding balances for TRS's EA product and RCS's small-dollar consumer loans were the primary drivers of the overall increase in the Company's net interest margin.

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

#### Traditional Banking segment

Net interest income within the Traditional Banking segment increased \$21.1 million, or 17%, during 2017 compared to 2016. The Traditional Banking net interest margin was 3.55% for 2017, an increase of 29 basis points from 2016.

The increases in the Traditional Bank's net interest income and net interest margin during 2017 were primarily attributable to the following:

- Average Traditional Bank loans outstanding, excluding loans from the Company's 2012 FDIC-assisted transactions, were \$3.2 billion with a weighted average yield of 4.35% during 2017 compared to \$3.1 billion with a weighted average yield of 4.11% during 2016. The overall effect of these changes in rate and volume was an increase of \$15.5 million in interest income. This increase in average loans for 2017 over 2016 was driven primarily by growth in the Bank's commercial real estate ("CRE"), commercial and industrial ("C&I") and construction and development ("C&D") portfolios.
- Net interest income related to loans from the Company's 2012 FDIC-assisted transactions was higher during 2017 compared to 2016 primarily due to the payoff of two relatively large loans. When loans from these transactions are paid off, all unearned discount on such loans is immediately accreted into income. Accretion income during 2017 from this portfolio was

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\$3.5 million compared to \$1.1 million in 2016. Overall, the average balance of the portfolio was \$12 million with a yield of 37.11% during 2017 compared to \$20 million with a yield of 13.30% in 2016. The overall effect of these changes in rate and volume was an increase of \$1.7 million in interest income. Prospective accretion income related to these loans is expected to be nominal, as the substantial majority of discount accretion from these loans has now been recognized.

- The weighted average cost of interest-bearing deposits during 2017 compared to 2016 increased to 0.43% from 0.29%, while the average outstanding interest-bearing deposits increased \$209 million when comparing the two periods. The net effect of these changes in rate and volume was a decrease in net interest income of \$3.7 million.
- The weighted average cost of FHLB advances during 2017 compared to 2016 declined to 1.57% from 1.87%. The average outstanding FHLB advances decreased \$20 million during the same period, with the Traditional Bank continuing to employ a higher mix of lower cost overnight borrowings during 2017. The net effect of these changes in rate and volume was an increase in net interest income of \$2.0 million.

The FFTR, the index that many of the Bank's short-term deposit rates track, increased four times in 25-basis-point increments between December 2016 and December 2017. Additionally, the FOMC of the FRB has provided further guidance that additional FFTR increases are probable in 2018. While additional increases in short-term interest rates are generally believed by management to be favorable to the Bank's net interest income and net interest margin in the near-term, such increases in short-term interest rates could have a negative impact to net interest income and net interest margin if the Bank is unable to maintain its overall funding costs at those levels assumed in its interest rate risk model or the yield curve flattens causing the spread between long-term interest rates and short-term interest rates to decrease. Unknown variables, which may impact the Bank'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.

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, 2017" under "Financial Condition."

## Warehouse Lending segment

Net interest income within the Warehouse Lending segment increased \$1.0 million, or 6%, during 2017 compared to 2016. The increase in net interest income was primarily attributable to higher average outstanding balances. Overall, average outstanding Warehouse balances during 2017 increased \$36 million, or 8%, compared to the same period in 2016.

Total Warehouse line commitments increased to \$1.1 billion at December 31, 2017 from \$1.0 billion at December 31, 2016, with the Company continuing to grow its Warehouse client base over the previous 12 months. Average line

usage on Warehouse commitments was 48% during 2017 compared to 57% in 2016.

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 2018 projected mortgage originations to decline 6% across the United States from 2017 to 2018, which leads management to believe that usage rates among the Bank's Warehouse Lending clients may also decrease. This predicted decline in mortgage volume, along with a very competitive landscape, 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

Net interest income within the TRS segment increased \$8.6 million during 2017 compared to 2016 primarily due to the following:

- The TRS segment's EA product earned \$14.2 million in interest income during 2017, a \$9.0 million increase from 2016. The higher EA income was driven by an increase in EA origination volume as the Company originated \$329 million in EAs during 2017 compared to \$123 million during 2016. Additional demand for EAs during 2017 was partially driven by the previously disclosed delays in certain taxpayer refunds from the U.S. Treasury due to additional fraud prevention measures taken by the Federal government. In addition, the Company's increase in EA dollar volume during 2017 was driven by a higher weighted average advance amount as compared to 2016.

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

- o Part I Item 1A “Risk Factors”
- o Part II Item 8 “Financial Statements and Supplementary Data,” Footnote 5 “Loans and Allowance for Loan and Lease Losses”

- Partially offsetting growth in EA-related interest income, the TRS segment did not renew a short-term commercial loan from which it earned \$1.1 million in loan fees during 2016. However, TRS did earn \$635,000 in loan fees during 2017 from other commercial loan relationships.

Republic Credit Solutions segment

Net interest income within the RCS segment increased \$11.6 million during 2017 compared to 2016. The increase was driven by product expansion at RCS over the previous 12 months, particularly within the segment’s line-of-credit product. Average RCS loans increased to \$46 million during 2017 from \$17 million during 2016. Loan fees on RCS’s line-of-credit product recorded as interest income increased to \$20.2 million during 2017 compared to \$10.1 million during 2016 and accounted for 88% and 92% of all RCS interest income on loans during the periods.

Discussion of 2016 vs. 2015

Total Company net interest income increased \$32.1 million, or 26%, during 2016 compared to the same period in 2015. The primary drivers of the increase in total Company net interest income were growth in the Core Bank’s average loans, loan volume associated with the EA product at TRS and growth in the RCS small-dollar consumer loan programs. The total Company net interest margin increased to 3.65% during 2016 compared to 3.27% for the same period in 2015, with higher margins on TRS’s EA product and RCS’s small-dollar consumer loan programs being significant drivers of the overall increase in the Company’s net interest margin.

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

Traditional Banking segment

Explanation of Responses:

Net interest income within the Traditional Banking segment increased \$13.4 million, or 12%, during 2016 compared to 2015. The Traditional Banking net interest margin was 3.26% for 2016, an increase of six basis points from 2015.

The increases in the Traditional Bank's net interest income and net interest margin during 2016 were primarily attributable to the following:

- Average Traditional Bank loans outstanding, excluding loans from the Company's May 17, 2016 Cornerstone acquisition and 2012 FDIC-assisted transactions, were \$2.9 billion with a weighted average yield of 4.09% during 2016 compared to \$2.8 billion with a weighted average yield of 4.06% during 2015. The overall effect of these changes in rate and volume was an increase of \$6.7 million in interest income. This increase in average loans for 2016 over 2015 was driven primarily by growth in the Bank's CRE, C&I and home equity line of credit ("HELOC") portfolios.
- Net interest income related to the Company's May 17, 2016 Cornerstone acquisition contributed \$4.9 million to the Traditional Bank's overall net interest income during 2016. Loan accretion income related to the Cornerstone acquisition was approximately \$240,000 for 2016.
- Net interest income related to loans from the Company's 2012 FDIC-assisted transactions was lower during 2016 compared to 2015 primarily due to a lower rate of favorable payoffs and paydowns on the portfolio. Accretion income during 2016 from this portfolio was \$1.1 million compared to \$2.4 million in 2015. Overall, the average balance of the portfolio was \$20 million with a yield of 13.30% during 2016 compared to \$32 million with a yield of 13.60% in 2015. The overall effect of these changes in rate and volume was a decrease of \$1.7 million in interest income.

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- The weighted average cost of FHLB advances during 2016 compared to 2015 declined to 1.87% from 1.99%. The average outstanding FHLB advances decreased \$16 million during the same period, with the Traditional Bank continuing to employ a higher mix of lower cost overnight borrowings during 2016. The net effect of these changes in rate and volume was an increase in net interest income of \$1.0 million.
- The Company's subordinated note related to RBCT paid a fixed interest rate of 6.015% through September 30, 2015 and adjusted to LIBOR plus 1.42% thereafter. During 2016, the note's coupon rate was based on the LIBOR index and approximately 4.00% lower than the note's coupon rate during 2015. The overall lower rate during 2016 equated to \$1.2 million less in interest expense compared to 2015. This subordinated note matures on December 31, 2035 and is currently redeemable at the Company's option on a quarterly basis.

Warehouse Lending segment

Net interest income within the Warehouse Lending segment increased \$4.3 million, or 35%, in 2016 compared to 2015. The increase in net interest income was partially attributable to higher average outstanding balances and partially to higher weighted average loan yield for 2016 as compared to 2015. Total Warehouse line commitments increased to \$1.0 billion at December 31, 2016 from \$670 million at December 31, 2015, with the Company continuing to grow its Warehouse client base over the previous 12 months. Furthermore, average line usage on Warehouse commitments increased to 57% during 2016 compared to 55% during 2015. Usage rates during both years benefitted from continued low, long-term mortgage rates. The yield for Warehouse lines of credit during 2016 increased 15 basis points from the same period in 2015, as the Warehouse yield was positively impacted by an increase in short-term interest rates.

Overall, average outstanding Warehouse lines of credit during 2016 increased \$119 million, or 35%, compared to 2015. Average outstanding warehouse lines were \$460 million during 2016 with a weighted average yield of 3.99%, compared to average outstanding lines of \$341 million with a weighted average yield of 3.84% during 2015.

Tax Refund Solutions segment

Net interest income within the TRS segment increased \$5.7 million during 2016 compared to 2015. The increase in RPG's net interest income was primarily attributed to the following factors:

- The TRS segment's new EA product earned \$5.2 million in interest income during 2016, with the substantial majority of this income earned during the first quarter of 2016.

- The TRS segment had a short-term commercial loan relationship with one of the Company's third-party service providers in the tax business. TRS earned \$1.1 million in loan fees from this relationship during 2016 compared to \$700,000 in 2015.

#### Republic Credit Solutions segment

Net interest income within the RCS segment increased \$8.7 million during 2016 compared to 2015. The increase was driven by product expansion at RCS over the previous 12 months, particularly within the segment's line-of-credit product. Average RCS loans increased to \$17 million during 2016 from \$6 million during 2015. Loan fees on RCS's line-of-credit product recorded as interest income increased \$7.9 million to \$10.1 million during 2016 compared to \$2.2 million during 2015 and accounted for 92% and 92% of all RCS interest income on loans during the periods.

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Table 2 — Total Company Average Balance Sheets and Interest Rates

	Years Ended December 31, 2017				2016				2015	
(in thousands)	Average Balance	Interest	Average Rate		Average Balance	Interest	Average Rate		Average Balance	Interest
g										
curities, B	\$ 574,027	\$ 11,070	1.93	%	\$ 572,599	\$ 8,932	1.56	%	\$ 546,655	\$ 8,265
old and arning	188,427	2,126	1.13		130,889	828	0.63		68,847	209
ance (2)	19,596	14,220	72.57		5,268	5,210	98.90		—	—
ns and	49,475	23,452	47.40		23,090	12,081	52.32		8,479	3,149
es of (4)(6)	496,665	22,144	4.46		460,285	18,357	3.99		340,938	13,075
tional d	3,265,670	145,766	4.46		3,079,740	128,584	4.18		2,824,817	117,734
arning	4,593,860	218,778	4.76		4,271,871	173,992	4.07		3,789,736	142,432
loan s	(39,202)				(29,880)				(25,570)	
arning										
arning										
	99,888				88,190				81,503	
	44,519				38,591				32,868	
fe	62,572				58,242				52,127	
	64,571				58,815				52,176	
	\$ 4,826,208				\$ 4,485,829				\$ 3,982,840	



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counts	\$ 1,095,276	\$ 2,448	0.22	%	\$ 962,473	\$ 953	0.10	%	\$ 840,815	\$ 563
	554,336	1,586	0.29		546,360	1,094	0.20		485,508	762
	266,332	3,166	1.19		221,634	2,218	1.00		200,863	1,930
ey kered deposit	351,719	2,602	0.74		328,125	1,793	0.55		187,028	1,125
bearing	2,267,663	9,802	0.43		2,058,592	6,058	0.29		1,714,214	4,380
under										
l other rowings	219,515	502	0.23		280,296	65	0.02		379,477	92
Loan	563,552	8,860	1.57		583,591	10,900	1.87		599,630	11,934
s note	41,240	1,094	2.65		42,502	915	2.15		41,240	2,056
bearing	3,091,970	20,258	0.66		2,964,981	17,938	0.60		2,734,561	18,462
aring										
equity: aring	1,073,181				894,049				651,275	
s	32,728				29,336				22,238	
equity	628,329				597,463				574,766	
s and equity	\$ 4,826,208				\$ 4,485,829				\$ 3,982,840	
come		\$ 198,520				\$ 156,054				\$ 123,970
read			4.10	%			3.47	%		
argin			4.32	%			3.65	%		

(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 is composed entirely of loan fees.

(3) Interest income includes loan fees of \$20.8 million, \$11.1 million and \$3.1 million for 2017, 2016 and 2015.

(4) Interest income includes loan fees of \$3.2 million, \$3.2 million and \$2.2 million for 2017, 2016 and 2015.

(5) Interest income includes loan fees of \$7.9 million, \$4.6 million and \$5.8 million for 2017, 2016 and 2015.

Explanation of Responses:

- (6) 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.

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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

(in thousands)	Year Ended December 31, 2017 Compared to Year Ended December 31, 2016			Year Ended December 31, 2016 Compared to Year Ended December 31, 2015		
	Total Net Change	Increase / (Decrease) Due to Volume	Rate	Total Net Change	Increase / (Decrease) Due to Volume	Rate
Interest income:						
Investment securities, including FHLB stock	\$ 2,138	\$ 22	\$ 2,116	\$ 667	\$ 399	\$ 268
Federal funds sold and other interest-earning deposits	1,298	466	832	619	280	339
TRS Easy Advance loans and fees	9,010	10,733	(1,723)	5,210	5,210	—
Other RPG loans and fees	11,371	12,606	(1,235)	8,932	7,219	1,713
Outstanding Warehouse lines of credit and fees	3,787	1,520	2,267	5,282	4,741	541
All other Traditional Bank loans and fees	17,182	8,013	9,169	10,850	10,644	206
Net change in interest income	44,786	33,360	11,426	31,560	28,493	3,067
Interest expense:						
Transaction accounts	1,495	147	1,348	390	103	287
Money market accounts	492	16	476	332	102	230
Time deposits	948	490	458	288	229	59
Brokered money market and brokered certificates of deposit	809	137	672	668	811	(143)
Securities sold under agreements to	437	(17)	454	(27)	(20)	(7)

Explanation of Responses:

repurchase and other short-term borrowings						
Federal Home Loan						
Bank advances	(2,040)	(363)	(1,677)	(1,034)	(516)	(518)
Subordinated note	179	(28)	207	(1,141)	61	(1,202)
Net change in interest expense	2,320	382	1,938	(524)	770	(1,294)
Net change in net interest income	\$ 42,466	\$ 32,978	\$ 9,488	\$ 32,084	\$ 27,723	\$ 4,361

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Provision for Loan and Lease Losses

Discussion of 2017 vs. 2016

The Company recorded a Provision of \$27.7 million during 2017, compared to \$14.5 million in 2016. The most significant components comprising the Company's Provision by reportable segment follow:

Traditional Banking segment

The Traditional Banking Provision during 2017 was \$3.9 million, compared to \$3.4 million in 2016. An analysis of the Provision for 2017 compared to 2016 follows:

- Related to the Bank's pass-rated and non-rated credits, the Bank recorded net charges of \$3.7 million and \$3.1 million to the Provision during 2017 and 2016. Loan growth primarily drove the net charges to the Provision in both periods, as gross loans increased \$224 million during 2017 compared to \$254 million during the same period in 2016. Growth during 2016 was primarily driven by the Company's May 2016 Cornerstone acquisition, while growth during 2017 was primarily organic in nature. Since business-acquisition loans are purchased at fair value and the credit risk is a component of the valuation when determining the fair value, only a minimal Provision was recorded during 2016 for loan growth attributable to the Cornerstone acquisition.
- Related to the Bank's loans rated Substandard and Special Mention, the Bank recorded net charges of \$65,000 and \$756,000 to the Provision during 2017 and 2016. Charges of \$472,000 related to one CRE relationship and \$234,000 related to one C&I relationship drove the 2016 Provision.
- Related to PCI loans, the Bank recorded a net charge of \$176,000 to the Provision during 2017 compared to a net credit of \$410,000 during 2016. Charges generally reflect projected shortfalls in cash flows below initial day-one estimates for PCI loans, while credits are primarily attributable to generally positive dispositions.

As a percentage of total loans, the Traditional Banking Allowance increased to 0.85% at December 31, 2017 compared to 0.83% at December 31, 2016. The Company believes, based on information presently available, that it has adequately provided for Traditional Bank loan losses at December 31, 2017.

See the sections titled "Allowance for Loan and Lease Losses and Provision for Loan and Lease 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.

#### Warehouse Lending segment

The Warehouse Provision was a net credit of \$150,000 for 2017 compared to a net charge of \$497,000 for 2016. Provision expense for both 2017 and 2016 reflects general reserves for changes in outstanding balances during the periods. Outstanding Warehouse balances decreased \$60 million during 2017 compared to growth of \$199 million during 2016.

As a percentage of total Warehouse outstanding balances, the Warehouse Allowance was 0.25% at December 31, 2017 and 2016. The Company believes, based on information presently available, that it has adequately provided for Warehouse loan losses at December 31, 2017.

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Tax Refund Solutions segment

TRS recorded a Provision of \$6.5 million during 2017 compared to \$2.8 million during 2016.

The increase in Provision at TRS was attributable to an increase in estimated losses for EA loans, as EA volume increased \$206 million, or 167%, during 2017 compared to 2016. The Company recorded Provisions of 2.07% and 2.47% of total EAs originated during 2017 and 2016. Of the \$329 million in EAs originated during 2017, all were either collected or charged off at December 31, 2017. The Company believes, based on information presently available, that it has adequately provided for TRS loan losses at December 31, 2017.

See additional detail regarding the EA product under Footnote 5 “Loans and Allowance for Loan and Lease Losses” of Part II Item 8 “Financial Statements and Supplemental Data.”

Republic Credit Solutions segment

RCS recorded a Provision of \$17.4 million during 2017, an increase of \$9.6 million compared to same period in 2016. Loan growth and an increase in the historical loss factors for general reserves resulting from a rise in charge-offs from the prior year drove the increased 2017 Provision.

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 Allowance was 18.85% and 15.40% at December 31, 2017 and 2016. The Company believes, based on information presently available, that it has adequately provided for RCS loan losses at December 31, 2017.

Discussion of 2016 vs. 2015

The Company recorded a Provision of \$14.5 million during 2016, compared to \$5.4 million in 2015. The most significant components comprising the Company’s Provision by reportable segment follow

Traditional Banking segment

Explanation of Responses:

The Traditional Banking Provision during 2016 was \$3.4 million, compared to \$2.9 million in 2015. An analysis of the Provision for 2016 compared to 2015 follows:

- Related to the Bank's pass-rated and non-rated credits, the Bank recorded net charges of \$3.1 million and \$2.0 million to the Provision for 2016 and 2015. Loan growth primarily drove the net charges to the Provision in both periods.
- Related to the Bank's loans rated Substandard and Special Mention, the Bank recorded net charges of \$756,000 and \$680,000 to the Provision during 2016 and 2015. Charges of \$472,000 related to one CRE relationship and \$234,000 related to one C&I relationship drove the 2016 Provision. The net charge during 2015 was the result of an increase in the assumed lives for a large portion of the Bank's retail TDRs based on an updated analysis of the payment histories of these loans.
- Related to PCI loans, the Bank recorded a net credit of \$410,000 to the Provision during 2016 compared to a net charge of \$173,000 during 2015.

As a percentage of total loans, the Traditional Banking Allowance decreased to 0.83% at December 31, 2016 compared to 0.85% at December 31, 2015.

#### Warehouse Lending segment

The Warehouse Provision was \$497,000 for 2016, a \$329,000 increase from 2015. Provision expense for both 2016 and 2015 reflects general reserves for growth in outstanding balances. Outstanding Warehouse balances grew \$199 million during 2016 compared to growth of \$67 million during 2015.

As a percentage of total Warehouse outstanding balances, the Warehouse Allowance was 0.25% at December 31, 2016 and 2015.



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## Tax Refund Solutions segment

The TRS segment recorded a Provision of \$2.8 million during 2016 on its new EA product. Of the \$123 million in EAs originated during 2016, all were either collected or charged off at December 31, 2016.

## Republic Credit Solutions segment

RCS recorded a Provision of \$7.8 million during 2016, an increase of \$5.2 million compared to same period in 2015. Provision expense was higher at RCS due to an increase in general loss reserves for growth in RCS loans.

As a percentage of total RCS loans, the RCS Allowance was 15.40% and 25.11% at December 31, 2016 and 2015.

## Noninterest Income

Table 4 — Analysis of Noninterest Income

Years Ended December 31, (dollars in thousands)	2017	2016	2015	Percent Increase/(Decrease)			
				2017/2016	2016/2015		
Service charges on deposit accounts	\$ 13,357	\$ 13,176	\$ 13,015	1	%	1	%
Net refund transfer fees	18,500	19,240	17,388	(4)		11	
Mortgage banking income	4,642	6,882	4,411	(33)		56	
Interchange fee income	9,881	9,009	8,353	10		8	
Program fees	5,824	3,044	1,233	91		147	
Increase in cash surrender value of bank owned life insurance	1,562	1,516	1,402	3		8	
Net gains (losses) on securities available for sale	(136)	—	88	NM		(100)	
Net gains (losses) on other real estate owned	676	244	(301)	177		181	
Other	4,108	4,398	2,405	(7)		83	
Total noninterest income	\$ 58,414	\$ 57,509	\$ 47,994	2		20	

NM - Not meaningful

Explanation of Responses:

## Discussion of 2017 vs. 2016

Noninterest income increased \$905,000, or 2%, for 2017 compared to 2016. The most significant components comprising the total Company's change in noninterest income by reportable segment follow:

### Traditional Banking segment

Traditional Banking noninterest income increased \$1.4 million, or 5%, for 2017 compared to 2016. The most significant categories affecting the change in noninterest income for 2017 follow:

- Service charges on deposit accounts increased \$201,000, or 2%, to \$13.4 million during 2017 compared to \$13.2 million during 2016 driven by a 7% growth in the Company's transactional account base during 2017. The Bank earns a substantial majority of its fee income related to its overdraft service program from the per item fee it assesses its customers for each insufficient funds check or electronic debit presented for payment. The total per item fees, net of refunds, included in service charges on deposits during 2017 and 2016 were \$8.1 million and \$7.8 million. The total daily overdraft charges, net of refunds, included in interest income during 2017 and 2016 were \$1.8 million and \$1.7 million.
- Interchange income increased \$683,000, or 8%, due to an 11% increase in the number of active debit cards and an 8% increase in the number of transactions experienced by the Company for such cards.
- The Traditional Bank recorded an increase of \$353,000 on net gains (losses) on other real estate owned ("OREO") from 2017 compared to 2016.

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Mortgage Banking segment

Within the Mortgage Banking segment, mortgage banking income decreased \$2.2 million during 2017 compared to 2016. Approximately \$1.1 million of the decrease in mortgage banking income was attributable to a nonrecurring gain recorded during the third quarter of 2016 from the bulk sale of \$71 million in mortgage loans, which represented a portion of the Company's correspondent loan portfolio. The remainder of the decrease in mortgage banking income was consistent with a decrease in consumer refinance activity during 2017.

Overall, excluding the aforementioned bulk loan sale, Republic's originations of secondary market loans totaled \$160 million during 2017 compared to \$217 million during 2016. Excluding the bulk sale, the ratio of net gain on sale of mortgage loans originated for sale was 2.48% and 3.07% during 2017 and 2016.

Tax Refund Solutions segment

Within the TRS segment, noninterest income decreased \$799,000, or 4%, during 2017 compared to 2016. The overall decrease was primarily attributable to a \$740,000, or 4%, decrease in net RT revenue from 2016 to 2017, consistent with the 10% decrease in RT product volume during 2017.

Republic Credit Solutions segment

Within the RCS segment, noninterest income increased \$2.6 million, or 57%, during 2017 compared to 2016. The overall increase was primarily attributable to an increase of \$2.8 million in RCS program fees, which represents net gains from the sale of consumer loans. The increase in program fees resulted from an increase in volume from RCS's small-dollar consumer loan programs. During 2017, loans sold through the RCS programs increased \$281 million, or 74%, to \$661 million compared to \$380 million during 2016.

Discussion of 2016 vs. 2015

Noninterest income increased \$9.5 million, or 20%, for 2016 compared to 2015. The most significant components comprising the total Company's change in noninterest income by reportable segment follow:

Explanation of Responses:

Traditional Banking segment

Traditional Banking noninterest income increased \$2.3 million, or 10%, for 2016 compared to 2015. The most significant categories affecting the change in noninterest income for 2016 follow:

- Interchange fees increased \$1.4 million, or 19%, primarily due to a 7% increase in checking accounts, which helped to drive an 11% increase in the Company's active debit cards.
- Net gains (losses) on OREO improved \$545,000, as the Bank's OREO required \$270,000 in mark-to-market writedowns during 2016 compared to approximately \$1.3 million in such charges during the same period in 2015. Partially offsetting the difference related to mark-to-market writedowns was a decrease of \$443,000 in net realized gains on the final disposition of OREO from 2016 to 2015.

Service charges on deposit accounts increased from \$13.0 million during 2015 to \$13.2 million during 2016. The total per item fees, net of refunds, included in service charges on deposits for 2016 and 2015 were \$7.8 million and \$7.5 million. The total daily overdraft charges, net of refunds, included in interest income were \$1.7 million and \$1.6 million for 2016 and 2015.

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## Mortgage Banking segment

Within the Mortgage Banking segment, mortgage banking income increased \$2.5 million, or 56%, during 2016 compared to the same period in 2015, with \$1.1 million of the increase attributable to a bulk loan sale of \$71 million representing a portion of the Company's correspondent loan portfolio during the third quarter of 2016.

Overall, excluding the aforementioned bulk loan sale, Republic's originations of secondary market loans totaled \$217 million during 2016 compared to \$161 million during 2015.

## Tax Refund Solutions segment

TRS noninterest income increased \$1.1 million, or 6%, during 2016 compared to 2015. The increase was due to a \$1.9 million, or 11%, increase in net RT revenue from 2015, primarily driven by an increase in RT volume.

## Republic Credit Solutions segment

Within the RCS segment, noninterest income increased \$3.5 million during 2016 compared to 2015. Program fees increased \$1.9 million to \$2.8 million for 2016 compared to \$979,000 in 2015. The increase in program fees resulted from an increase in volume from RCS loan sales. During the 2016, the Company sold approximately \$380 million in loans compared to \$138 million during 2015. Furthermore, the RCS segment benefited during 2016 from the recognition of \$1.2 million of income related to a first-year volume guarantee for its installment credit product.

## Noninterest Expense

Table 5 — Analysis of Noninterest Expense

Years Ended December 31, (dollars in thousands)	2017	2016	2015	Percent Increase/(Decrease)			
				2017/2016	2016/2015		
Salaries and employee benefits	\$ 82,233	\$ 69,882	\$ 58,091	18	%	20	%

Explanation of Responses:

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Occupancy and equipment, net	24,019	21,586	20,557	11	5
Communication and transportation	4,711	4,256	3,752	11	13
Marketing and development	5,188	3,778	3,161	37	20
FDIC insurance expense	1,378	1,780	2,084	(23)	(15)
Bank franchise tax expense	4,626	4,757	4,734	(3)	—
Data processing	7,748	6,121	4,340	27	41
Interchange related expense	3,988	4,140	3,873	(4)	7
Supplies	1,594	1,406	1,101	13	28
Other real estate owned expense	388	503	735	(23)	(32)
Legal and professional fees	2,410	2,556	3,306	(6)	(23)
FHLB advance prepayment penalty	—	846	—	(100)	—
Impairment of premises held for sale	1,175	191	132	515	45
Other	11,386	8,305	7,458	37	11
Total noninterest expense	\$ 150,844	\$ 130,107	\$ 113,324	16	15

Discussion of 2017 vs. 2016

Total Company noninterest expense increased \$20.7 million, or 16%, during 2017 compared to 2016. The most significant components comprising the change in noninterest expense by reportable segment follow:

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Traditional Banking segment

For 2017 compared to 2016, Traditional Banking noninterest expense increased \$16.3 million, or 15%. The following factors drove the increase:

- Salaries and benefits expense increased \$9.5 million, or 17%, primarily due to an increase of 48 full-time-equivalent (“FTEs”) employees during 2017. The increase in FTEs was driven by additional staffing needed to implement the Company’s strategic initiatives.
- Occupancy expense increased \$2.4 million, or 12%, driven by increases in rent, depreciation, and equipment service expense resulting from new locations, existing banking center renovations and the cost of technology to support the Bank’s strategic initiatives.
- Marketing and development expense increased \$1.1 million, or 32%, with \$430,000 of the increase attributable to the Company’s national branchless banking platform, MemoryBank. The remainder of the increase was focused on driving loan and deposit growth in markets outside of the Company’s Louisville, Kentucky footprint. In addition, the Company also instituted a marketing awareness campaign in its Louisville, Kentucky market as part of a mortgage lending initiative.
- Data processing expense increased \$1.1 million, primarily driven by estimated conversion-related expenses resulting from a change in the Company’s digital-banking vendor for its commercial clients.
- Impairment of premises held for sale increased \$984,000 resulting primarily from a mark-to-market charge during the third quarter of 2017 for a bank property that the Company plans to begin marketing for sale during the first quarter of 2018.

Warehouse Lending segment

For 2017 compared to 2016, Warehouse noninterest expense increased \$250,000, or 8%. The increase was primarily related to an increase in salaries and employee benefits expense, driven by additional staffing over the previous 12 months along with annual merit increases.

Tax Refund Solutions segment

For 2017 compared to 2016, TRS segment, noninterest expense increased \$2.8 million, or 24%, during 2017 compared to 2016. The increase was primarily due to a \$2.0 million increase in salaries and benefits expense, driven by additional staff added during 2017 to support growth and new initiatives. The remaining increase was primarily in the other expense category and was related to an accrual for future Tax Provider payments triggered by the attainment of certain agreed upon incentive metrics for the applicable program.

#### Republic Credit Solutions segment

For 2017 compared to 2016, RCS noninterest expense increased \$1.3 million, or 61%, during 2017 compared to 2016. The increase was primarily due to increases of \$716,000 in data processing expenses and \$208,000 in marketing expenses, with both increases consistent with RCS product growth during 2017.



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Discussion of 2016 vs. 2015

Total Company noninterest expense increased \$16.8 million, or 15%, during 2016 compared to 2015. The most significant components comprising the change in noninterest expense by reportable segment follow:

Traditional Banking segment

For 2016 compared to 2015, Traditional Banking noninterest expense increased \$14.6 million, or 16%. The following factors drove the increase:

- Salaries and benefits expense increased \$9.6 million, or 20%, primarily due to an increase of 141 FTE employees during 2016. A total of 36 of these additions were directly attributable to the Company's Cornerstone acquisition. The remaining increase of 105 FTEs was driven by additional staffing needed to implement the Company's strategic initiatives.
- Data processing expenses increased \$1.6 million, or 42%, with \$628,000 of the increase attributable to the Company's Cornerstone acquisition. The remainder of the increase was spread across multiple loan and deposit platforms and was due to growth in the Company's overall customer base and their associated activity.
- Occupancy expense increased \$1.2 million, or 6%, with \$532,000 of the increase attributable to the Company's Cornerstone acquisition. The remaining increase of \$639,000 primarily reflects recent renovations to the Traditional Bank's premises over the previous 12 months, which drove an 8% increase in depreciation expense.
- Interchange-related expense increased \$694,000, or 22%, consistent with the increases in debit card and credit card transaction volume over the previous 12 months.
- Marketing expenses increased \$474,000, or 16%, partially driven by new sponsorship agreements with two professional sports teams in the Company's market footprint and partially by increased promotions of both RB&T and MemoryBank branded products.
- Legal and professional fees decreased \$537,000, or 19%, during 2016 compared to 2015 primarily due to higher legal expenses incurred during 2015 related to the Company's Cornerstone acquisition.
- The Company incurred an \$846,000 prepayment penalty on payoff of \$50 million in higher-costing FHLB advances during the third quarter of 2016, with no similar penalty in 2015.

#### Warehouse Lending segment

For 2016 compared to 2015, Warehouse noninterest expense increased \$616,000, or 24%. The increase was primarily related to an increase in salaries and employee benefits expense, driven by additional staffing over the previous 12 months along with annual merit increases.

#### Tax Refund Solutions segment

For 2016 compared to 2015, TRS noninterest expense increased \$931,000, or 9%, primarily due to an increase in salaries and employee benefits expense, driven by additional staffing to support TRS's new EA product.

#### Republic Credit Solutions segment

For 2016 compared to 2015, RPG noninterest expense increased \$846,000, or 62%, primarily due to an increase in salaries and employee benefits expense, driven by additional staffing to support RCS lending initiatives.

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Income Tax Expense

Discussion of 2017 vs. 2016

As previously mentioned, on December 22, 2017, President Donald Trump signed into law the TCJA. The TCJA, among other things, reduces the federal corporate tax rate from 35% to 21%, effective January 1, 2018. As a result of the reduced tax rate, the Company incurred a charge of \$6.3 million to income tax expense during 2017 representing the decrease in value of its net DTA upon enactment of the TCJA. With the exception of deferred taxes related to depreciation on a portion of its property and equipment, the Company has materially completed its accounting for the tax effects upon enactment of the TCJA. Regarding its deferred taxes related to depreciation, the Company awaits the completion of a cost segregation study. For the year ended December 31, 2017, the Company did not have the necessary information available, analyzed or prepared to make a reasonable estimate of the impact of the cost segregation study on its deferred taxes related to depreciation. The cost segregation study is scheduled to be completed in the latter half of 2018, prior to the Company's filing of its 2017 income tax returns. The cost segregation study is expected to provide the Company with the necessary information to complete the accounting for the deferred taxes related to depreciation.

Driven primarily by the \$6.3 million TCJA-driven charge, the Company's effective tax rate was 42% in 2017 compared to 33% in 2016.

The most significant components comprising the change in income tax expense by reportable segment follow:

Traditional Banking segment

Driven by its \$5.1 million portion of the TCJA-driven charge, the Traditional Banking segment's effective tax rate was 44% in 2017 compared to 31% in 2016.

The TCJA-driven charge tied to the Traditional Banking segment primarily represents the decrease in value of a DTA associated with the Traditional Banking segment's Allowance.

Republic Credit Services segment

Explanation of Responses:

Driven primarily by its \$1.7 million portion of the TCJA-driven charge, the RCS segment's effective tax rate was 56% in 2017 compared to 36% in 2016.

The TCJA-driven charge tied to the RCS segment represents the decrease in value of a DTA associated with the RCS segment's Allowance.

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## 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 \$299 million in cash and cash equivalents at December 31, 2017 compared to \$289 million at December 31, 2016. During 2017, the Bank maintained a relatively high cash balance on its balance sheet for liquidity purposes.

For cash held at the FRB, the Bank earned a yield of 0.50% for most of 2016 on amounts in excess of required reserves. In connection with the FOMC's action to increase the FFTR, this yield increased to 0.75% in mid-December 2016, to 1.00% in mid-March 2017, to 1.25% in mid-June 2017, and to 1.50% in mid-December 2017. 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 \$2 million at December 31, 2017 and 2016.

## Investment Securities

Table 6 — Investment Securities Portfolio

December 31, (in thousands)	2017	2016	2015	2014	2013
Securities available for sale (fair value):					
U.S. Treasury securities and U.S.					
Government agencies	\$ 307,592	\$ 294,544	\$ 286,479	\$ 146,922	\$ 97,465
Private label mortgage backed security	4,449	4,777	5,132	5,250	5,485
Mortgage backed securities - residential	106,374	73,004	92,268	124,256	150,087
Collateralized mortgage obligations	87,163	87,654	113,668	143,171	163,946
Freddie Mac preferred stock	473	483	173	231	—
	2,455	2,455	1,011	1,018	995

Explanation of Responses:

## Community Reinvestment Act mutual fund

Corporate bonds	15,125	15,158	14,922	15,063	14,915
Trust preferred security	3,600	3,200	3,405	—	—
Total securities available for sale	527,231	481,275	517,058	435,911	432,893

## Securities held to maturity (carrying value):

## U.S. Treasury securities and U.S.

Government agencies	—	506	515	1,747	2,311
Mortgage backed securities - residential	151	158	53	147	420
Collateralized mortgage obligations	23,437	27,142	33,159	38,543	42,913
Corporate bonds	40,175	25,058	5,000	5,000	5,000
Obligations of state and political subdivisions	464	—	—	—	—
Total securities held to maturity	64,227	52,864	38,727	45,437	50,644
Total investment securities	\$ 591,458	\$ 534,139	\$ 555,785	\$ 481,348	\$ 483,537

Securities available for sale primarily consists of U.S. Treasury securities and U.S. Government agency obligations, including agency mortgage backed securities (“MBSs”) and agency collateralized mortgage obligations (“CMOs”). The agency MBSs primarily consist of hybrid mortgage investment securities, as well as other adjustable rate mortgage investment securities, underwritten and guaranteed by Ginnie Mae (“GNMA”), Freddie Mac (“FHLMC”) and the Federal National Mortgage Association (“FNMA” or “Fannie Mae”). 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 securities sold under agreements to repurchase (“repurchase agreements”). The remaining eligible securities that are not pledged to secure client repurchase agreements may be pledged to the FHLB as collateral for the Bank’s borrowing line.

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During 2017, the Bank purchased \$90 million, \$52 million and \$64 million of U.S. Treasury, U.S. Government Agency and U.S. Government Agency mortgage-backed securities. The U.S. Treasury and U.S. Government Agency securities purchased during 2017 had overall expected weighted average yield to maturity of 1.52% and a weighted average expected life of approximately 1.4 years, while the US Government Agency mortgage-backed securities purchased during the year had an overall expected weighted average yield to maturity of 2.06% and an expected weighted average expected life of approximately 4.0 years.

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 2018.

Table 7 — Mortgage Backed Investment Securities

December 31, (in thousands)	2017	2016	2015	2014	2013
Private label mortgage backed security	\$ 4,449	\$ 4,777	\$ 5,132	\$ 5,250	\$ 5,485
Mortgage backed securities - residential	106,535	73,174	92,327	124,423	150,550
Collateralized mortgage obligations	110,819	114,922	147,291	182,133	207,062
Total fair value of mortgage backed securities	\$ 221,803	\$ 192,873	\$ 244,750	\$ 311,806	\$ 363,097

Table 8 — Securities Available for Sale

December 31, 2017 (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	\$ 169,963	\$ 169,788	1.20	% 0.25
Due from one year to five years	139,079	137,804	1.56	2.29

Explanation of Responses:

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Total U.S. Treasury securities and U.S. Government agencies	309,042	307,592	1.37	1.17
Corporate bonds:				
Due in one year or less	5,001	5,010	2.32	0.22
Due from five years to ten years	10,000	10,115	2.34	5.29
Total Corporate bonds	15,001	15,125	2.34	3.60
Trust preferred security, due beyond ten years	3,493	3,600	5.62	19.43
Private label mortgage backed security	3,065	4,449	6.46	15.63
Total mortgage backed securities - residential	105,644	106,374	2.42	18.36
Total collateralized mortgage obligations	87,867	87,163	2.22	22.67
Freddie Mac preferred stock	—	473	NM	NM
Community Reinvestment Act mutual fund	2,500	2,455	NM	NM
Total securities available for sale	\$ 526,612	\$ 527,231	1.80	8.47

NM - Not meaningful, as the security does not have a finite maturity.



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Table 9 — Securities Held to Maturity

December 31, 2017 (dollars in thousands)	Carrying Value	Fair Value	Weighted Average Yield	Weighted Average Maturity in Years
Corporate bonds:				
Due from one year to five years	\$ 10,106	\$ 10,137	2.45	% 3.31
Due from five years to ten years	30,069	30,721	2.50	5.65
Total corporate bonds	40,175	40,858	2.48	5.06
Obligations of state and political subdivisions:				
Due from one year to five years	464	458	1.77	% 4.16
Total obligations of state and political subdivisions	464	458	1.77	4.16
Total mortgage backed securities - residential	151	161	4.04	16.80
Total collateralized mortgage obligations	23,437	23,656	2.17	20.97
Total securities held to maturity	\$ 64,227	\$ 65,133	2.37	10.89

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NM - Not meaningful.

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## Loan Portfolio

Table 10 — Loan Portfolio Composition

December 31, (in thousands)	2017	2016	2015	2014	2013
Traditional Banking:					
Residential real estate:					
Owner occupied	\$ 921,565	\$ 1,000,148	\$ 1,081,934	\$ 1,118,341	\$ 1,097,795
Owner occupied - correspondent*	116,792	149,028	249,344	226,628	NA
Nonowner occupied	205,081	156,605	116,294	96,492	110,809
Commercial real estate	1,207,293	1,060,496	860,561	807,207	807,359
Construction & land development	150,065	119,650	66,500	38,480	44,351
Commercial & industrial	341,692	259,026	229,307	157,067	127,542
Lease financing receivables	16,580	13,614	8,905	2,530	NA
Home equity	347,655	341,285	289,194	245,679	226,782
Consumer:					
Credit cards	16,078	13,414	11,068	9,573	9,030
Overdrafts	974	803	685	1,180	944
Automobile loans	65,650	52,579	6,473	3,231	5,395
Other consumer	20,501	19,744	11,998	10,289	8,161
Total Traditional Banking	3,409,926	3,186,392	2,932,263	2,716,697	2,438,168
Warehouse lines of credit*	525,572	585,439	386,729	319,431	149,576
Total Core Banking	3,935,498	3,771,831	3,318,992	3,036,128	2,587,744
Republic Processing Group*:					
Tax Refund Solutions:					
Easy Advances	—	—	—	—	—
Commercial & industrial	11,648	6,695	414	272	221
Republic Credit Solutions	66,888	32,252	7,204	4,095	1,827
Total Republic Processing Group	78,536	38,947	7,618	4,367	2,048
Total loans**	4,014,034	3,810,778	3,326,610	3,040,495	2,589,792
Allowance for loan and lease losses	(42,769)	(32,920)	(27,491)	(24,410)	(23,026)
Total loans, net	\$ 3,971,265	\$ 3,777,858	\$ 3,299,119	\$ 3,016,085	\$ 2,566,766

\* 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.

## Explanation of Responses:

Gross loans increased by \$203 million, or 5%, during 2017 to \$4.0 billion at December 31, 2017. The most significant components comprising the change in loans by reportable segment follow:

Traditional Banking segment

Traditional Banking loans increased \$224 million, or 7%, during 2017. Within the Traditional Banking segment's portfolio, CRE loans experienced the largest increase of \$147 million, or 14%, with the Bank's Commercial and Corporate Banking Department primarily driving growth. Approximately \$96 million of the growth within the CRE category resulted from the successful promotion of a 10-year fixed rate product with a 15-year amortization schedule and a weighted average rate of 4.08%.

The Bank's owner occupied residential real estate loans, including correspondent loans, declined \$111 million in total. These category fluctuations were generally in-line with the Company's overall long-term loan growth strategy, which is to reduce the Bank's reliance on residential real estate loans for balance sheet growth and to rely more on commercial type loans for future growth. While the Company does currently intend to reduce its reliance on owner occupied residential real estate loans for future balance sheet growth, it

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also continues to make plans to expand its agency-eligible volume of first mortgage residential real estate loans, which it intends to sell into the secondary market in order to generate fee income.

### Warehouse Lending segment

As of December 31, 2017, the Bank had approximately \$525 million outstanding on total committed Warehouse credit lines of \$1.1 billion compared to \$585 million outstanding on total committed Warehouse credit lines of \$1.0 billion at December 31, 2016. The \$60 million, or 10%, decrease in outstanding balances generally reflects lower usage rates on outstanding Warehouse lines during 2017, with usage rates consistent with a general industry decline in mortgage refinance activity. For 2018, management currently believes that usage rates for its Warehouse lines will likely continue to be lower than comparable periods in 2017, as the mortgage industry anticipates higher long-term interest rates and lower mortgage refinance volume than 2017.

Due to the volatility and seasonality of the mortgage market, it is difficult to project future outstanding balances of Warehouse lines of credit. 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 during 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 64% during the third quarter of 2015. 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 57% during 2016.

### Republic Credit Solutions segment

RCS loans increased \$35 million, or 107%, during 2017, with RCS expanding all three of its held-for-investment product lines during the year. RCS's healthcare receivables grew \$21 million during 2017, as RCS worked with another third-party service provider to originate this product during the latter half of the year. RCS's line-of-credit product increased \$9 million, or 47%, during 2017, with this product generating the substantial majority of RCS's profitability during both 2017 and 2016. The remaining growth occurred in RCS credit card product, which represents receivables to borrowers who are generally considered subprime.

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

Table 11 — Selected Loan Distribution

December 31, 2017 (in thousands)	Total	One Year Or Less	Over One Through Five Years	Over Five Years
Fixed rate loan maturities:				
Residential real estate	\$ 427,164	\$ 60,965	\$ 110,650	\$ 255,549
Commercial real estate	412,009	76,564	148,626	186,819
Construction & land development	25,905	9,372	11,371	5,162
Commercial & industrial	135,465	24,954	79,602	30,909
Lease financing receivables	12,409	519	11,890	—
Warehouse lines of credit	—	—	—	—
Home equity	—	—	—	—
Consumer	148,558	90,066	50,511	7,981
Total fixed rate loans	\$ 1,161,510	\$ 262,440	\$ 412,650	\$ 486,420
Variable rate loan maturities:				
Residential real estate	\$ 816,274	\$ 25,225	\$ 85,631	\$ 705,418
Commercial real estate	795,284	51,381	146,974	596,929
Construction & land development	124,160	36,762	47,865	39,533
Commercial & industrial	217,875	85,240	82,473	50,162
Lease financing receivables	4,171	2,344	1,827	—
Warehouse lines of credit	525,572	525,572	—	—
Home equity	347,655	86,444	151,408	109,803
Consumer	21,533	21,271	215	47
Total variable rate loans	\$ 2,852,524	\$ 834,239	\$ 516,393	\$ 1,501,892
Total:				
Residential real estate	\$ 1,243,438	\$ 86,190	\$ 196,281	\$ 960,967
Commercial real estate	1,207,293	127,945	295,600	783,748
Construction & land development	150,065	46,134	59,236	44,695
Commercial & industrial	353,340	110,194	162,075	81,071
Lease financing receivables	16,580	2,863	13,717	—
Warehouse lines of credit	525,572	525,572	—	—
Home equity	347,655	86,444	151,408	109,803
Consumer	170,091	111,337	50,726	8,028
Total loans	\$ 4,014,034	\$ 1,096,679	\$ 929,043	\$ 1,988,312

Explanation of Responses:

Loans at maturity interval to overall total  
loans

100      %      27      %      23      %      50      %

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### Allowance for Loan and Lease Losses (“Allowance”)

The Bank maintains an Allowance for probable incurred credit losses inherent in the Bank’s loan portfolio, which includes overdrawn deposit accounts. Management evaluates the adequacy of the Allowance on a monthly basis and presents and discusses the analysis with the Audit Committee and the Board of Directors on a quarterly basis.

The Bank’s Allowance increased \$10 million, or 30%, during 2017 to \$43 million at December 31, 2017, primarily driven by reserves for growth in RCS small-dollar credit products and general growth in Core Bank portfolios. As a percent of total loans, the total Bank’s Allowance increased to 1.07% at December 31, 2017 compared to 0.86% at December 31, 2016. An analysis of the Allowance by reportable segment follows:

#### Traditional Banking segment

The Allowance at the Traditional Banking segment, increased to \$29 million at December 31, 2017 from \$26 million at December 31, 2016. The Allowance to total Traditional Bank loans increased to 0.85% at December 31, 2017 from 0.83% at December 31, 2016. The growth in the Allowance for the Traditional Banking segment was generally related to the growth in the overall loan portfolio, with changes to the historical loss percentages and qualitative factors of the calculation providing minimal impact.

#### Warehouse Lending segment

The Allowance on loans originated through the Company’s Warehouse segment decreased to \$1.3 million at December 31, 2017 from \$1.5 million at December 31, 2016, with the Allowance to total outstanding Warehouse balances remaining at 0.25% at both period ends. The decrease in the Allowance for the Warehouse Lending segment was entirely related to the decline in the overall loan portfolio.

#### Republic Credit Solutions segment

The Allowance on loans originated through the Company’s RCS segment increased to \$13 million at December 31, 2017 from \$5 million at December 31, 2016. Loan growth and an increase in the historical loss factors for general reserves resulting from a rise in charge-offs from the prior year drove the increase in the RCS Allowance. The Allowance to total RCS loans increased to 18.85% at December 31, 2017 from 15.40% at December 31, 2016.

### Explanation of Responses:

RCS maintained an Allowance for three loan products offered at December 31, 2017, including its line-of-credit product, its credit card product and its healthcare-receivables product. At December 31, 2017, the Allowance to total loans estimated for each RCS product ranged from as low as 0.25% for its healthcare-receivables portfolio to as high as 38% for its line-of-credit portfolio. The lower reserve percentage of 0.25% was provided for RCS's healthcare receivables at December 31, 2017, as such receivables have recourse back to the third-party healthcare providers.

For additional discussion regarding Republic's methodology for determining the adequacy of the Allowance, 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."



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Table 12 — Summary of Loan and Lease Loss Experience

Years Ended December 31, (dollars in thousands)	2017	2016	2015	2014	2013
Allowance at beginning of period	\$ 32,920	\$ 27,491	\$ 24,410	\$ 23,026	\$ 23,729
Charge-offs:					
Traditional Banking:					
Residential real estate	(330)	(416)	(748)	(1,021)	(2,127)
Commercial real estate	—	(514)	(546)	(868)	(1,190)
Construction & land development	—	(44)	—	(18)	(619)
Commercial & industrial	(189)	(330)	(56)	(20)	(466)
Lease financing receivables	—	—	—	—	NA
Home equity	(222)	(351)	(466)	(548)	(632)
Consumer	(2,042)	(1,727)	(1,185)	(1,083)	(1,151)
Total Traditional Banking	(2,783)	(3,382)	(3,001)	(3,558)	(6,185)
Warehouse lines of credit	—	—	—	—	—
Total Core Banking	(2,783)	(3,382)	(3,001)	(3,558)	(6,185)
Republic Processing Group:					
Tax Refund Solutions:					
Easy Advances	(8,121)	(3,474)	—	—	—
Commercial & industrial	—	—	—	—	—
Republic Credit Solutions	(10,659)	(5,000)	(971)	(5)	—
Total Republic Processing Group	(18,780)	(8,474)	(971)	(5)	—
Total charge-offs	(21,563)	(11,856)	(3,972)	(3,563)	(6,185)
Recoveries:					
Traditional Banking:					
Residential real estate	272	429	318	164	457
Commercial real estate	139	152	98	155	117
Construction & land development	6	78	—	89	48
Commercial & industrial	34	127	62	114	99
Lease financing receivables	—	—	—	—	NA
Home equity	182	151	148	183	165
Consumer	596	636	736	801	768
Total Traditional Banking	1,229	1,573	1,362	1,506	1,654
Warehouse lines of credit	—	—	—	—	—
Total Core Banking	1,229	1,573	1,362	1,506	1,654
Republic Processing Group:					
Tax Refund Solutions:					
Easy Advances	1,332	426	—	—	—

Explanation of Responses:

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Refund Anticipation Loans	241	301	278	582	845
Commercial & industrial	—	—	—	—	—
Republic Credit Solutions	906	492	17	—	—
Total Republic Processing Group	2,479	1,219	295	582	845
Total recoveries	3,708	2,792	1,657	2,088	2,499
Net loan charge-offs	(17,855)	(9,064)	(2,315)	(1,475)	(3,686)
Provision - Core Banking	3,773	3,945	3,065	3,392	3,828
Provision - RPG	23,931	10,548	2,331	(533)	(845)
Total Provision	27,704	14,493	5,396	2,859	2,983
Allowance at end of period	\$ 42,769	\$ 32,920	\$ 27,491	\$ 24,410	\$ 23,026

Credit Quality Ratios - Total Company:

Allowance to total loans	1.07	%	0.86	%	0.83	%	0.80	%	0.89	%
Allowance to nonperforming loans	284		205		125		103		109	
Net loan charge-offs to average loans	0.47		0.25		0.07		0.05		0.14	

Credit Quality Ratios - Core Banking:

Allowance to total loans	0.77	%	0.74	%	0.78	%	0.80	%	0.89	%
Allowance to nonperforming loans	213		175		118		103		109	
Net loan charge-offs to average loans	0.04		0.05		0.05		0.08		0.18	

NA - not applicable

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The following table sets forth management's allocation of the Allowance by loan class. The Allowance 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. Since these factors and management's assumptions are subject to change, the allocation is not necessarily indicative of future loan portfolio performance or future Allowance allocation.

Table 13 — Management's Allocation of the Allowance for Loan and Lease Losses

2017			2016			2015			2014			2013
Percent of Loans to Total			Percent of Loans to Total			Percent of Loans to Total			Percent of Loans to Total			
Allowance	Loans*		Allowance	Loans*		Allowance	Loans*		Allowance	Loans*		Allowance
6,182	22	%	\$ 7,158	27	%	\$ 8,301	34	%	\$ 8,565	38	%	\$ 7,816
292	3		373	4		623	7		567	7		NA
1,396	5		1,139	4		1,052	3		837	3		1,023
9,043	30		8,078	28		7,672	26		7,774	27		8,343
2,364	4		1,850	3		1,303	2		926	1		1,296
2,198	9		1,511	7		1,455	7		1,167	5		1,089
174	—		136	—		89	—		25	—		NA
3,754	9		3,757	9		2,996	9		2,730	8		2,396
607	—		490	—		448	—		285	—		289
974	—		675	—		351	—		382	—		199
687	2		526	1		56	—		32	—		54
1,162	1		771	1		479	—		277	—		72

Explanation of Responses:

28,833	85	26,464	84	24,825	88	23,567	89	22,577
1,314	13	1,464	15	967	12	799	11	449
30,147	98	27,928	99	25,792	100	24,366	100	23,026
—	—	—	—	—	—	—	—	—
12	—	25	—	—	—	—	—	—
12,610	2	4,967	1	1,699	—	44	—	—
12,622	2	4,992	1	1,699	—	44	—	—
42,769	100	\$ 32,920	100	\$ 27,491	100	\$ 24,410	100	\$ 23,026

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NA - Not Applicable

\*See Table 10 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, 2017.

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

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## Asset Quality

## 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-Substandard (“PCI-Sub”) are considered “Classified.” Loans rated “Special Mention” or PCI Group 1 (“PCI-1”) are considered Special Mention. The Bank’s Classified and Special Mention loans decreased \$14 million during 2017, primarily due to the payoffs and paydowns of Special Mention and PCI loans during the period.

See Footnote 5 “Loans and Allowance for Loan and Lease Losses” of Part II Item 8 “Financial Statements and Supplementary Data” for additional discussion regarding Classified and Special mention loans.

Table 14 — Classified and Special Mention Loans

December 31, (in thousands)	2017	2016	2015	2014	2013
Loss	\$ —	\$ —	\$ —	\$ —	\$ —
Doubtful	—	—	—	—	—
Substandard	21,202	21,412	27,833	39,999	44,305
Purchased Credit Impaired - Substandard	1,771	2,366	—	—	—
Total Classified Loans	22,973	23,778	27,833	39,999	44,305
Special Mention	23,813	30,702	31,312	36,268	40,167
Purchased Credit Impaired - Group 1	1,833	7,908	12,543	17,490	40,731
Total Special Mention Loans	25,646	38,610	43,855	53,758	80,898
Total Classified and Special Mention Loans	\$ 48,619	\$ 62,388	\$ 71,688	\$ 93,757	\$ 125,203

## Nonperforming Loans

Nonperforming loans include loans on nonaccrual status and loans past due 90-days-or-more and still accruing. Impaired loans that are not placed on nonaccrual status are not included as nonperforming loans. The nonperforming loan category includes TDRs totaling approximately \$6 million and \$10 million at December 31, 2017 and

2016. Generally, all nonperforming loans are considered impaired.

Nonperforming loans to total loans decreased to 0.38% at December 31, 2017 from 0.42% at December 31, 2016, as the total balance of nonperforming loans decreased by \$985,000, or 6%, while total loans increased \$203 million, or 5% during 2017.

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Table 15 — Nonperforming Loans and Nonperforming Assets Summary

December 31, (dollars in thousands)	2017	2016	2015	2014	2013
Loans on nonaccrual status*	\$ 14,118	\$ 15,892	\$ 21,712	\$ 23,337	\$ 19,104
Loans past due 90-days-or-more and still on accrual**	956	167	224	322	1,974
Total nonperforming loans	15,074	16,059	21,936	23,659	21,078
Other real estate owned	115	1,391	1,220	11,243	17,102
Total nonperforming assets	\$ 15,189	\$ 17,450	\$ 23,156	\$ 34,902	\$ 38,180
Credit Quality Ratios - Total Company:					
Nonperforming loans to total loans	0.38 %	0.42 %	0.66 %	0.78 %	0.81 %
Nonperforming assets to total loans (including OREO)	0.38	0.46	0.70	1.14	1.46
Nonperforming assets to total assets	0.30	0.36	0.55	0.93	1.13
Credit Quality Ratios - Core Bank:					
Nonperforming loans to total loans	0.36 %	0.42 %	0.66 %	0.78 %	0.81 %
Nonperforming assets to total loans (including OREO)	0.36	0.46	0.70	1.15	1.46
Nonperforming assets to total assets	0.28	0.36	0.55	0.93	1.13

\*Loans on nonaccrual status include impaired loans. See Footnote 5 “Loans and Allowance for Loan and Lease 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 PCI loans and smaller-balance consumer loans.

Approximately \$11 million, or 71%, of the Bank’s total nonperforming loans at December 31, 2017, compared to \$13 million, or 80%, as of December 31, 2016, were concentrated in the residential real estate and HELOC categories, with the underlying collateral predominantly located in the Bank’s primary market area of Kentucky.

Approximately \$3 million, or 22%, of the Bank’s total nonperforming loans at December 31, 2017, compared to \$3 million, or 17%, at December 31, 2016 were concentrated in the CRE and construction and land development portfolios. While CRE is the primary collateral for such loans, the Bank also obtains in many cases, at the time of origination, personal guarantees from the principal borrowers and/or secured liens on the guarantors’ primary residences.





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Table 16 — Nonperforming Loan Composition

	2017		2016		2015		2014		2013	
		Percent of Total		Percent of Total		Percent of Total		Percent of Total		Percent of Total
December 31, (in thousands)	Balance	Loan Class	Balance	Loan Class	Balance	Loan Class	Balance	Loan Class	Balance	Loan Class
Commercial real estate	\$ 9,230	1.00 %	\$ 10,955	1.10 %	\$ 13,197	1.22 %	\$ 11,225	1.00 %	\$ 9,211	0.84 %
Commercial - respondent	—	—	—	—	—	—	—	—	NA	NA
Commercial - owner	257	0.13	852	0.54	935	0.80	2,352	2.44	1,279	1.15
Commercial - state	3,247	0.27	2,725	0.26	4,165	0.50	6,151	0.80	7,643	0.99
Commercial - construction & development	67	0.04	77	0.06	1,589	2.39	1,990	5.17	167	0.38
Commercial - industrial	—	—	154	0.06	194	0.08	169	0.11	1,558	1.22
Commercial - financing	—	—	—	—	—	—	—	—	NA	NA
Commercial - equity	1,217	0.35	1,069	0.31	1,793	0.62	1,678	0.68	1,128	0.50
Commercial - consumer:	—	—	—	—	—	—	—	—	—	—
Commercial - credit cards	—	—	—	—	—	—	—	—	—	—
Commercial - drafts	—	—	—	—	—	—	—	—	—	—
Commercial - mobile	68	0.10	—	—	—	—	—	—	—	—
Commercial - consumer	51	0.25	145	0.73	63	0.53	94	0.91	92	1.13
Commercial - international	14,137	0.41	15,977	0.50	21,936	0.75	23,659	0.87	21,078	0.86
Commercial - house of credit	—	—	—	—	—	—	—	—	—	—
Commercial - Core	14,137	0.36	15,977	0.42	21,936	0.66	23,659	0.78	21,078	0.81

Explanation of Responses:

Public Assessing to: Refund ions: Advances Commercial & trial Public t ions Republic Assessing o	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—
	937	1.40	82	0.25	—	—	—	—	—	—
	937	1.19	82	0.21	—	—	—	—	—	—
performing	\$ 15,074	0.38	\$ 16,059	0.42	\$ 21,936	0.66	\$ 23,659	0.78	\$ 21,078	0.81

NA - Not Applicable

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Table 17 — Stratification of Nonperforming Loans

December 31, 2017 (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	102	\$ 4,903	14	\$ 2,760	1	\$ 1,567	117	\$ 9,230
Owner occupied - correspondent	—	—	—	—	—	—	—	—
Nonowner occupied	5	156	1	101	—	—	6	257
Commercial real estate	2	112	3	767	2	2,368	7	3,247
Construction & land development	1	67	—	—	—	—	1	67
Commercial & industrial	—	—	—	—	—	—	—	—
Lease financing receivables	—	—	—	—	—	—	—	—
Home equity	26	615	4	602	—	—	30	1,217
Consumer:								
Credit cards	—	—	—	—	—	—	—	—
Overdrafts	—	—	—	—	—	—	—	—
Automobile loans	3	68	—	—	—	—	3	68
Other consumer	12	51	—	—	—	—	12	51
Total Traditional Banking	151	5,972	22	4,230	3	3,935	176	14,137
Warehouse lines of credit	—	—	—	—	—	—	—	—
Total Core Banking	151	5,972	22	4,230	3	3,935	176	14,137
Republic Processing Group:								
Tax Refund Solutions:								
Easy Advances	—	—	—	—	—	—	—	—
Commercial & industrial	—	—	—	—	—	—	—	—
Republic Credit Solutions	13,536	937	—	—	—	—	13,536	937
Total Republic Processing Group	13,536	937	—	—	—	—	13,536	937
Total	13,687	\$ 6,909	22	\$ 4,230	3	\$ 3,935	13,712	\$ 15,074

Explanation of Responses:

December 31, 2016 (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	120	\$ 5,417	30	\$ 5,538	—	\$ —	150	\$ 10,955
Owner occupied - correspondent	—	—	—	—	—	—	—	—
Nonowner occupied	5	77	—	—	1	775	6	852
Commercial real estate	2	106	5	1,190	1	1,429	8	2,725
Construction & land development	1	77	—	—	—	—	1	77
Commercial & industrial	—	—	1	154	—	—	1	154
Lease financing receivables	—	—	—	—	—	—	—	—
Home equity	25	589	3	480	—	—	28	1,069
Consumer:								
Credit cards	—	—	—	—	—	—	—	—
Overdrafts	—	—	—	—	—	—	—	—
Automobile loans	—	—	—	—	—	—	—	—
Other consumer	39	145	—	—	—	—	39	145
Total Traditional Banking	192	6,411	39	7,362	2	2,204	233	15,977
Warehouse lines of credit	—	—	—	—	—	—	—	—
Total Core Banking	192	6,411	39	7,362	2	2,204	233	15,977
Republic Processing Group:								
Tax Refund Solutions:								
Easy Advances	—	—	—	—	—	—	—	—
Commercial & industrial	—	—	—	—	—	—	—	—
Republic Credit Solutions	1,163	82	—	—	—	—	1,163	82
Total Republic Processing Group	1,163	82	—	—	—	—	1,163	82
Total	1,355	\$ 6,493	39	\$ 7,362	2	\$ 2,204	1,396	\$ 16,059

Explanation of Responses:



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Interest income that would have been recorded if nonaccrual loans were on a current basis in accordance with their original terms was \$734,000, \$888,000 and \$1.1 million in 2017, 2016 and 2015.

Based on the Bank's review as of December 31, 2017, management believes that its reserves are adequate to absorb probable losses on all nonperforming credits.

Table 18 — Rollforward of Nonperforming Loan

Years Ended December 31, (in thousands)	2017	2016	2015	2014	2013
Nonperforming loans at the beginning of the period	\$ 16,059	\$ 21,936	\$ 23,659	\$ 21,078	\$ 21,679
Loans added to nonperforming status during the period that remained nonperforming at the end of the period	7,204	3,784	7,861	15,657	15,403
Loans removed from nonperforming status during the period that were nonperforming at the beginning of the period(see table below)	(8,196)	(8,086)	(8,505)	(12,060)	(15,374)
Paydown on the principal balance of loans nonperforming at both period ends	(782)	(1,742)	(1,079)	(1,016)	(630)
Other changes in principal balance on loans nonperforming at both the period ends*	789	167	—	—	—
Nonperforming loans at the end of the period	\$ 15,074	\$ 16,059	\$ 21,936	\$ 23,659	\$ 21,078

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

Table 19 — Detail of Loans Removed from Nonperforming Status

Years Ended December 31, (in thousands)	2017	2016	2015	2014	2013
Loans charged-off	\$ (287)	\$ (329)	\$ (210)	\$ (119)	\$ (1,520)
Loans transferred to OREO	(574)	(2,986)	(2,034)	(4,365)	(3,340)
Loans refinanced at other institutions	(3,841)	(4,771)	(4,026)	(5,034)	(5,626)
Loans returned to accrual status	(3,494)	—	(2,235)	(2,542)	(4,888)

Total loans removed from nonperforming  
status during the period that were in  
nonperforming status at the beginning of the  
period

\$ (8,196)	\$ (8,086)	\$ (8,505)	\$ (12,060)	\$ (15,374)
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## Delinquent Loans

Delinquent loans to total loans increased to 0.35% at December 31, 2017, from 0.24% at December 31, 2016, as the total balance of delinquent loans increased by \$5 million, or 57%. With the exception of PCI loans and smaller-balance consumer loans, all loans past due 90-days-or-more as of December 31, 2017 and 2016 were on nonaccrual status.

Core Banking delinquent loans to total loans increased three basis points to 0.21% during 2017 primarily due to the addition of a \$1.1 million CRE nonaccrual loan with collateral located in the Bank's southern Indiana market.

RPG delinquent loans to total loans increased to approximately 7% during 2017 primarily due to product expansion at the RCS segment.

Table 20 — Delinquent Loan Composition\*

	2017		2016		2015		2014		2013		
	Percent of		Percent of		Percent of		Percent of		Percent of		Perce
	Total		Total		Total		Total		Total		Total
December 31, ars in (ands)	Balance	Loan Class	Balance	Loan Class	Balance	Loan Class	Balance	Loan Class	Balance	Loan Class	Loan Class
tional ing: ential estate: er died er died - spondent owner died mercial estate struction & opment	\$ 4,782	0.52 %	\$ 4,554	0.46 %	\$ 6,882	0.64 %	\$ 8,008	0.72 %	\$ 6,357	0.58	
	—	—	—	—	—	—	—	—	NA	NA	
	146	0.07	46	0.03	53	0.05	776	0.80	1,293	1.17	
	1,727	0.14	425	0.04	1,111	0.13	2,972	0.37	5,198	0.64	
	67	0.04	—	—	1,500	2.26	1,990	5.17	499	1.13	

Explanation of Responses:



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Commercial & trial	15	0.00	342	0.13	299	0.13	211	0.13	1,415	1.11
Processing variables	—	—	—	—	—	—	—	—	NA	NA
Equity number:	1,221	0.35	970	0.28	1,393	0.48	1,362	0.55	1,110	0.49
Gift cards	74	0.46	18	0.13	12	0.11	134	1.40	98	1.09
Drafts mobile	233	23.92	161	20.05	133	19.42	178	15.08	159	16.84
Consumer	60	0.09	—	—	1	0.02	19	0.59	34	0.63
Consumer	135	0.66	305	1.54	101	0.84	60	0.58	60	0.74
Additional	8,460	0.25	6,821	0.21	11,485	0.39	15,710	0.58	16,223	0.67
House of credit	—	—	—	—	—	—	—	—	—	—
Core	8,460	0.21	6,821	0.18	11,485	0.35	15,710	0.52	16,223	0.63
Public										
Processing										
Refund										
Advances	—	—	—	—	—	—	—	—	—	—
Commercial & trial	—	—	—	—	—	—	—	—	—	—
Public										
Gift cards	5,641	8.43	2,137	6.63	246	3.41	141	3.44	—	—
Republic										
Processing	5,641	7.18	2,137	5.49	246	3.23	141	3.23	—	—
Delinquent	\$ 14,101	0.35	\$ 8,958	0.24	\$ 11,731	0.35	\$ 15,851	0.52	\$ 16,223	0.63

\*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.

NA — Not applicable.



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Table 21 — Rollforward of Delinquent Loans

Years Ended December 31, (in thousands)	2017	2016	2015	2014	2013
Delinquent loans at the beginning of the period	\$ 8,958	\$ 11,731	\$ 15,851	\$ 16,223	\$ 20,844
Loans added to delinquency status during the period and remained in delinquency status at the end of period	7,015	5,399	6,942	13,750	12,989
Loans removed from delinquency status during the period that were in delinquency status at the beginning of the period (see table below)	(5,181)	(10,205)	(10,969)	(14,079)	(17,328)
Paydown of principal balance of loans delinquent at both period ends	(170)	(94)	(207)	(245)	(309)
Other changes in principal balance of loans delinquent at both period ends*	3,479	2,127	114	202	27
Delinquent loans at the end of period	\$ 14,101	\$ 8,958	\$ 11,731	\$ 15,851	\$ 16,223

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

Table 22 — Detail of Loans Removed From Delinquent Status

Years Ended December 31, (in thousands)	2017	2016	2015	2014	2013
Loans charged-off	\$ (114)	\$ (150)	\$ (302)	\$ (159)	\$ (1,380)
Loans transferred to OREO	(526)	(2,805)	(2,207)	(4,889)	(6,331)
Loans refinanced at other institutions	(2,529)	(3,926)	(4,072)	(5,617)	(6,115)
Loans paid current	(2,012)	(3,324)	(4,388)	(3,414)	(3,502)
Total loans removed from delinquency status during the period that were in delinquency status at the beginning of the period	\$ (5,181)	\$ (10,205)	\$ (10,969)	\$ (14,079)	\$ (17,328)

Impaired Loans and Troubled Debt Restructurings

Explanation of Responses:

The Bank's policy is to charge-off all or that portion of its recorded investment in a collateral-dependent impaired credit upon a determination that it is probable the full amount of contractual principal and interest will not be collected. Impaired loans totaled \$46 million at December 31, 2017 compared to \$53 million at December 31, 2016.

A TDR is the 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. As of December 31, 2017, the Bank had \$35 million in TDRs, of which \$6 million were also on nonaccrual status. As of December 31, 2016, the Bank had \$42 million in TDRs, of which \$10 million were also on nonaccrual status.

Table 23 — Impaired Loan Composition

December 31, (in thousands)	2017	2016	2015	2014	2013
Troubled debt restructurings	\$ 34,637	\$ 41,586	\$ 49,580	\$ 65,266	\$ 73,972
Impaired loans (which are not TDRs)	10,979	11,098	16,543	20,914	34,022
Total recorded investment in impaired loans	\$ 45,616	\$ 52,684	\$ 66,123	\$ 86,180	\$ 107,994

See Footnote 5 "Loans and Allowance for Loan and Lease Losses" of Part II Item 8 "Financial Statements and Supplementary Data" for additional discussion regarding impaired loans and TDRs.

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## Other Real Estate Owned

Table 24 — Stratification of Other Real Estate Owned

December 31, 2017 (dollars in thousands)	Number of OREO Properties and Carrying Value Range							Total Carrying Value
	No.	Carrying Value ≤ \$100	No.	Carrying Value > \$100 & ≤ \$500	No.	Carrying Value > \$500	No.	
Residential real estate	2	\$ 115	—	\$ —	—	\$ —	2	\$ 115
Total	2	\$ 115	—	\$ —	—	\$ —	2	\$ 115

December 31, 2016 (dollars in thousands)	Number of OREO Properties and Carrying Value Range							Total Carrying Value
	No.	Carrying Value ≤ \$100	No.	Carrying Value > \$100 & ≤ \$500	No.	Carrying Value > \$500	No.	
Residential real estate	3	\$ 848	1	\$ 543	—	\$ —	4	\$ 1,391
Total	3	\$ 848	1	\$ 543	—	\$ —	4	\$ 1,391

Table 25 — Rollforward of Other Real Estate Owned Activity

Years Ended December 31, (in thousands)	2017	2016	2015	2014	2013
OREO at beginning of period	\$ 1,391	\$ 1,220	\$ 11,243	\$ 17,102	\$ 26,203
Transfer from loans to OREO	841	4,778	2,938	7,333	14,197
Proceeds from sale*	(2,793)	(4,851)	(12,660)	(10,974)	(23,644)
Net gain on sale	831	514	956	883	2,170
Writedowns	(155)	(270)	(1,257)	(3,101)	(1,824)

Explanation of Responses:

OREO at end of period	\$ 115	\$ 1,391	\$ 1,220	\$ 11,243	\$ 17,102
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\*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")

BOLI offers tax advantaged noninterest income to help the Bank offset employee benefits expenses. The Company carried \$63 million and \$62 million of BOLI on its consolidated balance sheet at December 31, 2017 and 2016. The Company acquired \$7 million of BOLI during 2016 in association with its May 17, 2016 Cornerstone acquisition.

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Table 26 — Rollforward of Bank Owned Life Insurance

Years ended December 31, (in thousands)	2017	2016	2015	2014
BOLI at beginning of period	\$ 61,794	\$ 52,817	\$ 51,415	\$ 25,086
BOLI acquired	—	7,461	—	25,000
Increase in cash surrender value	1,562	1,516	1,402	1,329
BOLI at end of period	\$ 63,356	\$ 61,794	\$ 52,817	\$ 51,415

## Deposits

Table 27 — Deposit Composition

December 31, (in thousands)	2017	2016	2015	2014	2013
Core Bank:					
Demand	\$ 944,812	\$ 872,709	\$ 783,054	\$ 691,787	\$ 651,134
Money market accounts	546,998	541,622	501,059	471,339	479,569
Brokered money market accounts	373,242	360,597	200,126	35,649	35,533
Savings	182,800	164,410	117,408	91,625	78,020
Individual retirement accounts*	47,982	42,642	36,016	28,771	28,767
Time deposits, \$250 and over*	77,891	37,200	42,775	56,556	67,255
Other certificates of deposit*	189,661	140,894	127,878	104,010	75,516
Brokered certificates of deposit*	46,089	28,666	44,298	75,876	86,421
Total Core Bank interest-bearing deposits	2,409,475	2,188,740	1,852,614	1,555,613	1,502,215
Total Core Bank noninterest-bearing deposits	988,537	943,459	606,154	494,244	482,411
Total Core Bank deposits	3,398,012	3,132,199	2,458,768	2,049,857	1,984,626
Republic Processing Group ("RPG"):					
Money market accounts	1,641	—	—	—	—
Total RPG interest-bearing deposits	1,641	—	—	—	—

Brokered prepaid card deposits	1,509	15	1,540	—	—
Other noninterest-bearing deposits	31,996	28,478	27,169	8,325	6,231
Total RPG noninterest-bearing deposits	33,505	28,493	28,709	8,325	6,231
Total RPG deposits	35,146	28,493	28,709	8,325	6,231
Total deposits	\$ 3,433,158	\$ 3,160,692	\$ 2,487,477	\$ 2,058,182	\$ 1,990,857

\*Represents a time deposit.

Total Company deposits increased \$272 million, or 9%, from December 31, 2016 to \$3.4 billion at December 31, 2017.

Total Company interest-bearing deposits increased \$222 million, or 10%, during 2017 largely driven by \$53 million in interest-bearing deposits raised through the Company's separately branded digital platform, MemoryBank. In addition, the Bank experienced an increase of \$89 million, or 50%, in its non-brokered time deposits during 2017, as it maintained a more attractive and competitive offering rate on its certificates of deposit in order to attract longer-term deposits for liquidity and interest rate risk management purposes.

Total Company noninterest bearing deposits increased \$50 million, or 5%, during 2017. Core Bank noninterest-bearing deposits increased \$45 million, or 5%. This growth was largely driven by the Bank's free-business-checking products, which are the Bank's primary product offering for small business accounts.



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Table 28 — Average Deposits

2017			2016			2015			2014			2013
Average	Average		Average	Average		Average	Average		Average	Average		Average
Balance	Rate		Balance	Rate		Balance	Rate		Balance	Rate		Balance
\$ 1,095,276	0.22	%	\$ 962,473	0.10	%	\$ 840,815	0.07	%	\$ 750,693	0.07	%	\$ 696,311
554,336	0.29		546,360	0.20		485,508	0.16		477,129	0.16		508,311
266,332	1.19		221,634	1.00		200,863	0.96		174,904	0.65		187,311
314,788	0.68		289,612	0.43		132,623	0.21		34,586	0.20		34,611
36,931	1.25		38,513	1.45		54,405	1.57		72,889	2.12		88,411
2,267,663	0.43		2,058,592	0.29		1,714,214	0.26		1,510,201	0.26		1,510,201
1,073,181	—		894,049	—		651,275	—		553,929	—		513,929
\$ 3,340,844	0.29		\$ 2,952,641	0.21		\$ 2,365,489	0.19		\$ 2,064,130	0.19		\$ 2,020,130

Table 29 — Maturities of Time Deposits Greater than \$100,000 at December 31, 2017

Maturity (dollars in thousands)	Principal	Weighted Average Rate	
Three months or less	\$ 16,991	0.63	%
Over three months through six months	38,122	0.91	
Over six months through 12 months	20,879	0.96	
Over 12 months	94,882	1.87	
Total	\$ 170,874	1.42	

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

Securities Sold under Agreements to Repurchase (“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 \$204 million and \$173 million at December 31, 2017 and 2016. The substantial majority of SSUARs are indexed to immediately repricing indices such as the FFTR.

Table 30 — Securities Sold Under Agreements to Repurchase

As of and for the Years Ended December 31, (dollars in thousands)	2017		2016		2015		2014		2013	
Outstanding balance at end of period	\$ 204,021		\$ 173,473		\$ 395,433		\$ 356,108		\$ 165,555	
Weighted average interest rate at period end	0.31	%	0.05	%	0.02	%	0.04	%	0.04	%
Average outstanding balance during the period	\$ 219,515		\$ 280,296		\$ 379,477		\$ 296,196		\$ 170,386	
Average interest rate during the period	0.23	%	0.02	%	0.02	%	0.04	%	0.04	%
Maximum outstanding at any month end	\$ 293,944		\$ 367,373		\$ 442,981		\$ 408,891		\$ 242,721	

#### Federal Home Loan Bank Advances

FHLB advances decreased \$65 million, or 8%, from December 31, 2016 to \$738 million at December 31, 2017, with the Bank reducing its term advances by \$110 million and increasing its overnight advances by \$45 million during the 2017. During 2017, the Bank obtained \$95 million in additional fixed-rate term advances with a weighted average rate of 1.92% and a weighted average term of 3.3 years, while \$205 million of fixed-rate term advances with a weighted average rate of 1.79% and an original weighted average term of 3.6 years matured during the period. The Bank held \$330 million in overnight advances at a rate of 1.42% as of December 31, 2017, compared to \$285 million in overnight advances at a rate of 0.64% at December 31, 2016.

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The Bank chose to increase its overnight advances and reduce its term advances during 2017 in order to take advantage of the lower borrowing costs associated with overnight borrowings. The Bank was able to implement this strategy due to its projected favorable risk position in the event of rising interest rates. See the section titled “Asset/Liability Management and Market Risk” in this section of the filing for additional discussion regarding the Bank’s interest-rate sensitivity.

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. If a meaningful amount of the Bank’s loan originations in the future have repricing terms longer than five years, management will likely elect to borrow additional funds to mitigate its risk of future increases in market interest rates. Whether the Bank ultimately does so, and how much in advances it extends out, will be dependent upon circumstances at that time. If the Bank does obtain longer-term FHLB advances for interest rate risk mitigation, it will have a negative impact on then-current earnings. The amount of the negative impact will be dependent upon the dollar amount, coupon and final maturity of the advances obtained.

Table 31 — Federal Home Loan Bank Advances

As of and for the Years Ended December 31, (dollars in thousands)	2017		2016		2015		2014		2013	
Outstanding balance at end of period	\$	737,500	\$	802,500	\$	699,500	\$	707,500	\$	605,000
Weighted average interest rate at period end	1.61	%	1.35	%	1.77	%	1.60	%	2.42	%
Average outstanding balance during the period	\$	563,552	\$	583,591	\$	599,630	\$	584,516	\$	578,633
Average interest rate during the period	1.57	%	1.87	%	1.99	%	2.24	%	2.54	%
Maximum outstanding at any month end	\$	1,002,500	\$	987,500	\$	916,500	\$	707,500	\$	605,000

## 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 the 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.

#### 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 133% and 138% at December 31, 2017 and 2016. At December 31, 2017 and 2016, the Company had cash and cash equivalents on-hand of \$299 million and \$289 million. In addition, the Bank had available collateral to borrow an additional \$347 million and \$378 million from the FHLB at December 31, 2017 and 2016. In addition to its borrowing line with the FHLB, the Bank also had unsecured lines of credit totaling \$125 million and \$150 million available through various other financial institutions as of December 31, 2017 and 2016.

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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 securities available for sale, principal paydowns on loans and MBSs 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, 2017 and 2016, these pledged investment securities had a fair value of \$263 million and \$232 million. Republic's banking centers and its website, [www.republicbank.com](http://www.republicbank.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 could not 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, 2017, the Bank had approximately \$974 million in deposits, including retail-brokered deposits, from 121 large non-sweep deposit relationships where the individual relationship individually exceeded \$2 million. The 20 largest non-sweep deposit relationships represented approximately \$637 million, or 19%, of the Company's total deposit balances at December 31, 2017. 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-costing 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 the its historical success of growing loans and its overall use of non-core funding sources, the Bank has approached, and periodically has fallen short of, its minimum internal policy limits for liquidity management, as set forth by the Bank's Board of Directors. As of December 31, 2017, the Bank was in compliance with all Board-approved liquidity policies, however, the Bank will likely continue to maintain its liquidity levels near the Bank's board approved minimums for the foreseeable future. It is also likely the Bank, as it manages its liquidity levels in order to maximize its overall earnings, will continue to fall short of these minimums on occasion in the future, particularly during the first quarter of each year when short-term Easy Advance loans are originated.

## Capital

### Table 32 — Capital

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

## Explanation of Responses:

December 31, (dollars in thousands, except per share data)	2017	2016	2015	2014	2013
Stockholders' equity	\$ 632,424	\$ 604,406	\$ 576,547	\$ 558,731	\$ 542,793
Book value per share at December 31,	30.33	28.97	27.59	26.80	26.09
Tangible book value per share at December 31,*	29.27	27.89	26.87	26.08	25.35
Dividends declared per share - Class A Common Stock	0.869	0.825	0.781	0.737	0.693
Dividends declared per share - Class B Common Stock	0.790	0.750	0.710	0.670	0.630
Average stockholders' equity to average total assets	13.02 %	13.32 %	14.43 %	15.66 %	16.15 %
Total risk based capital	16.04	16.37	20.58	22.17	26.72
Common equity tier 1 capital	14.15	14.59	18.39	NA	NA
Tier 1 risk based capital	15.06	15.55	19.69	21.28	25.67
Tier 1 leverage capital	13.21	13.54	14.82	15.92	16.81
Dividend payout ratio	39	37	46	53	56
Dividend yield	2.29	2.09	2.96	2.98	2.82

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

NA – Not applicable.

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Total stockholders' equity increased from \$604 million at December 31, 2016 to \$632 million at December 31, 2017. The increase in stockholders' equity was primarily attributable to net income earned during 2017 reduced by cash dividends declared and common stock repurchases.

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, 2017, the Bank could, without prior approval, declare dividends of approximately \$74 million.

**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 6.5% Common Equity Tier 1 Risk-Based Capital ratio, an 8.0% Tier 1 Risk-Based Capital ratio, a 10.0% Total 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 composed of Common Equity Tier 1 Risk-Based Capital above their minimum risk-based capital requirements. The capital conservation buffer began phasing in during 2016 and continues to phase in through 2019 on the following schedule: a capital conservation buffer of 0.625% effective January 1, 2016; 1.25% effective January 1, 2017; 1.875% effective January 1, 2018; and a fully phased in capital conservation buffer of 2.5% on January 1, 2019.

Republic continues to exceed the regulatory requirements for Total Risk Based Capital, Common Equity Tier I Risk Based, 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 13.02% at December 31, 2017 compared to 13.32% at December 31, 2016. Formal measurements of the capital ratios for Republic and the Bank are performed by the Company at each quarter end.

In 2005, Republic Bancorp Capital Trust (“RBCT”), an unconsolidated trust subsidiary of Republic, was formed and issued \$40 million in Trust Preferred Securities (“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, 2018, and is currently carrying the note at a cost of LIBOR plus 1.42%.



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## Off Balance Sheet Items

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

Table 33 — Off Balance Sheet Items

December 31, 2017 (in thousands)	Maturity by Period				Total
	Less than one year	Greater than one year to three years	Greater than three years to five years	Greater than five years	
Unused warehouse lines of credit	\$ 525,328	\$ —	\$ —	\$ —	\$ 525,328
Unused home equity lines of credit	32,479	36,690	57,720	240,998	367,887
Unused loan commitments - other	412,162	87,919	32,782	65,139	598,002
Standby letters of credit	11,754	555	334	—	12,643
FHLB letter of credit	10,000	—	—	—	10,000
Total off balance sheet items	\$ 991,723	\$ 125,164	\$ 90,836	\$ 306,137	\$ 1,513,860

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 \$12 million and \$16 million at December 31, 2017 and 2016. 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.

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



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## 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 34 — Aggregate Contractual Obligations

December 31, 2017 (in thousands)	Maturity by Period				Total
	Less than one year	Greater than one year to three years	Greater than three years to five years	Greater than five years	
Deposits without a stated maturity*	\$ 2,049,161	\$ —	\$ —	\$ —	\$ 2,049,161
Time deposits (including brokered CDs)*	174,724	131,833	55,435	—	361,992
Federal Home Loan Bank advances*	458,194	220,000	50,000	10,000	738,194
Subordinated note*	—	—	—	41,240	41,240
Securities sold under agreements to repurchase*	204,021	—	—	—	204,021
Lease commitments	6,484	11,491	8,309	6,670	32,954
Other commitments**	10,166	8,346	4,418	1,629	24,559
Total contractual obligations	\$ 2,902,750	\$ 371,670	\$ 118,162	\$ 59,539	\$ 3,452,121

\*Includes accrued interest.

\*\*Primarily includes dividends declared on common stock, the Bank's Supplemental Executive Retirement Plan ("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 time 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.

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

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

See Footnote 21 “Transactions with Related Parties and their Affiliates” of Part II Item 8 “Financial Statements and Supplementary Data” for further information regarding the Bank’s lease commitments.

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### 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 a 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, 2017, a dynamic simulation model was run for interest rate changes from "Down 100" basis points to "Up 400" basis points. From December 2016 to December 2017, the Federal Open Market Committee raised the FFTR four times in 25-basis-point increments, with further guidance suggesting that increases to the FFTR were more likely than not for 2018.

The Bank's dynamic simulation model run for December 2017 projected improvement in the Bank's net interest income relative to the Base case in the Up 100 to Up 400 basis points scenarios. With the exception of the Up 100 scenario,

the improvement in each of these scenarios was greater than the projected improvement reflected in the same scenarios for the December 2016 simulation. The improvements in the “up rate” December 2017 scenarios were generally due to higher balances of noninterest bearing deposits in that simulation as compared to the December 2016 simulation. In addition, because of the Bank’s continued improvement in its interest rate risk position, the December 2017 simulation has a general assumption that maturing FHLB advances will be refinanced into lower costing overnight borrowings as compared to the December 2016 simulation, which assumed maturing FHLB advances will be refinanced into longer-term borrowings. The lack of improvement in the Up 100 scenario for the December 2017 simulation as compared to the prior year’s simulation was driven by the Bank’s use of more conservative beta assumptions on its non-maturity deposit (“NMD”) portfolio, specifically for the Up 100 scenario for its 2017 simulation.

Related to the Bank’s Down 100 scenario, the Bank’s December 2017 interest rate risk position deteriorated from the prior year. In 2017, while the Bank’s short-term assets generally repriced to higher rates as short-term interest rates rose, the Bank chose not to increase the rate paid on many of its NMDs. While this strategy helped to increase the Bank’s net interest margin compared to 2016, its interest rate risk position in a declining interest rate environment increased because the Bank will not be able to reduce the rate it pays on many of its NMDs at the same pace as its interest-earning assets are projected to decline.

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The following table illustrates the Bank's projected percent change from its Base net interest income as of December 31, 2017 and 2016 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 excludes Traditional Bank loan fees.

Table 35 — Bank Interest Rate Sensitivity at December 31, 2017 and 2016

	Change in Rates									
	(100)		+100		+200		+300		+400	
	Basis Points		Basis Points		Basis Points		Basis Points		Basis Points	
% Change from base net interest income at December 31, 2017	(4.60)	%	3.80	%	4.80	%	5.40	%	5.40	%
% Change from base net interest income at December 31, 2016	0.40	%	3.80	%	4.30	%	4.60	%	3.80	%

The Board of Directors of the Bank has established separate and distinct policy limits for acceptable percent changes in the Bank's net interest income based on modeled changes in market interest rates. Historically, if model projections of the percent change in net interest income fall outside Board approved limits at a given point in time or are projected to fall outside such limits based on certain trends, Bank management has either taken certain actions intended to bring model projections back within Board approved limits or discussed with the Board how future anticipated events will likely correct the current situation. These actions have included, but are not limited to, restructuring of interest earning assets and interest bearing liabilities, seeking additional fixed rate term FHLB advances, executing interest rate swaps and modifying the pricing or terms of loans, leases and deposits. These actions have historically had a negative impact on current earnings.

During the fourth quarter of 2017, the Bank was not in compliance with its Board approved policy of -4.0% for a Down 100 scenario for its month-end November and month-end December dynamic simulations. Management discussed these issues with the Bank's Board of Directors during its regularly scheduled January 2018 board meeting. Given the minimal amount that the Bank was out of compliance with the Board's Down 100 policy, the projected likelihood for future rate increases of the FFTR, and the remote likelihood for any future rate decreases of the FFTR, management and the Board concluded at the January 2018 meeting that the Bank would take no specific action to bring its Down 100 scenario back into compliance with the Board's current policy. The Bank is, instead, taking a "wait and see" approach and will take appropriate action when management and the Board believe the variance to the Board-approved policy becomes too great in the context of all factors or when they believe the chances for a future rate decrease becomes more likely.

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:

<u>Management’s Report on Internal Control Over Financial Reporting</u>	101
<u>Report of Independent Registered Public Accounting Firm</u>	102
<u>Consolidated balance sheets — December 31, 2017 and 2016</u>	104
<u>Consolidated statements of income and comprehensive income — years ended December 31, 2017, 2016 and 2015</u>	105
<u>Consolidated statements of stockholders’ equity — years ended December 31, 2017, 2016 and 2015</u>	107
<u>Consolidated statements of cash flows — years ended December 31, 2017, 2016 and 2015</u>	110
<u>Footnotes to consolidated financial statements</u>	111



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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, 2017, 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, 2017, the Company’s internal control was effective in achieving the objectives stated above. Crowe Horwath LLP has provided its report on the audited 2017 and 2016 consolidated financial statements and on the effectiveness of the Company’s internal control in their report dated March 8, 2018.

Steven E. Trager  
Chairman and Chief Executive Officer

Kevin Sipes  
Chief Financial Officer and Chief Accounting Officer

March 8, 2018

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Crowe Horwath LLP

Independent Member Crowe Horwath International

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders 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, 2017 and 2016, 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, 2017, 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, 2017, 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, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017 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, 2017, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Basis for Opinions

Explanation of Responses:

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.

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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.

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

Louisville, Kentucky  
March 8, 2018

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## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, (in thousands, except share data)

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 299,351	\$ 289,309
Securities available for sale	527,231	481,275
Securities held to maturity (fair value of \$65,133 in 2017 and \$53,249 in 2016)	64,227	52,864
Mortgage loans held for sale, at fair value	5,761	11,662
Consumer loans held for sale, at fair value	2,677	2,198
Consumer loans held for sale, at the lower of cost or fair value	8,551	1,310
Loans	4,014,034	3,810,778
Allowance for loan and lease losses	(42,769)	(32,920)
Loans, net	3,971,265	3,777,858
Federal Home Loan Bank stock, at cost	32,067	28,208
Premises and equipment, net	42,588	40,462
Premises, held for sale	3,017	2,407
Goodwill	16,300	16,300
Other real estate owned	115	1,391
Bank owned life insurance	63,356	61,794
Other assets and accrued interest receivable	48,856	49,271
<b>TOTAL ASSETS</b>	<b>\$ 5,085,362</b>	<b>\$ 4,816,309</b>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing	\$ 1,022,042	\$ 971,952
Interest-bearing	2,411,116	2,188,740
Total deposits	3,433,158	3,160,692
Securities sold under agreements to repurchase and other short-term borrowings	204,021	173,473
Federal Home Loan Bank advances	737,500	802,500
Subordinated note	41,240	41,240
Other liabilities and accrued interest payable	37,019	33,998
<b>Total liabilities</b>	<b>4,452,938</b>	<b>4,211,903</b>
Commitments and contingent liabilities (Footnote 13)	—	—
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, no par value, 100,000 shares authorized,	—	—

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Class A Common Stock, no par value, 30,000,000 shares authorized, 18,606,338 shares (2017) and 18,614,961 shares (2016) issued and outstanding; Class B Common Stock, no par value, 5,000,000 shares authorized, 2,242,624 shares (2017) and 2,245,011 shares (2016) issued and outstanding	4,902	4,906
Additional paid in capital	139,406	138,192
Retained earnings	487,700	460,621
Accumulated other comprehensive income	416	687
Total stockholders' equity	632,424	604,406
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 5,085,362	\$ 4,816,309

See accompanying footnotes to consolidated financial statements.

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## CONSOLIDATED STATEMENTS OF INCOME

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

	2017	2016	2015
INTEREST INCOME:			
Loans, including fees	\$ 205,582	\$ 164,232	\$ 133,958
Taxable investment securities	9,404	7,876	7,046
Federal Home Loan Bank stock and other	3,792	1,884	1,428
Total interest income	218,778	173,992	142,432
INTEREST EXPENSE:			
Deposits	9,802	6,058	4,380
Securities sold under agreements to repurchase and other short-term borrowings	502	65	92
Federal Home Loan Bank advances	8,860	10,900	11,934
Subordinated note	1,094	915	2,056
Total interest expense	20,258	17,938	18,462
NET INTEREST INCOME	198,520	156,054	123,970
Provision for loan and lease losses	27,704	14,493	5,396
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	170,816	141,561	118,574
NONINTEREST INCOME:			
Service charges on deposit accounts	13,357	13,176	13,015
Net refund transfer fees	18,500	19,240	17,388
Mortgage banking income	4,642	6,882	4,411
Interchange fee income	9,881	9,009	8,353
Program fees	5,824	3,044	1,233
Increase in cash surrender value of bank owned life insurance	1,562	1,516	1,402
Net gains (losses) on securities available for sale	(136)	—	88
Net gains (losses) on other real estate owned	676	244	(301)
Other	4,108	4,398	2,405
Total noninterest income	58,414	57,509	47,994
NONINTEREST EXPENSE:			
Salaries and employee benefits	82,233	69,882	58,091

Explanation of Responses:



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Occupancy and equipment, net	24,019	21,586	20,557
Communication and transportation	4,711	4,256	3,752
Marketing and development	5,188	3,778	3,161
FDIC insurance expense	1,378	1,780	2,084
Bank franchise tax expense	4,626	4,757	4,734
Data processing	7,748	6,121	4,340
Interchange related expense	3,988	4,140	3,873
Supplies	1,594	1,406	1,101
Other real estate owned expense	388	503	735
Legal and professional fees	2,410	2,556	3,306
FHLB advance prepayment penalty	—	846	—
Impairment of premises held for sale	1,175	191	132
Other	11,386	8,305	7,458
Total noninterest expense	150,844	130,107	113,324
 INCOME BEFORE INCOME TAX EXPENSE	 78,386	 68,963	 53,244
 INCOME TAX EXPENSE:			
Income tax expense - TCJA	6,326	—	—
Income tax expense - Other	26,428	23,060	18,078
Total income tax expense	32,754	23,060	18,078
 NET INCOME	 \$ 45,632	 \$ 45,903	 \$ 35,166
 BASIC EARNINGS PER SHARE:			
Class A Common Stock	\$ 2.21	\$ 2.22	\$ 1.70
Class B Common Stock	2.01	2.02	1.55
 DILUTED EARNINGS PER SHARE:			
Class A Common Stock	\$ 2.20	\$ 2.22	\$ 1.70
Class B Common Stock	2.00	2.01	1.54
 DIVIDENDS DECLARED PER COMMON SHARE:			
Class A Common Stock	\$ 0.869	\$ 0.825	\$ 0.781
Class B Common Stock	0.790	0.750	0.710

See accompanying footnotes to consolidated financial statements.

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## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, (in thousands)

	2017	2016	2015
Net income	\$ 45,632	\$ 45,903	\$ 35,166
OTHER COMPREHENSIVE INCOME			
Change in fair value of derivatives used for cash flow hedges	83	(125)	(514)
Reclassification amount for derivative losses realized in income	219	332	402
Change in unrealized gain (loss) on securities available for sale	(1,265)	(2,294)	(3,160)
Reclassification adjustment for net (gain) loss on securities available for sale recognized in earnings	136	—	(88)
Change in unrealized gain on security available for sale for which a portion of an other-than-temporary impairment has been recognized in earnings	298	(9)	(125)
Total other comprehensive loss before income tax	(529)	(2,096)	(3,485)
Tax effect	258	734	1,219
Total other comprehensive loss, net of tax	(271)	(1,362)	(2,266)
COMPREHENSIVE INCOME	\$ 45,361	\$ 44,541	\$ 32,900

See accompanying footnotes to consolidated financial statements.

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## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

(in thousands)	Common Stock Class A Shares Outstanding	Class B Shares Outstanding	Amount	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, January 1, 2015	18,603	2,245	\$ 4,904	\$ 134,889	\$ 414,623	\$ 4,315	\$ 558,731
Net income	—	—	—	—	35,166	—	35,166
Net change in accumulated other comprehensive income	—	—	—	—	—	(2,266)	(2,266)
Dividends declared Common Stock:							
Class A Shares	—	—	—	—	(14,531)	—	(14,531)
Class B Shares	—	—	—	—	(1,594)	—	(1,594)
Stock options exercised, net of shares redeemed	67	—	16	1,708	(588)	—	1,136
Repurchase of Class A Common Stock	(22)	—	(5)	(143)	(403)	—	(551)
Net change in notes receivable on Class A Common Stock	—	—	—	(189)	—	—	(189)
Deferred director compensation expense -	5	—	—	223	—	—	223

Explanation of Responses:

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Class A  
Common StockStock based  
compensation  
expense -  
restricted stock

(1)

—

—

253

—

—

253

Stock based  
compensation  
expense -  
options

—

—

—

169

—

—

169

Balance,  
December 31,  
2015

18,652

2,245

\$ 4,915

\$ 136,910

\$ 432,673

\$ 2,049

\$ 576,547

(continued)

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## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)

(in thousands)	Common Stock Class A Shares Outstanding	Class B Shares Outstanding	Amount	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockhold Equity
Balance, January 1, 2016	18,652	2,245	\$ 4,915	\$ 136,910	\$ 432,673	\$ 2,049	\$ 576,547
Net income	—	—	—	—	45,903	—	45,903
Net change in accumulated other comprehensive income	—	—	—	—	—	(1,362)	(1,362)
Dividends declared Common Stock:							
Class A Shares	—	—	—	—	(15,359)	—	(15,359)
Class B Shares	—	—	—	—	(1,685)	—	(1,685)
Stock options exercised, net of shares redeemed	4	—	—	80	—	—	80
Repurchase of Class A Common Stock	(43)	—	(9)	(287)	(911)	—	(1,207)
Net change in notes receivable on Class A Common Stock	—	—	—	289	—	—	289
Deferred director compensation expense - Class A Common Stock	4	—	—	170	—	—	170
Stock based compensation expense - performance stock units	—	—	—	524	—	—	524

Stock based compensation expense - restricted stock	(2)	—	—	258	—	—	258
Stock based compensation expense - options	—	—	—	248	—	—	248
Balance, December 31, 2016	18,615	2,245	\$ 4,906	\$ 138,192	\$ 460,621	\$ 687	\$ 604,406

(continued)

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## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)

(in thousands)	Common Stock Class A Shares Outstanding	Class B Shares Outstanding	Amount	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, January 1, 2017	18,615	2,245	\$ 4,906	\$ 138,192	\$ 460,621	\$ 687	\$ 604,406
Net income	—	—	—	—	45,632	—	45,632
Net change in accumulated other comprehensive income	—	—	—	—	—	(271)	(271)
Dividends declared Common Stock:							
Class A Shares	—	—	—	—	(16,158)	—	(16,158)
Class B Shares	—	—	—	—	(1,773)	—	(1,773)
Stock options exercised, net of shares redeemed	4	—	—	68	—	—	68
Repurchase of Class A Common Stock	(26)	—	(4)	(422)	(622)	—	(1,048)
Conversion of Class B Common Stock to Class A Common Stock	2	(2)	—	—	—	—	—
Net change in notes receivable on Class A Common Stock	—	—	—	235	—	—	235
Deferred director compensation expense - Class A Common Stock	5	—	—	191	—	—	191

Explanation of Responses:

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Stock based compensation expense - performance stock units	—	—	—	491	—	—	491
Stock based compensation expense - restricted stock	7	—	—	424	—	—	424
Stock based compensation expense - stock options	—	—	—	227	—	—	227
Balance, December 31, 2017	18,607	2,243	\$ 4,902	\$ 139,406	\$ 487,700	\$ 416	\$ 632,424

See accompanying footnotes to consolidated financial statements.



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## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, (in thousands)

	2017	2016	2015
<b>OPERATING ACTIVITIES:</b>			
Net income	\$ 45,632	\$ 45,903	\$ 35,166
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization on investment securities, net	245	503	729
Accretion on loans and amortization of core deposit intangible, net	(6,373)	(2,573)	(2,835)
Depreciation of premises and equipment	8,472	7,304	6,610
Amortization of mortgage servicing rights	1,504	1,757	1,400
Provision for loan and lease losses	27,704	14,493	5,396
Net gain on sale of mortgage loans held for sale	(3,977)	(6,656)	(3,915)
Origination of mortgage loans held for sale	(160,091)	(216,812)	(160,989)
Proceeds from sale of mortgage loans held for sale	169,969	214,760	167,209
Net gain on sale of consumer loans held for sale	(5,647)	(2,835)	(978)
Origination of consumer loans held for sale	(663,171)	(380,066)	(137,551)
Proceeds from sale of consumer loans held for sale	661,098	379,907	138,015
Net gain on sale of banking center	—	—	(28)
Net realized losses (gains) on sales, calls and impairment of securities	136	—	(88)
Net gain realized on sale of other real estate owned	(831)	(514)	(956)
Writedowns of other real estate owned	155	270	1,257
Impairment of premises held for sale	1,175	191	132
Deferred director compensation expense - Class A Common Stock	191	170	223
Stock based compensation expense	1,142	1,030	422
Increase in cash surrender value of bank owned life insurance	(1,562)	(1,516)	(1,402)
Net change in other assets and liabilities:			
Accrued interest receivable	(1,726)	(659)	(426)
Accrued interest payable	152	(298)	(33)
Other assets	730	(7,227)	(2,785)
Other liabilities	2,850	540	5,473
Net cash provided by operating activities	77,777	47,672	50,046
<b>INVESTING ACTIVITIES:</b>			
Net change in cash for acquisition of Cornerstone Bancorp, Inc.	—	(9,088)	—
Purchases of securities available for sale	(225,212)	(419,254)	(1,512,809)
Purchases of securities held to maturity	(15,595)	(19,935)	—
Proceeds from calls, maturities and paydowns of securities available for sale	158,056	452,247	1,427,696
Proceeds from calls, maturities and paydowns of securities held to maturity	4,207	6,112	6,663
Proceeds from sales of securities available for sale	20,012	—	—
Net change in outstanding warehouse lines of credit	59,867	(198,710)	(67,298)
Purchase of non-business-acquisition loans, including premiums paid	(6,160)	(51,868)	(117,516)

Explanation of Responses:

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Net change in other loans	(268,839)	(125,756)	(100,660)
Proceeds from sale of mortgage loans transferred to held for sale	—	72,330	—
Proceeds from redemption of Federal Home Loan Bank stock	—	224	—
Purchase of Federal Home Loan Bank stock	(3,859)	—	—
Proceeds from sales of other real estate owned	2,793	4,595	9,412
Proceeds from sale of banking center	—	—	1,623
Net purchases of premises and equipment	(12,383)	(7,031)	(5,319)
Net cash used in investing activities	(287,113)	(296,134)	(358,208)

FINANCING ACTIVITIES:

Net change in deposits	272,466	468,544	429,295
Net change in securities sold under agreements to repurchase and other short-term borrowings	30,548	(221,960)	39,325
Payments of Federal Home Loan Bank advances	(490,000)	(292,000)	(218,000)
Proceeds from Federal Home Loan Bank advances	425,000	395,000	210,000
Payoff of subordinated note, net of common security interest	—	(4,000)	—
Repurchase of Class A Common Stock	(1,048)	(1,207)	(551)
Net proceeds from Class A Common Stock options exercised	68	80	1,136
Cash dividends paid	(17,656)	(16,768)	(15,839)
Net cash provided by financing activities	219,378	327,689	445,366

NET CHANGE IN CASH AND CASH EQUIVALENTS	10,042	79,227	137,204
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	289,309	210,082	72,878
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 299,351	\$ 289,309	\$ 210,082

SUPPLEMENTAL DISCLOSURES OF CASHFLOW INFORMATION:

Cash paid during the period for:

Interest	\$ 20,106	\$ 18,219	\$ 18,495
Income taxes	28,779	26,069	17,942

SUPPLEMENTAL NONCASH DISCLOSURES:

Transfers from loans to real estate acquired in settlement of loans	\$ 841	\$ 4,778	\$ 2,938
Transfers from loans held for investment to held for sale	—	71,201	—
Loans provided for sales of other real estate owned	—	256	3,248

See accompanying footnotes to consolidated financial statements.

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

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

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

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

As of December 31, 2017, the Company was divided into five reportable segments: Traditional Banking, Warehouse Lending (“Warehouse”), Mortgage Banking, Tax Refund Solutions (“TRS”) and Republic Credit Solutions (“RCS”). Management considers the first three segments to collectively constitute “Core Bank” or “Core Banking” operations, while the last two segments collectively constitute Republic Processing Group (“RPG”) operations. The Bank’s Correspondent Lending channel and the Company’s national branchless banking platform, MemoryBank®, are considered part of the Traditional Banking segment.

Prior to the third quarter of 2017, management reported RPG as a segment consisting of its largest division, TRS, along with its relatively smaller divisions, Republic Payment Solutions (“RPS”) and RCS. During the third quarter of 2017, due to RCS’s growth in revenues relative to the total Company’s revenues, management identified TRS and RCS as separate reportable segments under the newly classified RPG operations. Also, as part of the updated segmentation, management will report the RPS division, which remained below thresholds to be classified a separate reportable

segment, within the newly classified TRS segment. The reportable segments within RPG operations and divisions within those segments operate through the Bank. All prior periods have been reclassified to conform to the current presentation.

#### Core Bank

Traditional Banking segment — The Traditional Banking segment provides traditional banking products primarily to customers in the Company’s market footprint. As of December 31, 2017, Republic had 45 full-service banking centers and one loan production office (“LPO”) with locations as follows:

Kentucky — 33

Metropolitan Louisville — 19

Central Kentucky — 9

Elizabethtown — 1

Frankfort — 1

Georgetown — 1

Lexington — 5

Shelbyville — 1

Western Kentucky — 2

Owensboro — 2

Northern Kentucky — 3

Covington — 1

Florence — 1

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Independence —	1
Southern Indiana —	3
Floyds Knobs —	1
Jeffersonville —	1
New Albany —	1
Metropolitan Tampa, Florida —	6
Metropolitan Cincinnati, Ohio —	1
Metropolitan Nashville, Tennessee —	3*

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\*Includes one LPO

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

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

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

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

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

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

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

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### Republic Processing Group

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

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

TRS first offered its Easy Advance (“EA”) tax credit product during the first two months of 2016 and for a second successive year during the first two months of 2017. For the first quarter 2017 tax season, the Company modified the EA product offering to have more than one advance amount and a different price structure to the Tax Providers based on the amount borrowed by the taxpayer. All other features of the product remained substantially the same as those from the first quarter 2016 tax season, including the following:

- No EA fee charged to the taxpayer customer;
- All fees for the product were paid by the Tax Providers with a restriction prohibiting the Tax Providers from passing along the fees to the taxpayer customer;
- No requirement that the taxpayer customer pay for another bank product, such as an RT;
- Multiple funds disbursement methods, including direct deposit, prepaid card, check or Walmart Direct2Cash® product, based on the taxpayer customer’s election;
- Repayment of the EA to the Bank was deducted from the taxpayer customer’s tax refund proceeds; and
- If an insufficient refund to repay the EA occurred:
  - o there was no recourse to the taxpayer customer,
  - o no negative credit reporting on the taxpayer customer, and
  - o no collection efforts against the taxpayer customer.

Fees paid by the Tax Providers to the Company for the EA product are reported as interest income on loans. EAs during 2017 and 2016 were generally repaid within three weeks after the taxpayer customer’s tax return was submitted to the applicable taxing authority. 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 taxing authority. Provisions for loan losses on EAs are estimated when advances are made, with all expected loss provisions made in the first quarter of each year. Unpaid EAs are charged-off within 81 days after the taxpayer customer’s tax return is submitted to the applicable taxing authority, with the majority of charge-offs typically recorded during the second quarter of the year.

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

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

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



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

- Line of credit – The Bank originates a line-of-credit product to generally subprime borrowers across the United States through one third-party service provider. RCS sells 90% of the balances generated within two business days of loan origination to its third-party service provider and retains the remaining 10% interest. The line-of-credit product represented the substantial majority of RCS activity during 2017 and 2016. Loan balances held for sale are carried at the lower of cost or fair value.
- Credit card – The Bank originates a credit card product to generally subprime borrowers across the United States through one third-party service provider. RCS sells 90% of the balances generated within two business days of each transaction occurrence to its third-party service provider and retains the remaining 10% interest. Loan balances held for sale are carried at the lower of cost or fair value.
- Healthcare receivables – The Bank originates a healthcare-receivables product across the United States through two different third-party service providers. For one third-party service provider the Bank retains 100% of the receivables originated. For the other third-party service provider, the Bank retains 100% of the receivables originated in some instances and sells 100% of the receivables in other instances within one month of origination. Loan balances held for sale are carried at the lower of cost or fair value.
- Installment loan – The Bank originates an installment-loan product across the United States through a third-party service provider and sells 100% of the balances generated approximately 21 days after origination back to this third-party. Unlike RCS's other products, the Company carries these installment loans held for sale at fair value, with this portfolio marked to market on a monthly basis.

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

Use of Estimates — Financial statements prepared in conformity with U.S. generally accepted accounting principles ("GAAP") require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates and assumptions impact the amounts reported in the financial statements and the disclosures provided. Actual amounts could differ from these estimates.

**Concentration of Credit Risk** — With the exception of loans originated through its Correspondent Lending channel, most of 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.

Loans originated through the Traditional Bank's Correspondent Lending channel are primarily secured by single family, first lien residences located outside the Company's market footprint, with 72% of such loans secured by collateral located in the state of California as of December 31, 2017. Furthermore, 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, 2017, 30% of collateral securing warehouse lines were located in California.

**Earnings Concentration** — For 2017, 2016 and 2015, approximately 25%, 20% and 13% of total Company net revenues (net interest income plus noninterest income) were derived from the RPG operations. Within RPG, the TRS segment accounted for 13%, 13% and 11%, while the RCS segment accounting for 12%, 7% and 2% of total Company net revenues.

For 2017, 2016 and 2015, approximately 7%, 8% and 7% of total Company net revenues (net interest income plus noninterest income) were derived from the Company's Warehouse segment.

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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.

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

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

Management evaluates securities for other-than-temporary impairment (“OTTI”) on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more-likely-than-not that it would be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income (“OCI”). OTTI related to credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

In order to determine OTTI for purchased beneficial interests that, on the purchase date, were not highly rated, the Bank compares the present value of the remaining cash flows as estimated at the preceding evaluation date to the current expected remaining cash flows. OTTI is deemed to have occurred if there has been an adverse change in the remaining expected future cash flows.

Accounting for Business Acquisitions — The Bank maintains an acquisition strategy to selectively grow its franchise as a complement to its internal growth strategies.

The Bank accounts for acquisitions in accordance with the acquisition method as outlined in Accounting Standards Codification (“ASC”) Topic 805, Business Combinations. The acquisition method requires: a) identification of the entity that obtains control of the acquiree; b) determination of the acquisition date; c) recognition and measurement of the identifiable assets acquired and liabilities assumed, and any noncontrolling interest in the acquiree; and d) recognition and measurement of goodwill or bargain purchase gain.

Identifiable assets acquired, liabilities assumed, and any noncontrolling interest in acquirees are generally recognized at their acquisition-date (“day-one”) fair values based on the requirements of ASC Topic 820, Fair Value Measurements and Disclosures. The measurement period for day-one fair values begins on the acquisition date and ends the earlier of: (a) the day management believes it has all the information necessary to determine day-one fair values; or (b) one year following the acquisition date. In many cases, the determination of day-one fair values requires management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly complex and subjective in nature and subject to recast adjustments, which are retrospective adjustments to reflect new information existing at the acquisition date affecting day-one fair values. More specifically, these recast adjustments for loans and other real estate owned may be made, as market value data, such as valuations, are received by the Bank. Increases or decreases to day-one fair values are reflected with a corresponding increase or decrease to bargain purchase gain or goodwill.

Acquisition related costs are expensed as incurred unless those costs are related to issuing debt or equity securities used to finance the acquisition.

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**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 mortgage servicing rights (“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 net servicing income within 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. Based on the estimated fair value at December 31, 2017 and 2016,

management determined there was no impairment within the MSR portfolio.

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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 \$2.2 million, \$2.0 million and \$1.9 million for the years ended December 31, 2017, 2016 and 2015. Late fees and ancillary fees related to loan servicing are considered nominal.

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 the principal balance outstanding, inclusive of purchase premiums or discounts, deferred loan fees and costs and the allowance for loan and lease losses (“Allowance”). 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 acquired through the Correspondent Lending channel 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 fees and costs and applicable Allowance. 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 both smaller balance, homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

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 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.

Loans purchased in a business acquisition are accounted for using one of the following accounting standards:

- ASC Topic 310-20, Non Refundable Fees and Other Costs, is used to value loans that have not demonstrated post origination credit quality deterioration and the acquirer expects to collect all contractually required payments from

the borrower. For these loans, the difference between the loan's day-one fair value and amortized cost would be amortized or accreted into income using the interest method.

- ASC Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality, is used to value purchased credit impaired ("PCI") loans. For these loans, it is probable the acquirer will be unable to collect all contractually required payments from the borrower. Under ASC Topic 310-30, the expected cash flows that exceed the initial investment in the loan, or fair value, represent the "accretable yield," which is recognized as interest income on a level-yield basis over the expected cash flow periods of the loans. Additionally, the difference between contractual cash flows and expected cash flows of PCI loans is referred to as the "non-accretable discount."

Purchased loans accounted for under ASC Topic 310-20 are accounted for as any other Bank-originated loan, potentially becoming nonaccrual or impaired, 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 Allowance once day-one fair values are final.



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Management utilized the following criteria in determining which loans were classified as PCI loans for its May 17, 2016 Cornerstone acquisition:

- Loans for which the Bank assigned a non-accretable discount
- Loans classified as nonaccrual when acquired
- Loans past due 90+ days when acquired

See additional detail regarding the Company's acquisition of Cornerstone Bancorp, Inc. under Footnote 2 "2016 Acquisition of Cornerstone Bancorp, Inc." of Part II Item 8 "Financial Statements and Supplementary Data."

In determining the day-one fair values of PCI loans, management considers a number of factors including, among other things, the remaining life of the acquired loans, estimated prepayments, estimated loss ratios, estimated value of the underlying collateral, and net present value of cash flows expected to be received. The Bank typically accounts for PCI loans individually, as opposed to aggregating the loans into pools based on common risk characteristics such as loan type.

Management separately monitors the PCI portfolio and on a quarterly basis reviews the loans contained within this portfolio against the factors and assumptions used in determining the day-one fair values. In addition to its quarterly evaluation, a loan is typically reviewed when it is modified or extended, or when material information becomes available to the Bank that provides additional insight regarding the loan's performance, estimated life, the status of the borrower, or the quality or value of the underlying collateral.

To the extent that a PCI loan's performance does not reflect an increased risk of loss of contractual principal beyond the non-accretable yield established as part of its initial day-one evaluation, such loan would be classified in the Purchased Credit Impaired - Group 1 ("PCI-1") category, whose credit risk is considered by management equivalent to a non-PCI Special Mention loan within the Bank's credit rating matrix. PCI-1 loans are considered impaired if, based on current information and events, it is probable that the future estimated cash flows of the loan have deteriorated from management's initial acquisition day estimate. Provisions for loan losses are made for impaired PCI-1 loans to further discount the loan and allow its yield to conform to at least management's initial expectations. Any improvement in the expected performance of a PCI-1 loan would result in a reversal of the Provision to the extent of prior charges and then an adjustment to accretable yield, which would have a positive impact on interest income.

If during the Bank's periodic evaluations of its PCI loan portfolio, management deems a PCI-1 loan to have an increased risk of loss of contractual principal beyond the non-accretable discount established as part of its initial day-one evaluation, such loan would be classified PCI-Substandard ("PCI-Sub") within the Bank's credit risk matrix. Management deems the risk of default and overall credit risk of a PCI-Sub loan to be greater than a PCI-1 loan and more analogous to a non-PCI Substandard loan. PCI-Sub loans are considered to be impaired. Any improvement in the expected performance of a PCI-Sub loan would result in a reversal of the Provision to the extent of prior charges and then an adjustment to accretable yield, which would have a positive impact on interest income.

PCI loans are placed on nonaccrual if management cannot reasonably estimate future cash flows on such loans.

If a troubled debt restructuring (“TDR”) is performed on a PCI loan, the loan is considered impaired under the applicable TDR accounting standards and transferred out of the PCI population. The loan may require an additional Provision if its restructured cash flows are less than management’s initial day-one expectations. PCI loans for which the Bank simply chooses to extend the maturity date are generally not considered TDRs and remain in the PCI population.

Allowance for Loan and Lease Losses (“Allowance”) — The Bank maintains an allowance for probable incurred credit losses inherent in the Bank’s loan portfolio, which includes overdrawn deposit accounts. Loan losses are charged against the Allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the Allowance. Management estimates the Allowance required using historical loan loss experience, the nature and volume of the portfolio, information about specific borrower situations, estimated collateral values, economic conditions and other factors. Allocations of the Allowance may be made for specific classes, but the entire Allowance is available for any loan that, in management’s judgment, should be charged off.

Management evaluates the adequacy of the Allowance on a monthly basis and presents and discusses the analysis with the Audit Committee and the Board of Directors on a quarterly basis.

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The Allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component is based on historical loss experience adjusted for qualitative factors.

### Specific Component –Loans Individually Classified as Impaired

The Bank defines impaired loans as follows:

- All loans internally rated as “Substandard,” “Doubtful” or “Loss”;
- All loans on nonaccrual status;
- All TDRs;
- All loans internally rated in a PCI category with cash flows that have deteriorated from management’s initial acquisition day estimate; and
- Any other situation where the full collection of the total amount due for a loan is improbable or otherwise meets the definition of impaired.

Generally, loans are designated as “Classified” or “Special Mention” to ensure more frequent monitoring. These loans are reviewed to ensure proper earning status and management strategy. If it is determined that there is serious doubt as to performance in accordance with original or modified contractual terms, then the loan is generally downgraded and often placed on nonaccrual status.

Under GAAP, the Bank uses the following methods to measure specific loan impairment, including:

- Cash Flow Method — The recorded investment in the loan is measured against the present value of expected future cash flows discounted at the loan’s effective interest rate. The Bank employs this method for a significant portion of its TDRs. Impairment amounts under this method are reflected in the Bank’s Allowance as specific reserves on the respective impaired loan. These specific reserves are adjusted quarterly based upon reevaluation of the expected future cash flows and changes in the recorded investment.
- Collateral Method — The recorded investment in the loan is measured against the fair value of the collateral less applicable estimated selling costs. The Bank employs the fair value of collateral method for its impaired loans when repayment is based solely on the sale or operations of the underlying collateral. Collateral fair value is typically based on the most recent real estate valuation on file. Measured impairment under this method is generally charged off unless the loan is a smaller-balance, homogeneous mortgage loan. The Bank’s estimated selling costs for its collateral-dependent loans typically range from 10-13% of the fair value of the underlying collateral, depending on the asset class. Selling costs are not applicable for collateral-dependent loans whose repayment is based solely on the operations of the underlying collateral.

In addition to obtaining appraisals at the time of origination, the Bank typically updates appraisals and/or broker price opinions (“BPOs”) for loans with potential impairment. Updated valuations for commercial-related credits exhibiting an increased risk of loss are typically obtained within one year of the previous valuation. Collateral values for past due residential mortgage loans and home equity loans are generally updated prior to a loan becoming 90 days delinquent, but no more than 180 days past due. When measuring impairment, to the extent updated collateral values cannot be obtained due to the lack of recent comparable sales or for other reasons, the Bank discounts such stale valuations primarily based on age and market conditions of the underlying collateral.

#### General Component – Pooled Loans Collectively Evaluated

The general component of the Allowance covers loans collectively evaluated for impairment by loan class and is based on historical loss experience, with potential adjustments for current relevant qualitative factors. Historical loss experience is determined by loan performance and class and is based on the actual loss history experienced by the Bank. Large groups of smaller-balance, homogeneous loans, such as consumer and residential real estate loans, are typically included in the general component but may be individually evaluated if classified as a TDRs, on nonaccrual, or a case where the full collection of the total amount due for a such loan is improbable or otherwise meets the definition of impaired.

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In determining the historical loss rates for each respective loan class, management evaluates the following historical loss rate scenarios:

- Current year to date historical loss factor average
- Rolling four quarter average
- Rolling eight quarter average
- Rolling twelve quarter average
- Rolling sixteen quarter average
- Rolling twenty quarter average
- Rolling twenty-four quarter average
- Rolling twenty-eight quarter average
- Rolling thirty-two quarter average
- Rolling thirty-six quarter average

In order to take account of periods of economic growth and economic downturn, management generally uses the highest of the evaluated averages above for each loan class when determining its historical loss factors.

Loan classes are also evaluated utilizing subjective factors in addition to the historical loss calculations to determine a loss allocation for each class. Management assigns risk multiples to certain classes to account for qualitative factors such as:

- Changes in nature, volume and seasoning of the portfolio;
- Changes in experience, ability and depth of lending management and other relevant staff;
- Changes in the quality of the Bank's credit review system;
- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;
  - Changes in the volume and severity of past due, nonperforming and classified loans;
- Changes in the value of underlying collateral for collateral-dependent loans;
- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of portfolios, including the condition of various market segments;
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations; and
- The effect of other external factors, such as competition and legal and regulatory requirements on the level of estimated credit losses in the Bank's existing portfolio.

As this analysis, or any similar analysis, is an imprecise measure of loss, the Allowance is subject to ongoing adjustments. Therefore, management will often take into account other significant factors that may be necessary or prudent in order to reflect probable incurred losses in the total loan portfolio.

A “portfolio segment” is defined as the level at which an entity develops and documents a systematic methodology to determine its Allowance. A “class” of loans represents further disaggregation of a portfolio segment based on risk characteristics and the entity’s method for monitoring and assessing credit risk. In developing its Allowance methodology, the Company has identified the following Traditional Banking portfolio segments:

Portfolio Segment 1 — Loans where the Allowance methodology is determined based on a loan review and grading system (primarily commercial related loans and retail TDRs).

For this portfolio, 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 consistent with its credit risk matrix.

Portfolio Segment 2 — Loans where the Allowance methodology is driven by delinquency and nonaccrual data (primarily small dollar, retail mortgage or consumer related).

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For this portfolio, the Bank analyzes risk classes based on delinquency and/or nonaccrual status.

### Allowance for Loans Originated Through the Republic Processing Group

The RPG Allowance at December 31, 2017 and 2016 primarily related 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 two 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 the Traditional Banking segment, with a significant portion of RCS clients considered subprime or near-prime borrowers.

RCS's short-term line-of-credit product represented 42% and 60% of the RCS held-for-investment loan portfolio at December 31, 2017 and 2016. For this product, management conducts an analysis of historical losses and delinquencies by month of loan origination when determining the Allowance. For RCS's other products, the Allowance is estimated using a method similar to that employed for pooled loans collectively evaluated, as described above.

RPG's TRS segment first offered its EA tax-credit product during the first two months of 2016 and again during the first two months of 2017 and 2018. An Allowance for losses on EAs is estimated during the limited, short-term period the product is offered. EAs are generally repaid within three weeks of origination. Provisions for loan losses on EAs are estimated when advances are made, with all provisions made in the first quarter of each year. No Allowance for EAs existed as of December 31, 2017 and 2016, as all EAs originated during the first two months of each year had either been paid off or charged-off within 81 days of origination. The majority of EA charge-offs are recorded during the second quarter of each year.

See Footnote 5 "Loans and Allowance for Loan and Lease Losses" in this section of the filing for additional discussion regarding the Company's Allowance.

**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 ("OREO")** — 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 impaired 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 Credit Administration Department ("CAD") 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.



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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 prior to January 1, 2009 represents the excess of the purchase price over the fair value of the net assets of businesses acquired. Goodwill resulting from business acquisitions after January 1, 2009 represents the future economic benefits arising from other assets acquired that are individually identified and separately recognized. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually.

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, 2017 and 2016 was not impaired and is properly recorded in the consolidated financial.

Other intangible assets consist of core deposit intangible ("CDI") assets arising from business acquisitions. CDI assets are initially measured at fair value and then amortized on an accelerated method over their estimated useful lives.

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.

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.

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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 which 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, 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 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 therefore, has no 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 ("DTAs") and liabilities ("DTLs"). 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.

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 securities available for sale 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.

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Restrictions on Cash and Cash Equivalents — Republic is required by the Federal Reserve Bank (“FRB”) to maintain average reserve balances. Cash and due from banks on the consolidated balance sheet included no required reserve balances at December 31, 2017 and 2016.

The Company’s Captive maintains cash reserves to cover insurable claims. Reserves totaled \$3 million and \$2 million as of December 31, 2017 and 2016.

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.

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.

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## Accounting Standards Updates (“ASUs”)

The following ASUs were issued prior to December 31, 2017 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	Method of Adoption	Expected Financial Statement Impact
2014-09	Revenue from Contracts with Customers (Topic 606)	Requires that revenue from contracts with clients be recognized upon transfer of control of a good or service in the amount of consideration expected to be received. Changes the accounting for certain contract costs, including whether they may be offset against revenue in the statements of income, and requires additional disclosures about revenue and contract costs.	January 1, 2018	Modified-retrospective approach.	Because most financial instruments are outside the scope of this ASU, a substantial portion of the Company's revenues will not be impacted by this standard. Furthermore, the Company believes that this new standard will have an immaterial impact on the timing of revenue recognition for any revenues within its scope. However, the Company is currently reviewing its revenue contracts within the scope of this standard to understand further whether the Company is a "principal" or an "agent" for each good or service for which revenue is being earned. If deemed a principal, the Company would be required to report certain contractual revenue sharing as noninterest expense that currently offsets or nets against noninterest income. If considered an agent, the Company would continue to report

applicable noninterest income net of contractual revenue sharing. Additionally, the Company does expect to take the following actions in association with the adoption of this ASU: 1) amend its accounting policies and procedures to assure proper revenue recognition in conformity with this ASU; and 2) update its revenue-recognition financial statement disclosures as required by this ASU.

2016-1	Financial Instruments – Overall (Topic 825-10)	Among other things: Requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. Requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. Requires separate presentation of financial assets and financial liabilities by measurement category and form	January 1, 2018	Permits early adoption to certain provisions. Allows full retrospective or modified retrospective approach.	The Company has updated its policies and procedures to report its financial instruments at exit price and to recognize changes in fair value of applicable equity investments in net income beginning in the first quarter of 2018.
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of financial asset (i.e., securities or loans and receivables). Eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost.

2016-02	Leases (Topic 842)	Most leases are considered operating leases, which are not accounted for on the lessees' balance sheets. The significant change under this ASU is that those operating leases will be recorded on the balance sheet.	January 1, 2019	Modified-retrospective approach, which includes a number of optional practical expedients.	During 2017, the Company completed a pro forma impact analysis on the Company's financial statements of implementing this standard. Based on this analysis, the Company believes approximately \$33 million of leases will be placed on its balance sheet, with this amount increasing both total assets and total liabilities. Additionally, the Company's analysis reflected that this ASU would have minimal impact on the Company's performance metrics, including regulatory capital ratios and return on average assets. From a client perspective, the Company is currently reviewing the impact of this ASU on any debt covenants.
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2016-13



Financial Instruments – Credit Losses (Topic 326)	Amends guidance on reporting credit losses for assets held at amortized-cost basis and available-for-sale debt securities.	January 1, 2020	Modified-retrospective approach.	As a result of this ASU, the Company expects a substantial, yet fully undetermined, increase in its allowance for credit losses. The Company currently utilizes a third-party software solution as its model to calculate its allowance for loan and lease losses. The Company has formed a committee to begin the process of transitioning to a current expected credit losses (“CECL”) methodology by the expected adoption date of January 1, 2020. As part of this transition, the committee has analyzed the Company’s loan-level data and preliminarily concluded that no additional loan level segmentation beyond its current methodology segmentation would be warranted under CECL. The Company is also currently analyzing the output from a “beta test” CECL model provided by its third-party software solution.
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The following ASUs were adopted by the Company during the year ended December 31, 2017:

ASU. No.	Topic	Nature of Update	Date Adopted	Method of Adoption	Financial Statement Impact
2016-09	Compensation – Stock Compensation (Topic 718)	Provides simplification in areas of accounting for share-based payments, including: the income tax consequences; classification of awards as either equity or liabilities; and classification on the statement of cash flows. Some of the areas for simplification apply only to nonpublic entities.	January 1, 2017	Prospectively	Immaterial
2017-08	Receivables - Nonrefundable Fees and Other Costs (Topic 310-20)	This ASU shortens the amortization period for certain callable debt securities held at a premium. Specifically, the ASU requires the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity.	June 1, 2017	Early adoption, modified retrospective approach.	Immaterial

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## 2.2016 ACQUISITION OF CORNERSTONE BANCORP, INC.

## OVERVIEW

On May 17, 2016, the Company completed its acquisition of Cornerstone Bancorp, Inc. (“Cornerstone”), and its wholly-owned bank subsidiary Cornerstone Community Bank, for approximately \$32 million in cash. The primary reason for the acquisition of Cornerstone was to expand the Company’s footprint in the Tampa, Florida metropolitan statistical area.

## ACQUISITION SUMMARY

The following table provides a summary of the assets acquired and liabilities assumed as recorded by Cornerstone, the previously reported preliminary fair value adjustments necessary to adjust those acquired assets and assumed liabilities to fair value, final recast adjustments to those previously reported preliminary fair values, and the final fair values of those assets and liabilities as recorded by the Company. Effective October 1, 2016, management believes it has finalized the fair values of the acquired assets and assumed liabilities within the 12 months following the date of acquisition, as allowed by GAAP.

## Summary of Assets Acquired and Liabilities Assumed

(in thousands)	May 17, 2016			As Recasted	
	As Previously Reported			Recast	As Recorded
	As Recorded	Fair Value		Adjustments	by Republic
	by Cornerstone	Adjustments			
Assets acquired:					
Cash and cash equivalents	\$ 22,707	\$ —		\$ —	\$ 22,707
Investment securities	329	—		—	329
Loans	195,136	(5,525)	a	13	a 189,624
Allowance for loan and lease losses	(1,955)	1,955	a	—	—
Loans, net	193,181	(3,570)		13	189,624
Federal Home Loan Bank stock, at cost	224	—		—	224
Premises and equipment, net	7,770	4,457	b	—	12,227
Core deposit intangible	—	1,205	c	—	1,205
Deferred income taxes	3,714	(74)	d	—	3,640
Bank owned life insurance	7,461	—		—	7,461
	658	—		—	658

Explanation of Responses:

Other assets and accrued interest  
receivable

Total assets acquired	\$ 236,044	\$ 2,018	\$ 13	\$ 238,075
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Liabilities assumed:

Deposits:

Noninterest-bearing	\$ 52,908	\$ —	\$ —	\$ 52,908
Interest-bearing	152,257	92	e —	152,349
Total deposits	205,165	92	—	205,257

Subordinated note	4,124	—	—	4,124
Other liabilities and accrued interest payable	2,244	787	f —	3,031

Total liabilities assumed	211,533	879	—	212,412
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Net assets acquired	\$ 24,511	\$ 1,139	\$ 13	25,663
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Cash consideration paid				(31,795)
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Goodwill				\$ 6,132
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Explanation of fair value adjustments

- a. Reflects the fair value adjustment based on the Company's evaluation of the acquired loan portfolio and to eliminate the acquiree's recorded allowance for loan losses.
- b. Reflects the fair value adjustment based on the Company's evaluation of the premises and equipment acquired.
- c. Reflects the fair value adjustment for the core deposit intangible asset recorded as a result of the acquisition.
- d. Reflects the differences in the carrying values of acquired assets and assumed liabilities for financial reporting purposes and their basis for federal income tax purposes.
- e. Reflects the fair value adjustment based on the Company's evaluation of the assumed time deposits.
- f. Reflects the amount needed to adjust other liabilities to estimated fair value and to record certain liabilities directly attributable to the acquisition of Cornerstone.

Goodwill of approximately \$6 million, which is the excess of the merger consideration over the fair value of net assets acquired, was recorded in the Cornerstone acquisition and is the result of expected operational synergies and other factors. This goodwill is all attributable to the Company's Traditional Banking segment and is not expected to be deductible for tax purposes.

For the year ended December 31, 2016, the Company's consolidated statements of income included approximately \$1.2 million of acquisition-related noninterest expense associated with the Cornerstone acquisition.

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## 3.INVESTMENT SECURITIES

## Securities Available for Sale

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

December 31, 2017 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	\$ 309,042	\$ 1	\$ (1,451)	\$ 307,592
Private label mortgage backed security	3,065	1,384	—	4,449
Mortgage backed securities - residential	105,644	1,603	(873)	106,374
Collateralized mortgage obligations	87,867	371	(1,075)	87,163
Freddie Mac preferred stock	—	473	—	473
Community Reinvestment Act mutual fund	2,500	—	(45)	2,455
Corporate bonds	15,001	124	—	15,125
Trust preferred security	3,493	107	—	3,600
Total securities available for sale	\$ 526,612	\$ 4,063	\$ (3,444)	\$ 527,231

December 31, 2016 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	\$ 295,425	\$ 226	\$ (1,107)	\$ 294,544
Private label mortgage backed security	3,691	1,086	—	4,777
Mortgage backed securities - residential	71,197	2,027	(220)	73,004
Collateralized mortgage obligations	88,559	334	(1,239)	87,654
Freddie Mac preferred stock	—	483	—	483
Community Reinvestment Act mutual fund	2,500	—	(45)	2,455
Corporate bonds	15,004	154	—	15,158
Trust preferred security	3,449	—	(249)	3,200
Total securities available for sale	\$ 479,825	\$ 4,310	\$ (2,860)	\$ 481,275

Explanation of Responses:

## Securities Held to Maturity

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

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

December 31, 2016 (in thousands)	Carrying Value	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	\$ 506	\$ —	\$ (2)	\$ 504
Mortgage backed securities - residential	158	12	—	170
Collateralized mortgage obligations	27,142	250	(124)	27,268
Corporate bonds	25,058	312	(63)	25,307
Total securities held to maturity	\$ 52,864	\$ 574	\$ (189)	\$ 53,249

At December 31, 2017 and 2016, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

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## Sales of Securities Available for Sale

During 2017, the Bank recognized a gross loss of \$136,000 on the sale of two securities available for sale. The tax benefit related to the Bank's realized losses totaled \$48,000 for the year ended December 31, 2017.

During 2016 and 2015, there were no sales of securities available for sale.

During 2015, the Bank recognized a gross gain of \$88,000 on the call of one security available for sale. The tax provision related to the Bank's realized gain totaled \$31,000 for the year ended December 31, 2015.

## Investment Securities by Contractual Maturity

The amortized cost and fair value of the investment securities portfolio by contractual maturity at December 31, 2017 follows. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are detailed separately.

December 31, 2017 (in thousands)	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Carrying Value	Fair Value
Due in one year or less	\$ 174,964	\$ 174,798	\$ —	\$ —
Due from one year to five years	139,079	137,804	10,570	10,595
Due from five years to ten years	10,000	10,115	30,069	30,721
Due beyond ten years	3,493	3,600	—	—
Private label mortgage backed security	3,065	4,449	—	—
Mortgage backed securities - residential	105,644	106,374	151	161
Collateralized mortgage obligations	87,867	87,163	23,437	23,656
Freddie Mac preferred stock	—	473	—	—
Community Reinvestment Act mutual fund	2,500	2,455	—	—
Total securities	\$ 526,612	\$ 527,231	\$ 64,227	\$ 65,133

## Freddie Mac Preferred Stock



During 2008, the U.S. Treasury, the Federal Reserve Board, and the Federal Housing Finance Agency (“FHFA”) announced that the FHFA was placing Freddie Mac under conservatorship and giving management control to the FHFA. The Bank contemporaneously determined that its 40,000 shares of Freddie Mac preferred stock were fully impaired and recorded an OTTI charge of \$2.1 million in 2008. The OTTI charge brought the carrying value of the stock to \$0. During 2014, based on active trading volume of Freddie Mac preferred stock, the Company determined it appropriate to record an unrealized gain to OCI related to its Freddie Mac preferred stock holdings. Based on the stock’s market closing price as of December 31, 2017, the Company’s unrealized gain for its Freddie Mac preferred stock totaled \$473,000.

#### Corporate Bonds

From 2013 to 2017, the Bank has invested in 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 9% and 8% of the Bank’s investment portfolio as of December 31, 2017 and 2016.

#### Mortgage Backed Securities and Collateralized Mortgage Obligations

At December 31, 2017, with the exception of the \$4.4 million private label mortgage backed security, all other mortgage backed securities and collateralized mortgage obligations (“CMOs”) held by the Bank were issued by U.S. government-sponsored entities and agencies, primarily Freddie Mac and the Federal National Mortgage Association (“Fannie Mae” or “FNMA”). At December 31, 2017 and December 31, 2016, there were gross unrealized losses of \$1.9 million and \$1.5 million related to available for sale mortgage backed securities and CMOs. Because these unrealized losses are attributable to changes in interest rates and illiquidity, and not credit quality, and because the Bank does not have the intent to sell these securities, and it is likely that it will not be required to sell the securities before their anticipated recovery, management does not consider these securities to have OTTI.

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## Trust Preferred Security

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

## Market Loss Analysis

Securities with unrealized losses at December 31, 2017 and 2016, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Less than 12 months		12 months or more		Total	Unrealized
	Unrealized		Unrealized			
December 31, 2017 (in thousands)	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Securities available for sale:						
U.S. Treasury securities and U.S. Government agencies	\$ 209,165	\$ (499)	\$ 88,415	\$ (952)	\$ 297,580	\$ (1,451)
Mortgage backed securities - residential	61,348	(617)	10,192	(256)	71,540	(873)
Collateralized mortgage obligations	30,963	(642)	18,603	(433)	49,566	(1,075)
Community Reinvestment Act mutual fund	2,455	(45)	—	—	2,455	(45)
Total securities available for sale	\$ 303,931	\$ (1,803)	\$ 117,210	\$ (1,641)	\$ 421,141	\$ (3,444)

	Less than 12 months		12 months or more		Total	Unrealized
	Unrealized		Unrealized			
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses

Explanation of Responses:

December 31, 2016 (in thousands)

Securities available for sale:

U.S. Treasury securities and U.S. Government agencies

\$ 138,002	\$ (1,107)	\$ —	\$ —	\$ 138,002	\$ (1,107)
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Mortgage backed securities - residential

9,427	(122)	4,211	(98)	13,638	(220)
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Collateralized mortgage obligations

37,547	(690)	15,668	(549)	53,215	(1,239)
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Community Reinvestment Act mutual fund

2,455	(45)	—	—	2,455	(45)
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Trust preferred security

3,200	(249)	—	—	3,200	(249)
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Total securities available for sale

\$ 190,631	\$ (2,213)	\$ 19,879	\$ (647)	\$ 210,510	\$ (2,860)
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December 31, 2017 (in thousands)	Less than 12 months		12 months or more		Total	Unrealized
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Losses

Securities held to maturity:

Collateralized mortgage obligations

\$ —	\$ —	\$ 6,390	\$ (17)	\$ 6,390	\$ (17)
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Corporate bonds

4,997	(3)	—	—	4,997	(3)
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Obligations of state and political subdivisions

458	(6)	—	—	458	(6)
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Total securities held to maturity

\$ 5,455	\$ (9)	\$ 6,390	\$ (17)	\$ 11,845	\$ (26)
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December 31, 2016 (in thousands)	Less than 12 months		12 months or more		Total	Unrealized
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Losses

Securities held to maturity:

U.S. Treasury securities and U.S. Government agencies

\$ 506	\$ (2)	\$ —	\$ —	\$ 506	\$ (2)
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Collateralized mortgage obligations

13,315	(124)	—	—	13,315	(124)
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Corporate bonds

—	—	4,937	(63)	4,937	(63)
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Explanation of Responses:

Total securities held to maturity	\$ 13,821	\$ (126)	\$ 4,937	\$ (63)	\$ 18,758	\$ (189)
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At December 31, 2017, the Bank's portfolio consisted of 185 securities, 58 of which were in an unrealized loss position.

At December 31, 2016, the Bank's portfolio consisted of 179 securities, 45 of which were in an unrealized loss position.

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### Other-Than-Temporary Impairment

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

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

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

The Bank owns one private label mortgage backed security with a total carrying value of \$4.4 million at December 31, 2017. 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 Measurements and Disclosures. Based on this determination, the Bank utilized an income valuation model (“present value model”) approach, in determining the fair value of the security. This approach is beneficial for positions that are not traded in active markets or are subject to transfer restrictions, and/or where valuations are adjusted to reflect illiquidity and/or non-transferability. Such adjustments are generally based on available market evidence. In the absence of such evidence, management’s best estimate is used. Management’s best estimate consists of both internal and external support for this investment.

See additional discussion regarding the Bank's private label mortgage backed security 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)	2017	2016	2015
Balance, beginning of period	\$ 1,765	\$ 1,765	\$ 1,800
Recovery of losses previously recorded	—	—	(35)
Balance, end of period	\$ 1,765	\$ 1,765	\$ 1,765

Further deterioration in economic conditions could cause the Bank to record an additional impairment charge related to credit losses of up to \$3.1 million, which is the current gross amortized cost of the Bank's remaining private label mortgage backed security.

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## Pledged Investment Securities

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

December 31, (in thousands)	2017	2016
Carrying amount	\$ 262,679	\$ 231,695
Fair value	262,902	231,891

## 4.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 Core 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

During the first quarter of 2016, RCS initiated an installment-loan program, in which the Company sells 100% of the receivables approximately 21 days after origination. The Company carries these loans at fair value, with the loans marked to market on a monthly basis and changes in fair value reported as a component of "Program fees."

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

Years Ended December 31, (in thousands)	2017	2016
Balance, beginning of period	\$ 2,198	\$ —
Origination of consumer loans held for sale	59,467	45,274
Proceeds from the sale of consumer loans held for sale	(59,380)	(43,410)
Net gain on sale of consumer loans held for sale	392	334
Balance, end of period	\$ 2,677	\$ 2,198

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

RCS originates for sale its line-of-credit product, credit card product and its healthcare receivables product. The Bank sells 90% of the line-of-credit and credit card balances within two business days of loan origination or credit card transaction and retains a 10% interest. Healthcare receivables originated for sale are based on a predetermined pool subject to defined criteria. The line-of-credit product represents the substantial majority of activity in consumer loans held for sale carried at the lower of cost or fair value. Any gains or losses on the sale of RCS products are reported as a component of "Program fees."

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

Years Ended December 31, (in thousands)	2017	2016	2015
Balance, beginning of period	\$ 1,310	\$ 514	\$ —
Origination of consumer loans held for sale	603,704	334,792	137,551
Proceeds from the sale of consumer loans held for sale	(601,718)	(336,497)	(138,015)
Net gain on sale of consumer loans held for sale	5,255	2,501	978
Balance, end of period	\$ 8,551	\$ 1,310	\$ 514



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## 5.LOANS AND ALLOWANCE FOR LOAN AND LEASE LOSSES

Ending loan balances at December 31, 2017 and 2016 were as follows:

December 31, (in thousands)	2017	2016
Traditional Banking:		
Residential real estate:		
Owner occupied	\$ 921,565	\$ 1,000,148
Owner occupied - correspondent*	116,792	149,028
Nonowner occupied	205,081	156,605
Commercial real estate	1,207,293	1,060,496
Construction & land development	150,065	119,650
Commercial & industrial	341,692	259,026
Lease financing receivables	16,580	13,614
Home equity	347,655	341,285
Consumer:		
Credit cards	16,078	13,414
Overdrafts	974	803
Automobile loans	65,650	52,579
Other consumer	20,501	19,744
Total Traditional Banking	3,409,926	3,186,392
Warehouse lines of credit*	525,572	585,439
Total Core Banking	3,935,498	3,771,831
Republic Processing Group*:		
Tax Refund Solutions:		
Easy Advances	—	—
Commercial & industrial	11,648	6,695
Republic Credit Solutions	66,888	32,252
Total Republic Processing Group	78,536	38,947
Total loans**	4,014,034	3,810,778
Allowance for loan and lease losses	(42,769)	(32,920)
Total loans, net	\$ 3,971,265	\$ 3,777,858

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\*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, 2017 and 2016:

December 31, (in thousands)	2017	2016
Contractually receivable	\$ 4,014,673	\$ 3,816,086
Unearned income(1)	(1,157)	(1,050)
Unamortized premiums(2)	1,069	1,838
Unaccreted discounts(3)	(4,643)	(9,397)
Net unamortized deferred origination fees and costs(4)	4,092	3,301
Carrying value of loans	\$ 4,014,034	\$ 3,810,778

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

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## Loan Purchases

Primarily from its Warehouse clients, the Traditional Bank acquires single family, first lien mortgage loans that meet the Traditional Bank's specifications through its Correspondent Lending channel. The volume of loans purchased through the Correspondent Lending channel may fluctuate from time to time based on several factors, including, but not limited to, borrower demand, other investment options and the Bank's current and forecasted liquidity position. Substantially all loans purchased through the Correspondent Lending channel are purchased at a premium. Loans acquired through the Correspondent Lending channel generally reflect borrowers outside of the Bank's historical market footprint, with 72% of loans acquired through this origination channel as of December 31, 2017, secured by collateral in the state of California.

In addition, the Bank has acquired in the past unsecured consumer installment loans for investment from a third-party originator. Such consumer loans were purchased at par and were selected by the Bank based on certain underwriting specifications.

The table below reflects the purchase activity of single family, first lien mortgage loans and unsecured consumer loans, by class, during 2017, 2016 and 2015.

Years Ended December 31, (in thousands)	2017	2016	2014
Residential real estate:			
Owner occupied - correspondent*	\$ 6,160	\$ 47,446	\$ 113,232
Consumer:			
Other consumer*	—	4,422	4,284
Total purchased loans	\$ 6,160	\$ 51,868	\$ 117,516

\*Represents origination amount, inclusive of applicable purchase premiums.

## Loans Acquired in Cornerstone Acquisition

The following table summarizes loans acquired in the Company's May 17, 2016 Cornerstone acquisition, finalized as of October 1, 2016:

May 17, 2016

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(in thousands)	Contractual Receivable	Non-accretable Discount	Accretable Discount	Acquisition-Day Fair Value
Residential real estate:				
Owner occupied	\$ 15,487	\$ —	\$ (393)	\$ 15,094
Nonowner occupied	11,196	—	(101)	11,095
Commercial real estate	106,089	—	(1,498)	104,591
Construction & land development	18,277	—	(502)	17,775
Commercial & industrial	11,462	—	(191)	11,271
Home equity	20,652	—	(350)	20,302
Consumer and other	2,347	—	(147)	2,200
Total loans - ASC 310-20	185,510	—	(3,182)	182,328
Residential real estate:				
Owner occupied	2,963	(822)	(15)	2,126
Nonowner occupied	1,721	(320)	(167)	1,234
Commercial real estate	4,315	(617)	(197)	3,501
Construction & land development	175	—	—	175
Commercial & industrial	66	(1)	1	66
Home equity	382	(178)	(11)	193
Consumer and other	4	(3)	—	1
Total loans - ASC 310-30 - PCI loans	9,626	(1,941)	(389)	7,296
Total loans acquired	\$ 195,136	\$ (1,941)	\$ (3,571)	\$ 189,624

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## Purchased-Credit-Impaired (“PCI”) Loans

The Bank acquired PCI loans on May 17, 2016 in its Cornerstone acquisition and during the year ended December 31, 2012 in two FDIC-assisted transactions. PCI loans are accounted for under ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality.

Management utilized the following criteria in determining which loans were classified as PCI loans for its May 17, 2016 Cornerstone acquisition:

- Loans for which the Bank assigned a non-accretable discount
- Loans classified as nonaccrual when acquired
- Loans past due 90+ days when acquired

The following table reconciles the contractually required and carrying amounts of all PCI loans at December 31, 2017 and 2016:

December 31, (in thousands)	2017	2016
Contractually required principal	\$ 5,435	\$ 15,587
Non-accretable amount	(1,691)	(1,713)
Accretable amount	(140)	(3,600)
Carrying value of loans	\$ 3,604	\$ 10,274

The following table presents a rollforward of the accretable amount on all PCI loans for years ended December 31, 2017, 2016 and 2015:

Years Ended December 31, (in thousands)	2017	2016	2015
Balance, beginning of period	\$ (3,600)	\$ (4,125)	\$ (2,297)
Transfers between non-accretable and accretable*	(28)	(206)	(4,055)
Net accretion into interest income on loans, including loan fees	3,488	1,120	2,227
Generated from acquisition of Cornerstone Bancorp, Inc. (recasted)	—	(389)	—
Balance, end of period	\$ (140)	\$ (3,600)	\$ (4,125)

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

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### 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 commercial and industrial (“C&I”), commercial real estate (“CRE”) and construction and land development (“C&D”) loans, the Bank’s CAD 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 CAD.
- A senior officer meets 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, CAD, Accounting, Special Assets and Retail Collections attend a Special Asset Committee (“SAC”) meeting. The SAC reviews all C&I and CRE, classified, and impaired loans and discusses the relative trends and current status of these assets. In addition, the SAC reviews all classified and impaired retail residential real estate loans and all classified and impaired home equity loans. SAC also reviews the actions taken by management regarding credit-quality grades, foreclosure mitigation, loan extensions, 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 Allowance analysis.
- All new and renewed warehouse lines of credit are approved by the Executive Loan Committee. The CAD 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 Fair Isaac Corporation (“FICO”) credit report score for the underlying collateral, average loan-to-value (“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.



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**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 of 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.

**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 Credit Impaired Loans - Group 1 (“PCI-1”):** To the extent that a PCI loan’s performance does not reflect an increased risk of loss of contractual principal beyond the non-accretable yield established as part of its initial day-one evaluation, such loan would be classified in the Purchased Credit Impaired - Group 1 (“PCI-1”) category, whose credit risk is considered by management equivalent to a non-PCI “Special Mention” loan within the Bank’s credit rating matrix. PCI-1 loans are considered impaired if, based on current information and events, it is probable that the future estimated cash flows of the loan have deteriorated from management’s initial acquisition day estimate. Provisions are made for impaired PCI-1 loans to further discount the loan and allow its yield to conform to at least management’s initial expectations. Any improvement in the expected performance of a PCI-1 loan would result in a reversal of the Provision to the extent of prior charges and then an adjustment to accretable yield, which would have a positive impact on interest income.

**Purchased Credit Impaired Loans — Substandard (“PCI-Sub”):** If during the Bank’s periodic evaluations of its PCI loan portfolio, management deems a PCI-1 loan to have an increased risk of loss of contractual principal beyond the non-accretable yield established as part of its initial day-one evaluation, such loan would be classified PCI-Substandard (“PCI-Sub”) within the Bank’s credit risk matrix. Management deems the risk of default and overall credit risk of a PCI-Sub loan to be greater than a PCI-1 loan and more analogous to a non-PCI “Substandard” loan within the Bank’s credit rating matrix. PCI-Sub loans are considered to be impaired. Any improvement in the expected performance of a PCI-Sub loan would result in a reversal of the Provision to the extent of prior charges and then an adjustment to accretable yield, which would have a positive impact on interest income.

**Risk Grade 6 — Substandard:** One or more of the following characteristics may be exhibited in loans classified as Substandard:

Explanation of Responses:

- 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.

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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 RGP 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.

Purchased loans accounted for under ASC Topic 310-20 are accounted for as any other Bank-originated loan, potentially becoming nonaccrual or impaired, 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 Allowance once day-one fair values are final.

Management separately monitors PCI loans, and on at least a quarterly basis, reviews them against the factors and assumptions used in determining day-one fair values. In addition to its quarterly evaluation, a PCI 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 PCI loan, the loan is considered impaired under the applicable TDR accounting standards and transferred out of the PCI population. The loan may require an additional Provision if its restructured cash flows are less than management’s initial day-one expectations. PCI loans for which the Bank simply chooses to extend the maturity date are generally not considered TDRs and remain in the PCI population.

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The following tables include loans by risk category based on the Bank's internal analysis performed:

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

December 31, 2016	Special	Doubtful	PCI /Loans -	PCI Loans -	Total Rated
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Explanation of Responses:

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(in thousands)	Pass	Mention	Substandard	Loss	Group 1	Substandard	Loans*
Traditional Banking:							
Residential real estate:							
Owner occupied	\$ —	\$ 21,344	\$ 13,117	\$ —	\$ 218	\$ 2,267	\$ 36,946
Owner occupied - correspondent	—	—	—	—	—	—	—
Nonowner occupied	—	656	1,115	—	523	—	2,294
Commercial real estate	1,042,137	7,086	4,224	—	7,049	—	1,060,496
Construction & land development	118,769	90	791	—	—	—	119,650
Commercial & industrial	257,579	1,270	154	—	23	—	259,026
Lease financing receivables	13,614	—	—	—	—	—	13,614
Home equity	—	256	1,763	—	94	99	2,212
Consumer:							
Credit cards	—	—	—	—	—	—	—
Overdrafts	—	—	—	—	—	—	—
Automobile loans	—	—	—	—	—	—	—
Other consumer	—	—	166	—	1	—	167
Total Traditional Banking	1,432,099	30,702	21,330	—	7,908	2,366	1,494,405
Warehouse lines of credit	585,439	—	—	—	—	—	585,439
Total Core Banking	2,017,538	30,702	21,330	—	7,908	2,366	2,079,844
Republic Processing Group:							
Tax Refund Solutions:							
Easy Advances	—	—	—	—	—	—	—
Commercial & industrial	6,695	—	—	—	—	—	6,695
Republic Credit Solutions	—	—	82	—	—	—	82
Total Republic Processing Group	6,695	—	82	—	—	—	6,777
Total rated loans	\$ 2,024,233	\$ 30,702	\$ 21,412	\$ —	\$ 7,908	\$ 2,366	\$ 2,086,621

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

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## 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 \$47 million and \$50 million at December 31, 2017 and 2016. Approximately \$12 million and \$13 million of the outstanding Traditional Bank subprime loan portfolio at December 31, 2017 and 2016 were originated for Community Reinvestment Act (“CRA”) purposes. Management does not consider these loans to possess significantly higher credit risk due to other underwriting qualifications.

The RCS segment originates both a short-term line-of-credit product and a credit card product. The Bank sells 90% of the balances maintained through these two products within two days of loan origination and retains a 10% interest. Both of these products are unsecured and made to borrowers with subprime or near prime credit scores. The aggregate outstanding balance held-for-investment for these two portfolios totaled \$33 million and \$20 million at December 31, 2017 and 2016.

## Allowance for Loan and Lease Losses

The following tables present the activity in the Allowance by portfolio class for the years ended December 31, 2017, 2016 and 2015:

(in thousands)	Allowance Rollforward Years Ended December 31, 2017					2016				
	Beginning Balance	Provision	Charge- offs	Recoveries	Ending Balance	Beginning Balance	Provision	Charge- offs	Recoveries	Ending Balance
Traditional Banking: Residential real estate: Owner occupied	\$ 7,158	\$ (933)	\$ (300)	\$ 257	\$ 6,182	\$ 8,301	\$ (1,148)	\$ (416)	\$ 421	\$ 6,768
Owner occupied - correspondent	373	(81)	—	—	292	623	(250)	—	—	373

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Nonowner occupied Commercial real estate Construction & land development Commercial & industrial Lease financing receivables Home equity Consumer: Credit cards Overdrafts Automobile loans Other consumer Total Traditional Banking Warehouse lines of credit Total Core Banking	1,139	272	(30)	15	1,396	1,052	79	—	8
	8,078	826	—	139	9,043	7,672	768	(514)	152
	1,850	508	—	6	2,364	1,303	513	(44)	78
	1,511	842	(189)	34	2,198	1,455	259	(330)	127
	136	38	—	—	174	89	47	—	—
	3,757	37	(222)	182	3,754	2,996	961	(351)	151
	490	247	(168)	38	607	448	154	(164)	52
	675	1,031	(960)	228	974	351	898	(816)	242
	526	188	(30)	3	687	56	481	(12)	1
	771	948	(884)	327	1,162	479	686	(735)	341
	26,464	3,923	(2,783)	1,229	28,833	24,825	3,448	(3,382)	1,573
	1,464	(150)	—	—	1,314	967	497	—	—
	27,928	3,773	(2,783)	1,229	30,147	25,792	3,945	(3,382)	1,573
Republic Processing Group: Tax Refund Solutions: Easy Advances Refund Anticipation Loans Commercial & industrial Republic Credit Solutions Total Republic Processing Group	—	6,789	(8,121)	1,332	—	—	3,048	(3,474)	426
	—	(241)	—	241	—	—	(301)	—	301
	25	(13)	—	—	12	—	25	—	—
	4,967	17,396	(10,659)	906	12,610	1,699	7,776	(5,000)	492
	4,992	23,931	(18,780)	2,479	12,622	1,699	10,548	(8,474)	1,219
Total	\$ 32,920	\$ 27,704	\$ (21,563)	\$ 3,708	\$ 42,769	\$ 27,491	\$ 14,493	\$ (11,856)	\$ 2,792





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(in thousands)	Allowance Rollforward Year Ended December 31, 2015				
	Beginning Balance	Provision	Charge- offs	Recoveries	Ending Balance
Traditional Banking:					
Residential real estate:					
Owner occupied	\$ 8,565	\$ 50	\$ (622)	\$ 308	\$ 8,301
Owner occupied - correspondent	567	56	—	—	623
Nonowner occupied	837	331	(126)	10	1,052
Commercial real estate	7,774	346	(546)	98	7,672
Construction & land development	926	377	—	—	1,303
Commercial & industrial	1,167	282	(56)	62	1,455
Lease financing receivables	25	64	—	—	89
Home equity	2,730	584	(466)	148	2,996
Consumer:					
Credit cards	285	256	(146)	53	448
Overdrafts	382	255	(598)	312	351
Automobile loans	32	24	—	—	56
Other consumer	277	272	(441)	371	479
Total Traditional Banking	23,567	2,897	(3,001)	1,362	24,825
Warehouse lines of credit	799	168	—	—	967
Total Core Banking	24,366	3,065	(3,001)	1,362	25,792
Republic Processing Group:					
Tax Refund Solutions:					
Easy Advances	—	—	—	—	—
Refund Anticipation Loans	—	(279)	—	279	—
Commercial & industrial	—	—	—	—	—
Republic Credit Solutions	44	2,610	(971)	16	1,699
Total Republic Processing Group	44	2,331	(971)	295	1,699
Total	\$ 24,410	\$ 5,396	\$ (3,972)	\$ 1,657	\$ 27,491

## Nonperforming Loans and Nonperforming Assets

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

December 31, (dollars in thousands)

2017

2016

Explanation of Responses:

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Loans on nonaccrual status*	\$ 14,118	\$ 15,892
Loans past due 90-days-or-more and still on accrual**	956	167
Total nonperforming loans	15,074	16,059
Other real estate owned	115	1,391
Total nonperforming assets	\$ 15,189	\$ 17,450

Credit Quality Ratios - Total Company:

Nonperforming loans to total loans	0.38	%	0.42	%
Nonperforming assets to total loans (including OREO)	0.38		0.46	
Nonperforming assets to total assets	0.30		0.36	

Credit Quality Ratios - Core Bank:

Nonperforming loans to total loans	0.36	%	0.42	%
Nonperforming assets to total loans (including OREO)	0.36		0.46	
Nonperforming assets to total assets	0.28		0.36	

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\*Loans on nonaccrual status include impaired loans.

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

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

December 31, (in thousands)	Nonaccrual		Past Due 90-Days-or-More and Still Accruing Interest*	
	2017	2016	2017	2016
Traditional Banking:				
Residential real estate:				
Owner occupied	\$ 9,230	\$ 10,955	\$ —	\$ —
Owner occupied - correspondent	—	—	—	—
Nonowner occupied	257	852	—	—
Commercial real estate	3,247	2,725	—	—
Construction & land development	67	77	—	—
Commercial & industrial	—	154	—	—
Lease financing receivables	—	—	—	—
Home equity	1,217	1,069	—	—
Consumer:				
Credit cards	—	—	—	—
Overdrafts	—	—	—	—
Automobile loans	68	—	—	—
Other consumer	32	60	19	85
Total Traditional Banking	14,118	15,892	19	85
Warehouse lines of credit	—	—	—	—
Total Core Banking	14,118	15,892	19	85
Republic Processing Group:				
Tax Refund Solutions:				
Easy Advances	—	—	—	—
Commercial & industrial	—	—	—	—
Republic Credit Solutions	—	—	937	82
Total Republic Processing Group	—	—	937	82
Total	\$ 14,118	\$ 15,892	\$ 956	\$ 167

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

Nonaccrual loans and loans past due 90-days-or-more and still on accrual include both smaller balance, primarily retail, homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Nonaccrual loans are typically returned to accrual status when all the principal and interest amounts contractually due are brought current and held current for six consecutive months and future contractual payments are reasonably assured. Troubled Debt Restructurings (“TDRs”) on nonaccrual status are reviewed for return to accrual status on an individual basis, with additional consideration given to performance under the modified terms.



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The Bank considers the performance of the loan portfolio and its impact on the Allowance. For residential and consumer loan classes, the Bank also evaluates credit quality based on the aging status of the loan and by payment activity. The following tables present the recorded investment in residential and consumer loans based on payment activity as of December 31, 2017 and 2016:

December 31, 2017 (in thousands)	Residential Real Estate				Consumer				Total
	Owner Occupied	Owner Occupied - Correspondent	Nonowner Occupied	Home Equity	Credit Cards	Overdrafts	Automobile Loans	Other Consumer	
Recorded Investment	\$ 912,335	\$ 116,792	\$ 204,824	\$ 346,438	\$ 16,078	\$ 974	\$ 65,582	\$ 20,450	\$ 1,676,573
Accrued Interest	9,230	—	257	1,217	—	—	68	51	10,566
Net Investment	\$ 921,565	\$ 116,792	\$ 205,081	\$ 347,655	\$ 16,078	\$ 974	\$ 65,650	\$ 20,501	\$ 1,687,139

  

December 31, 2016 (in thousands)	Residential Real Estate				Consumer				Total
	Owner Occupied	Owner Occupied - Correspondent	Nonowner Occupied	Home Equity	Credit Cards	Overdrafts	Automobile Loans	Other Consumer	
Recorded Investment	\$ 989,193	\$ 149,028	\$ 155,753	\$ 340,216	\$ 13,414	\$ 803	\$ 52,579	\$ 19,599	\$ 1,660,585
Accrued Interest	10,955	—	852	1,069	—	—	—	145	12,921
Net Investment	\$ 1,000,148	\$ 149,028	\$ 156,605	\$ 341,285	\$ 13,414	\$ 803	\$ 52,579	\$ 19,744	\$ 1,673,509

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## Delinquent Loans

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

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

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Total	\$ 7,833		\$ 2,353		\$ 3,915		\$ 14,101		\$ 3,999,933		\$ 4,014,034
Delinquency ratio***	0.20	%	0.06	%	0.10	%	0.35	%			

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\*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.

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December 31, 2016 (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	\$ 1,696	\$ 337	\$ 2,521	\$ 4,554	\$ 995,594	\$ 1,000,148
Owner occupied - correspondent	—	—	—	—	149,028	149,028
Nonowner occupied	—	—	46	46	156,559	156,605
Commercial real estate	8	—	417	425	1,060,071	1,060,496
Construction & land development	—	—	—	—	119,650	119,650
Commercial & industrial	342	—	—	342	258,684	259,026
Lease financing receivables	—	—	—	—	13,614	13,614
Home equity	316	160	494	970	340,315	341,285
Consumer:						
Credit cards	14	4	—	18	13,396	13,414
Overdrafts	159	1	1	161	642	803
Automobile loans	—	—	—	—	52,579	52,579
Other consumer	114	106	85	305	19,439	19,744
Total Traditional Banking	2,649	608	3,564	6,821	3,179,571	3,186,392
Warehouse lines of credit	—	—	—	—	585,439	585,439
Total Core Banking	2,649	608	3,564	6,821	3,765,010	3,771,831
Republic Processing Group:						
Tax Refund Solutions:						
Easy Advances	—	—	—	—	—	—
Commercial & industrial	—	—	—	—	6,695	6,695
Republic Credit Solutions	1,751	304	82	2,137	30,115	32,252
Total Republic Processing Group	1,751	304	82	2,137	36,810	38,947
Total	\$ 4,400	\$ 912	\$ 3,646	\$ 8,958	\$ 3,801,820	\$ 3,810,778
Delinquency ratio***	0.12 %	0.02 %	0.10 %	0.24 %		

\*All loans past due 90 days-or-more, excluding PCI 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.

## Impaired Loans

Information regarding the Bank's impaired loans follows:

December 31, (in thousands)	2017	2016	2015
Loans with no allocated Allowance	\$ 18,540	\$ 21,416	\$ 26,143
Loans with allocated Allowance	27,076	31,268	39,980
Total recorded investment in impaired loans	\$ 45,616	\$ 52,684	\$ 66,123
Amount of the allocated Allowance	\$ 4,685	\$ 4,925	\$ 5,427
Average of individually impaired loans during the year	47,361	56,981	74,482
Interest income recognized during impairment	1,392	1,466	1,882
Cash basis interest income recognized	—	—	—

Approximately \$4 million and \$4 million of impaired loans at December 31, 2017 and 2016 were PCI loans. Approximately \$2 million and \$3 million of impaired loans at December 31, 2017 and 2016 were formerly PCI loans which became classified as "impaired" through a post-acquisition troubled debt restructuring.

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The following tables present the balance in the Allowance and the recorded investment in loans by portfolio class based on impairment method as of December 31, 2017 and 2016:

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

Explanation of Responses:

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Republic Credit Solutions								
Total Republic Processing Group	49	12,573	—	—	12,622	129	78,407	—
Total	\$ 4,201	\$ 38,084	\$ 484	\$ —	\$ 42,769	\$ 42,043	\$ 3,968,387	\$ 3,573

	Allowance for Loan and Lease Losses					Loans		PCI with Post Acquisition
	Individually	Collectively	PCI with Post Acquisition	PCI without Post Acquisition	Total	Individually	Collectively	
December 31, 2016	Evaluated Excluding PCI	Collectively Evaluated	Impairment	Impairment	Allowance	Evaluated Excluding PCI	Evaluated	Impairment
(dollars in thousands)								

Traditional Banking:  
Residential real estate:

Owner occupied	\$ 3,203	\$ 3,797	\$ 158	\$ —	\$ 7,158	\$ 31,908	\$ 965,755	\$ 2,297
Owner occupied - correspondent	—	373	—	—	373	—	149,028	—
Nonowner occupied	65	1,067	7	—	1,139	1,601	154,481	268
Commercial real estate	532	7,501	45	—	8,078	11,769	1,041,678	1,164
Construction & land development	120	1,730	—	—	1,850	882	118,768	—
Commercial & industrial	227	1,284	—	—	1,511	686	258,317	—
Lease financing receivables	—	136	—	—	136	—	13,614	—
Home equity	433	3,225	99	—	3,757	1,929	339,163	99
Consumer:								
Credit cards	—	490	—	—	490	—	13,414	—
Overdrafts	—	675	—	—	675	—	803	—
Automobile loans	—	526	—	—	526	—	52,579	—
Other consumer	36	735	—	—	771	81	19,662	—
Total Traditional Banking	4,616	21,539	309	—	26,464	48,856	3,127,262	3,828
Warehouse lines of credit	—	1,464	—	—	1,464	—	585,439	—
Total Core Banking	4,616	23,003	309	—	27,928	48,856	3,712,701	3,828

Republic Processing Group:

Tax Refund Solutions:

Easy Advances	—	—	—	—	—	—	—	—
Commercial & industrial	—	25	—	—	25	—	6,695	—
Republic Credit Solutions	—	4,967	—	—	4,967	—	32,252	—
	—	4,992	—	—	4,992	—	38,947	—

Explanation of Responses:

Total Republic  
Processing Group  
Total

\$ 4,616    \$ 27,995    \$ 309    \$ —    \$ 32,920    \$ 48,856    \$ 3,751,648    \$ 3,828

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The following tables present loans individually evaluated for impairment by class of loans as of December 31, 2017, 2016 and 2015. 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.

(in thousands)	As of December 31, 2017			Twelve Months Ended December 31, 2017		Cash Basis Interest Income Recognized
	Unpaid Principal Balance	Recorded Investment	Allocated Allowance	Average Recorded Investment	Interest Income Recognized	
Impaired loans with no allocated Allowance:						
Residential real estate:						
Owner occupied	\$ 11,664	\$ 10,789	\$ —	\$ 11,253	\$ 179	\$ —
Owner occupied - correspondent	—	—	—	—	—	—
Nonowner occupied	1,784	1,704	—	1,526	86	—
Commercial real estate	5,504	4,430	—	4,863	71	—
Construction & land development	591	591	—	565	29	—
Commercial & industrial	20	20	—	116	4	—
Lease financing receivables	—	—	—	—	—	—
Home equity	1,071	981	—	1,205	11	—
Consumer	25	25	—	62	1	—
Impaired loans with allocated Allowance:						
Residential real estate:						
Owner occupied	18,676	18,654	2,681	20,212	655	—
Owner occupied - correspondent	—	—	—	—	—	—
Nonowner occupied	361	358	6	416	14	—
Commercial real estate	6,124	6,124	455	5,501	294	—
Construction & land development	142	142	107	209	3	—
Commercial & industrial	288	288	288	225	8	—
Lease financing receivables	—	—	—	—	—	—
Home equity	743	743	536	820	17	—
Consumer	767	767	612	388	20	—
Total impaired loans	\$ 47,760	\$ 45,616	\$ 4,685	\$ 47,361	\$ 1,392	\$ —

(in thousands)	As of December 31, 2016			Twelve Months Ended December 31, 2016		Cash Basis
	Unpaid Principal Balance	Recorded Investment	Allocated Allowance	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized
Impaired loans with no allocated Allowance:						
Residential real estate:						
Owner occupied	\$ 13,727	\$ 12,629	\$ —	\$ 13,219	\$ 140	\$ —
Owner occupied - correspondent	—	—	—	—	—	—
Non owner occupied	1,399	1,376	—	1,293	20	—
Commercial real estate	6,610	5,536	—	6,462	106	—
Construction & land development	476	476	—	476	20	—
Commercial & industrial	67	67	—	115	7	—
Lease financing receivables	—	—	—	—	—	—
Home equity	1,358	1,287	—	1,674	15	—
Consumer	45	45	—	70	—	—
Impaired loans with allocated Allowance:						
Residential real estate:						
Owner occupied	21,595	21,576	3,361	22,867	782	—
Owner occupied - correspondent	—	—	—	—	—	—
Non owner occupied	491	493	73	799	24	—
Commercial real estate	7,397	7,397	577	8,592	292	—
Construction & land development	405	406	120	421	19	—
Commercial & industrial	619	619	227	621	1	—
Lease financing receivables	—	—	—	—	—	—
Home equity	742	741	532	331	39	—
Consumer	37	36	35	41	1	—
Total impaired loans	\$ 54,968	\$ 52,684	\$ 4,925	\$ 56,981	\$ 1,466	\$ —

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(in thousands)	As of December 31, 2015			Twelve Months Ended December 31, 2015		Cash Basis Interest Income Recognized
	Unpaid Principal Balance	Recorded Investment	Allocated Allowance	Average Recorded Investment	Interest Income Recognized	
Impaired loans with no allocated Allowance:						
Residential real estate:						
Owner occupied	\$ 14,287	\$ 13,256	\$ —	\$ 10,907	\$ 100	\$ —
Owner occupied - correspondent	—	—	—	—	—	—
Non owner occupied	1,978	1,928	—	2,234	31	—
Commercial real estate	7,406	6,743	—	9,653	170	—
Construction & land development	2,067	2,067	—	2,096	19	—
Commercial & industrial	18	18	—	1,682	3	—
Lease financing receivables	—	—	—	—	—	—
Home equity	2,263	2,087	—	2,222	23	—
Consumer	44	44	—	32	—	—
Impaired loans with allocated Allowance:						
Residential real estate:						
Owner occupied	25,896	25,850	3,830	28,917	885	—
Owner occupied - correspondent	—	—	—	—	—	—
Non owner occupied	1,231	1,208	174	2,004	60	—
Commercial real estate	10,546	10,504	830	11,378	469	—
Construction & land development	650	650	159	664	36	—
Commercial & industrial	1,497	1,497	318	2,351	81	—
Lease financing receivables	—	—	—	—	—	—
Home equity	258	229	100	292	4	—
Consumer	42	42	16	50	1	—
Total impaired loans	\$ 68,183	\$ 66,123	\$ 5,427	\$ 74,482	\$ 1,882	\$ —





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## Troubled Debt Restructurings

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

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

Nonaccrual loans modified as TDRs typically remain on nonaccrual status and continue to be reported as nonperforming loans for a minimum of six consecutive months. Accruing loans modified as TDRs are evaluated for nonaccrual status based on a current evaluation of the borrower's financial condition and ability and willingness to service the modified debt. At December 31, 2017 and 2016, \$6 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	
	Number of	Recorded	Number of	Recorded	Number of	Recorded
December 31, 2017 (dollars in thousands)	Loans	Investment	Loans	Investment	Loans	Investment
Residential real estate	62	\$ 4,926	183	\$ 20,189	245	\$ 25,115
Commercial real estate	2	1,366	14	6,499	16	7,865
Construction & land development	1	67	3	666	4	733
Commercial & industrial	—	—	2	287	2	287
Consumer	—	—	830	637	830	637
Total troubled debt restructurings	65	\$ 6,359	1,032	\$ 28,278	1,097	\$ 34,637

Explanation of Responses:

	Troubled Debt Restructurings on Nonaccrual Status		Troubled Debt Restructurings on Accrual Status		Total Troubled Debt Restructurings	
	Number of	Recorded	Number of	Recorded	Number of	Recorded
December 31, 2016 (dollars in thousands)	Loans	Investment	Loans	Investment	Loans	Investment
Residential real estate	79	\$ 7,199	198	\$ 21,554	277	\$ 28,753
Commercial real estate	6	2,430	17	8,835	23	11,265
Construction & land development	1	77	4	804	5	881
Commercial & industrial	1	154	2	533	3	687
Total troubled debt restructurings	87	\$ 9,860	221	\$ 31,726	308	\$ 41,586

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The Bank considers a TDR to be performing to its modified terms if the loan is in accrual status and not past due 30 days-or-more as of the reporting date. A summary of the categories of TDR loan modifications outstanding and respective performance under modified terms at December 31, 2017 and 2016 follows:

	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
	Number of	Recorded	Number of	Recorded	Number of	Recorded
December 31, 2017 (dollars in thousands)	Loans	Investment	Loans	Investment	Loans	Investment
Residential real estate loans (including home equity loans):						
Interest only payments	1	\$ 5	1	\$ 458	2	\$ 463
Rate reduction	147	17,617	32	3,081	179	20,698
Principal deferral	13	1,436	2	121	15	1,557
Legal modification	21	1,118	28	1,279	49	2,397
Total residential TDRs	182	20,176	63	4,939	245	25,115
Commercial related and construction/land development loans:						
Interest only payments	3	837	—	—	3	837
Rate reduction	7	3,185	1	79	8	3,264
Principal deferral	9	3,430	2	1,354	11	4,784
Total commercial TDRs	19	7,452	3	1,433	22	8,885
Consumer loans:						
Principal deferral	830	637	—	—	830	637
Total troubled debt restructurings	1,031	\$ 28,265	66	\$ 6,372	1,097	\$ 34,637

	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
	Number of	Recorded	Number of	Recorded	Number of	Recorded
December 31, 2016 (dollars in thousands)	Loans	Investment	Loans	Investment	Loans	Investment

Residential real estate loans  
(including home equity loans):

Interest only payments	2	\$ 155	1	\$ 493	3	\$ 648
Rate reduction	148	18,125	57	6,213	205	24,338
Principal deferral	7	616	7	306	14	922
Legal modification	17	806	38	2,039	55	2,845
Total residential TDRs	174	19,702	103	9,051	277	28,753

Commercial related and  
construction/land development  
loans:

Interest only payments	5	2,666	1	413	6	3,079
Rate reduction	8	4,769	2	228	10	4,997
Principal deferral	10	2,737	5	2,020	15	4,757
Total commercial TDRs	23	10,172	8	2,661	31	12,833
Total troubled debt restructurings	197	\$ 29,874	111	\$ 11,712	308	\$ 41,586

As of December 31, 2017 and 2016, 82% and 72% of the Bank's TDRs were performing according to their modified terms. The Bank had provided \$4 million and \$4 million of specific reserve allocations to clients whose loan terms have been modified in TDRs as of December 31, 2017 and 2016. The Bank had no commitments to lend any additional material amounts to its existing TDR relationships at December 31, 2017 and 2016.

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A summary of the categories of TDR loan modifications and respective performance as of December 31, 2017, 2016 and 2015 that were modified during the years ended December 31, 2017, 2016 and 2015 follows:

	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
	Number of	Recorded	Number of	Recorded	Number of	Recorded
December 31, 2017 (dollars in thousands)	Loans	Investment	Loans	Investment	Loans	Investment
Residential real estate loans (including home equity loans):						
Interest only payments	—	\$ —	—	\$ —	—	\$ —
Rate reduction	1	219	—	—	1	219
Principal deferral	4	1,013	—	—	4	1,013
Legal modification	6	351	2	197	8	548
Total residential TDRs	11	1,583	2	197	13	1,780
Commercial related and construction/land development loans:						
Interest only payments	—	—	—	—	—	—
Rate reduction	—	—	—	—	—	—
Principal deferral	2	266	—	—	2	266
Total commercial TDRs	2	266	—	—	2	266
Consumer loans:						
Principal deferral	830	637	—	—	830	637
Total troubled debt restructurings	843	\$ 2,486	2	\$ 197	845	\$ 2,683

	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
	Number of	Recorded	Number of	Recorded	Number of	Recorded
	Loans	Investment	Loans	Investment	Loans	Investment

December 31, 2016 (dollars in thousands)

Residential real estate loans  
(including home equity loans):

Interest only payments	1	\$ 146	—	\$ —	1	\$ 146
Rate reduction	6	566	3	149	9	715
Principal deferral	—	—	—	—	—	—
Legal modification	4	319	7	741	11	1,060
Total residential TDRs	11	1,031	10	890	21	1,921

Commercial related and  
construction/land development  
loans:

Interest only payments	2	1,718	—	—	2	1,718
Rate reduction	2	749	1	135	3	884
Principal deferral	1	465	1	1,429	2	1,894
Total commercial TDRs	5	2,932	2	1,564	7	4,496
Total troubled debt restructurings	16	\$ 3,963	12	\$ 2,454	28	\$ 6,417

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.

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	Troubled Debt Restructurings Performing to Modified Terms		Troubled Debt Restructurings Not Performing to Modified Terms		Total Troubled Debt Restructurings	
	Number of	Recorded	Number of	Recorded	Number of	Recorded
December 31, 2015 (dollars in thousands)	Loans	Investment	Loans	Investment	Loans	Investment
Residential real estate loans (including home equity loans):						
Interest only payments	1	\$ 617	—	\$ —	1	\$ 617
Rate reduction	17	2,148	5	519	22	2,667
Principal deferral	—	—	2	43	2	43
Legal modification	3	153	4	162	7	315
Total residential TDRs	21	2,918	11	724	32	3,642
Commercial related and construction/land development loans:						
Interest only payments	3	465	—	—	3	465
Rate reduction	1	815	—	—	1	815
Principal deferral	4	716	4	1,898	8	2,614
Legal modification	—	—	—	—	—	—
Total commercial TDRs	8	1,996	4	1,898	12	3,894
Total troubled debt restructurings	29	\$ 4,914	15	\$ 2,622	44	\$ 7,536

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, 2017, 2016 and 2015, 93%, 62% and 65% of the Bank's TDRs that occurred during the years ended December 31, 2017, 2016 and 2015 were performing according to their modified terms. The Bank provided approximately \$885,000, \$377,000 and \$300,000 in specific reserve allocations to clients whose loan terms were modified in TDRs during 2017, 2016 and 2015.

There was no significant change between the pre and post modification loan balances at December 31, 2017, 2016 and 2015.

The following tables present loans by class modified as troubled debt restructurings within the previous 12 months of December 31, 2017, 2016 and 2015 and for which there was a payment default during 2017, 2016 and 2015:

Explanation of Responses:

Years Ended December 31, (dollars in thousands)	2017	Recorded	2016	Recorded	2015	Recorded
	Number of Loans	Investment	Number of Loans	Investment	Number of Loans	Investment
Residential real estate:						
Owner occupied	2	\$ 197	5	\$ 498	12	\$ 724
Commercial real estate	—	—	—	—	2	1,704
Construction & land development	—	—	1	86	—	—
Commercial & industrial	—	—	—	—	1	194
Home equity	—	—	1	286	—	—
Consumer	823	129	—	—	—	—
Total	825	\$ 326	7	\$ 870	15	\$ 2,622



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## Foreclosures

The following table presents the carrying amount of foreclosed properties held at December 31, 2017 and 2016 as a result of the Bank obtaining physical possession of such properties:

December 31, (in thousands)	2017	2016
Residential real estate	\$ 115	\$ 1,391
Total other real estate owned	\$ 115	\$ 1,391

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, 2017 and 2016:

December 31, (in thousands)	2017	2016
Recorded investment in consumer residential real estate mortgage loans in the process of foreclosure	\$ 1,392	\$ 1,677

## Easy Advances

The Company's TRS segment offered its EA product during the first two months of 2017 and 2016. The Company based its estimated provision for loan losses of EAs on current year EA delinquency information and prior year IRS funding patterns of federal tax refunds subsequent to the first quarter. At December 31, 2017 and 2016, all EAs originated had been either charged-off or collected.

Information regarding EAs follows:

Years Ended December 31, (dollars in thousands)	2017		2016	
Easy Advances originated	\$ 328,519		\$ 123,230	
Net Charge to the Provision for Easy Advances	6,789		3,048	
Provision to total Easy Advances originated	2.07	%	2.47	%
Easy Advances net charge-offs (recoveries)	\$ 6,789		\$ 3,048	
Easy Advances net charge-offs to total Easy Advances originated	2.07	%	2.47	%

Explanation of Responses:

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## 6.PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation of premises and equipment follows:

December 31, (in thousands)	2017	2016
Land	\$ 4,185	\$ 5,100
Buildings and improvements	34,513	34,676
Furniture, fixtures and equipment	40,550	38,911
Leasehold improvements	18,760	17,246
Construction in progress	—	—
Total premises and equipment	98,008	95,933
Less: Accumulated depreciation and amortization	55,420	55,471
Premises and equipment, net	\$ 42,588	\$ 40,462

The Company held four former banking centers for sale as of December 31, 2017. The Company closed its Hudson, Florida banking center in January 2015 and has held the property for sale since closing. Additionally, the Company obtained two Florida-based, former banking centers in its May 17, 2016 Cornerstone acquisition. Finally, the Company intends to begin marketing its Port Richey, Florida banking center during 2018. The Company carried all four former banking centers at a value of \$3 million, inclusive of accumulated depreciation, at December 31, 2017.

In 2015, the Company sold its banking center in Elizabethtown, Kentucky and recognized a \$28,000 gain on the transaction. The premises of the banking center were carried at approximately \$1 million, which equated to the total cost of the premises less accumulated depreciation.

Depreciation expense related to premises and equipment follows:

Years Ended December 31, (in thousands)	2017	2016	2015
Depreciation expense	\$ 8,472	\$ 7,304	\$ 6,610

## 7.GOODWILL AND CORE DEPOSIT INTANGIBLE ASSETS

A progression of the balance for goodwill follows:

Years Ended December 31, (in thousands)	2017	2016	2015
Beginning of period	\$ 16,300	\$ 10,168	\$ 10,168
Acquired goodwill	—	6,132	—
Impairment	—	—	—
End of period	\$ 16,300	\$ 16,300	\$ 10,168

The goodwill balance relates entirely to the Company's Traditional Banking operations.

Impairment exists when a reporting unit's carrying value of goodwill exceeds its fair value. At December 31, 2017 and 2016, 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. Therefore, the Company did not complete the two-step impairment test as of December 31, 2017, 2016 and 2015.

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The Company recorded a \$1 million core deposit intangible (“CDI”) asset in association with its May 17, 2016 Cornerstone acquisition. For the years ending December 31, 2017, 2016 and 2015, aggregate CDI amortization expense was immaterial to the Company’s financial statements.

## 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 other comprehensive income (“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. 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.

The swaps were determined to be fully effective during all periods presented; therefore, no amount of ineffectiveness was included in net income. The aggregate fair value of the swaps is recorded in other liabilities with changes in fair value recorded in OCI. The amount included in AOCI would be reclassified to current earnings should the hedge no longer be considered effective. The Bank expects the hedges to remain fully effective during the remaining term of the swaps.

The following table reflects information about swaps designated as cash flow hedges as of December 31, 2017 and 2016:

December 31, 2017

December 31, 2016

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(dollars in thousands)	Notional Amount	Pay Rate	Receive Rate	Term	Assets / (Liabilities)	Unrealized Gain (Loss) 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	\$ (60)	\$ (25)	\$ (186)	\$ (121)
Interest rate swap on FHLB advance	10,000 \$ 20,000	2.33 %	3M LIBOR	12/2013 - 12/2020	(31) \$ (91)	(48) \$ (73)	(207) \$ (393)	(135) \$ (256)

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, 2017, 2016 and 2015:

Years Ended December 31, (in thousands)	2017	2016	2015
Interest rate swap on money market deposits	\$ 109	\$ 168	\$ 198
Interest rate swap on FHLB advance	110	164	204
Total interest expense on swap transactions	\$ 219	\$ 332	\$ 402

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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, 2017, 2016 and 2015:

Years Ended December 31, (in thousands)	2017	2016	2015
Gains (losses) recognized in OCI on derivative (effective portion)	\$ 83	\$ (125)	\$ (514)
Losses reclassified from OCI on derivative (effective portion)	(219)	(332)	(402)
Gains (losses) recognized in income on derivative (ineffective portion)	—	—	—

The estimated net amount of the existing losses that are reported in accumulated OCI at December 31, 2017 that is expected to be reclassified into earnings within the next 12 months is \$89,000.

## 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 therefore, has no credit risk.

A summary of the Bank's interest rate swaps related to clients as of December 31, 2017 and 2016 is included in the following table:

December 31, (in thousands)	Bank Position	2017	Fair Value	2016	Fair Value
		Notional		Notional	
		Amount		Amount	

Interest rate swaps with Bank clients	Pay variable/receive fixed	\$ 61,419	\$ 84	\$ 31,553	\$ 156
Offsetting interest rate swaps with institutional swap dealer	Pay fixed/receive variable	61,419	(84)	31,553	(55)
Total		\$ 122,838	\$ —	\$ 63,106	\$ 101

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 \$1.5 million and \$1.8 million at December 31, 2017 and 2016.



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## 9.DEPOSITS

Ending deposit balances at December 31, 2017 and 2016 were as follows:

December 31, (in thousands)	2017	2016
Core Bank:		
Demand	\$ 944,812	\$ 872,709
Money market accounts	546,998	541,622
Brokered money market accounts	373,242	360,597
Savings	182,800	164,410
Individual retirement accounts*	47,982	42,642
Time deposits, \$250 and over*	77,891	37,200
Other certificates of deposit*	189,661	140,894
Brokered certificates of deposit*	46,089	28,666
Total Core Bank interest-bearing deposits	2,409,475	2,188,740
Total Core Bank noninterest-bearing deposits	988,537	943,459
Total Core Bank deposits	3,398,012	3,132,199
Republic Processing Group ("RPG"):		
Money market accounts	1,641	—
Total RPG interest-bearing deposits	1,641	—
Brokered prepaid card deposits	1,509	15
Other noninterest-bearing deposits	31,996	28,478
Total RPG noninterest-bearing deposits	33,505	28,493
Total RPG deposits	35,146	28,493
Total deposits	\$ 3,433,158	\$ 3,160,692

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\*Represents a time deposit.

The following table summarizes deposits acquired in the Company's May 17, 2016 Cornerstone acquisition, finalized as of October 1, 2016:

May 17, 2016

Explanation of Responses:

(in thousands)	Contractual Principal	Fair Value Adjustment	Acquisition-Day Fair Value
Demand	\$ 59,507	\$ —	\$ 59,507
Money market accounts	53,773	—	53,773
Savings	12,352	—	12,352
Individual retirement accounts*	3,897	13	3,910
Time deposits, \$250 and over*	3,385	12	3,397
Other certificates of deposit*	19,343	67	19,410
Total interest-bearing deposits	152,257	92	152,349
Total noninterest-bearing deposits	52,908	—	52,908
Total deposits	\$ 205,165	\$ 92	\$ 205,257

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\*Represents a time deposit.

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Time deposits at or above the FDIC insured limit of \$250,000 are presented in the table below:

December 31, (in thousands)	2017	2016
Time deposits of \$250 or more	\$ 77,891	\$ 37,200

At December 31, 2017, the scheduled maturities and weighted average rate of all time deposits, including brokered certificates of deposit, were as follows:

Year (dollars in thousands)	Principal	Weighted Average Rate	
2018	\$ 174,355	0.89	%
2019	53,714	1.53	
2020	78,119	1.88	
2021	18,059	1.60	
2022	37,376	2.16	
Thereafter	—	—	
Total	\$ 361,623	1.36	

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## 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, 2017 and 2016, 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)	2017		2016	
Outstanding balance at end of period	\$ 204,021		\$ 173,473	
Weighted average interest rate at end of period	0.31	%	0.05	%
Fair value of securities pledged:				
U.S. Treasury securities and U.S. Government agencies	\$ 71,824		\$ 116,025	
Mortgage backed securities - residential	83,452		45,894	
Collateralized mortgage obligations	84,693		41,155	
Total securities pledged	\$ 239,969		\$ 203,074	

Additional information regarding securities sold under agreements to repurchase for the years ended December 31, 2017, 2016 and 2015 follows:

December 31, (dollars in thousands)	2017		2016		2015	
Average outstanding balance during the period	\$ 219,515		\$ 280,296		\$ 379,477	
Average interest rate during the period	0.23	%	0.02	%	0.02	%
Maximum outstanding at any month end during the period	\$ 293,944		\$ 367,373		\$ 442,981	



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## 11.FEDERAL HOME LOAN BANK ADVANCES

At December 31, 2017 and 2016, FHLB advances were as follows:

December 31, (dollars in thousands)	2017	2016
Overnight advances	\$ 330,000	\$ 285,000
Variable interest rate advance indexed to 3-Month LIBOR plus 0.14% due in December 2018	10,000	10,000
Fixed interest rate advances	397,500	457,500
Putable fixed interest rate advances	—	50,000
Total FHLB advances	\$ 737,500	\$ 802,500

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 an \$846,000 prepayment penalty on the payoff of \$50 million in FHLB advances during 2016, with no similar penalty incurred in 2017 or 2015.

FHLB advances are collateralized by a blanket pledge of eligible real estate loans. At December 31, 2017 and 2016, Republic had available borrowing capacity of \$347 million and \$378 million, respectively, from the FHLB. In addition to its borrowing capacity with the FHLB, Republic also had unsecured lines of credit totaling \$125 million and \$150 million available through various other financial institutions as of December 31, 2017 and 2016.

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

Year (dollars in thousands)	Principal	Weighted Average Rate	
2018 (Overnight)	\$ 330,000	1.42	%
2018 (Term)	127,500	1.55	
2019	100,000	1.80	
2020	120,000	1.81	
2021	30,000	1.93	
2022	20,000	2.12	
2023	10,000	2.14	

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Thereafter	—	—
Total	\$ 737,500	1.61

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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)	2017	2016		
Outstanding balance at end of period	\$ 330,000	\$ 285,000		
Weighted average interest rate at end of period	1.42	% 0.64	%	
Years Ended December 31, (dollars in thousands)	2017	2016	2015	
Average outstanding balance during the period	\$ 141,918	\$ 91,087	\$ 63,327	
Average interest rate during the period	1.09	% 0.43	% 0.17	%
Maximum outstanding at any month end during the period	\$ 625,000	\$ 495,000	\$ 387,000	

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

December 31, (in thousands)	2017	2016
First lien, single family residential real estate	\$ 1,123,402	\$ 1,172,161
Home equity lines of credit	320,649	300,681
Multi-family commercial real estate	—	14,913



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12.SUBORDINATED NOTE

In 2005, Republic Bancorp Capital Trust (“RBCT”), an unconsolidated trust subsidiary of Republic, was formed and issued \$40 million in Trust Preferred Securities (“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 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, 2018, and carried the note at a cost of LIBOR + 1.42% at December 31, 2017.

As a result of its acquisition of Cornerstone Bancorp, Inc. on May 17, 2016, Republic became the 100% successor owner of Cornerstone Capital Trust 1 (“CCT1”), an unconsolidated finance subsidiary. In 2006, CCT1 issued \$4 million of adjustable-rate TPS due December 15, 2036. As permitted under the terms of CCT1’s governing documents, Republic redeemed these securities at the par amount of approximately \$4 million, without penalty, on September 15, 2016.

13.OFF BALANCE SHEET RISKS, COMMITMENTS AND CONTINGENT LIABILITIES

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

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

An approved but unfunded loan commitment represents a potential credit risk and a liquidity risk, since the Company's client(s) may demand immediate cash that would require funding. In addition, unfunded loan commitments represent interest rate risk as market interest rates may rise above the rate committed to the Company's client. Since a portion of these loan commitments normally expire unused, the total amount of outstanding commitments at any point in time may not require future funding.

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

December 31, (in thousands)	2017	2016
Unused warehouse lines of credit	\$ 525,328	\$ 453,110
Unused home equity lines of credit	367,887	341,434
Unused loan commitments - other	598,002	560,629
Commitments to purchase loans*	—	3,176
Standby letters of credit	12,643	15,568
FHLB letter of credit	10,000	—
Total commitments	\$ 1,513,860	\$ 1,373,917

\*Commitments are made through the Company's Correspondent Lending channel.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a client to a third party. The terms and risk of loss involved in issuing standby letters of credit are similar to those involved in issuing loan commitments and extending credit. In addition to credit risk, the Company also has liquidity risk associated with standby letters of credit because funding for these obligations could be required immediately. The Company does not deem this risk to be material.

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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, 2017, the Bank could, without prior approval, declare dividends of approximately \$74 million.

**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, 2017 and 2016, 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.

Effective January 1, 2015 the Company and the Bank became subject to the capital regulations in accordance with Basel III. These regulations established higher minimum risk-based capital ratio requirements, a new common equity Tier 1 Risk-Based Capital ratio and a new capital conservation buffer. The regulations included revisions to the definition of capital and changes in the risk weighting of certain assets. For prompt corrective action, the new regulations establish definitions of "well capitalized" as a 6.5% Common Equity Tier 1 Risk-Based Capital ratio, an

8.0% Tier 1 Risk-Based Capital ratio, a 10.0% Total 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 composed of Common Equity Tier 1 Risk-Based Capital above their minimum Risk-Based Capital requirements. The capital conservation buffer phases in over time based on the following schedule: a capital conservation buffer of 0.625% effective January 1, 2016; 1.25% effective January 1, 2017; 1.875% effective January 1, 2018; and a fully phased in capital conservation buffer of 2.5% on January 1, 2019. The capital ratios for capital adequacy and “well capitalized” do not include considerations of the capital conservation buffer.

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(dollars in thousands)	Actual Amount	Ratio	Minimum Requirement for Capital Adequacy Purposes		Minimum Requirement to be Well Capitalized Under Prompt Corrective Action Provisions		
			Amount	Ratio	Amount	Ratio	
As of December 31, 2017							
Total capital to risk weighted assets							
Republic Bancorp, Inc.	\$ 694,369	16.04 %	\$ 346,215	8.00 %	NA	NA	
Republic Bank & Trust Company	591,592	13.69	345,589	8.00	\$ 431,987	10.00 %	
Common equity tier 1 capital to risk weighted assets							
Republic Bancorp, Inc.	612,315	14.15	194,746	4.50	NA	NA	
Republic Bank & Trust Company	548,823	12.70	194,394	4.50	280,791	6.50	
Tier 1 (core) capital to risk weighted assets							
Republic Bancorp, Inc.	651,600	15.06	259,662	6.00	NA	NA	
Republic Bank & Trust Company	548,823	12.70	259,192	6.00	345,589	8.00	
Tier 1 leverage capital to average assets							
Republic Bancorp, Inc.	651,600	13.21	197,309	4.00	NA	NA	
Republic Bank & Trust Company	548,823	11.15	196,961	4.00	246,201	5.00	

(dollars in thousands)	Actual Amount	Ratio	Minimum Requirement for Capital Adequacy Purposes		Minimum Requirement to be Well Capitalized Under Prompt Corrective Action Provisions	
			Amount	Ratio	Amount	Ratio

As of December 31, 2016

Explanation of Responses:

## Total capital to risk weighted assets

Republic Bancorp, Inc.	\$ 655,908	16.37 %	\$ 320,540	8.00 %	NA	NA
Republic Bank & Trust Company	553,905	13.86	319,785	8.00	\$ 399,731	10.00 %

## Common equity tier 1 capital to risk weighted assets

Republic Bancorp, Inc.	584,530	14.59	180,304	4.50	NA	NA
Republic Bank & Trust Company	520,985	13.03	179,879	4.50	259,825	6.50

## Tier 1 (core) capital to risk weighted assets

Republic Bancorp, Inc.	622,988	15.55	240,405	6.00	NA	NA
Republic Bank & Trust Company	520,985	13.03	239,839	6.00	319,785	8.00

## Tier 1 leverage capital to average assets

Republic Bancorp, Inc.	622,988	13.54	184,087	4.00	NA	NA
Republic Bank & Trust Company	520,985	11.34	183,698	4.00	229,622	5.00

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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:

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

Except for the Bank's CRA mutual fund investment, its private label mortgage backed security and its TRUP investment, the fair value of securities available for sale 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 Measurements and Disclosures. 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 3 “Investment Securities” for additional discussion regarding the Bank’s private label mortgage backed security.

For its TRUP investment, the Company considered the most recent bid price for the same instrument to approximate market value at December 31, 2017. 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.

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: During 2016, RCS initiated a short-term installment loan program and elected to carry all loans originated through this program at fair value. Such loans are generally sold within 21 days of origination, with their fair value based on contractual terms, Level 3 inputs.

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

Interest rate swap agreements: Interest rate swaps are recorded at fair value on a recurring basis. The Company values its interest rate swaps using a third-party valuation service and classifies such valuations as Level 2. Valuations of these interest rate swaps are also received from the relevant 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.



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

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

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

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

**Mortgage servicing rights:** On at least a quarterly basis, MSRs are evaluated for impairment based upon the fair value of the MSRs as compared to carrying amount. If the carrying amount of an individual tranche exceeds fair value, impairment is recorded and the respective individual tranche is carried at fair value. If the carrying amount of an individual tranche does not exceed fair value, impairment is reversed if previously recognized and the carrying value of the individual tranche is based on the amortization method. The valuation model utilizes assumptions that market

participants would use in estimating future net servicing income and can generally be validated against available market data (Level 2). There were no MSR tranches carried at fair value at December 31, 2017 and 2016.

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

(in thousands)	Fair Value Measurements at December 31, 2017 Using:			Total Fair Value
	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Financial assets:				
Securities available for sale:				
U.S. Treasury securities and U.S. Government agencies	\$ —	\$ 307,592	\$ —	\$ 307,592
Private label mortgage backed security	—	—	4,449	4,449
Mortgage backed securities - residential	—	106,374	—	106,374
Collateralized mortgage obligations	—	87,163	—	87,163
Freddie Mac preferred stock	—	473	—	473
Community Reinvestment Act mutual fund	2,455	—	—	2,455
Corporate bonds	—	15,125	—	15,125
Trust preferred security	—	—	3,600	3,600
Total securities available for sale	\$ 2,455	\$ 516,727	\$ 8,049	\$ 527,231
Mortgage loans held for sale	\$ —	\$ 5,761	\$ —	\$ 5,761
Consumer loans held for sale	—	—	2,677	2,677
Rate lock loan commitments	—	310	—	310
Interest rate swap agreements	—	312	—	312
Financial liabilities:				
Mandatory forward contracts	\$ —	\$ 9	\$ —	\$ 9
Interest rate swap agreements	—	403	—	403

(in thousands)	Fair Value Measurements at December 31, 2016 Using:			Total Fair Value
	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Financial assets:				
Securities available for sale:				
	\$ —	\$ 294,544	\$ —	\$ 294,544

U.S. Treasury securities and U.S. Government agencies

Private label mortgage backed security	—	—	4,777	4,777
Mortgage backed securities - residential	—	73,004	—	73,004
Collateralized mortgage obligations	—	87,654	—	87,654
Freddie Mac preferred stock	—	483	—	483
Community Reinvestment Act mutual fund	2,455	—	—	2,455
Corporate bonds	—	15,158	—	15,158
Trust preferred security	—	—	3,200	3,200
Total securities available for sale	\$ 2,455	\$ 470,843	\$ 7,977	\$ 481,275
Mortgage loans held for sale	\$ —	\$ 11,662	\$ —	\$ 11,662
Consumer loans held for sale	—	—	2,198	2,198
Rate lock loan commitments	—	299	—	299
Mandatory forward contracts	—	204	—	204
Interest rate swap agreements	—	305	—	305
Financial liabilities:				
Interest rate swap agreements	\$ —	\$ 597	\$ —	597

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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, 2017 and 2016.

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, 2017, 2016 and 2015:

## Private Label Mortgage Backed Security

Years Ended December 31, (in thousands)	2017	2016	2015
Balance, beginning of period	\$ 4,777	\$ 5,132	\$ 5,250
Total gains or losses included in earnings:			
Net change in unrealized gain	298	(9)	(125)
Recovery of actual losses previously recorded	—	—	35
Principal paydowns	(626)	(346)	(28)
Balance, end of period	\$ 4,449	\$ 4,777	\$ 5,132

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, 2017 and 2016:

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

December 31, 2016 (dollars in thousands)	Fair	Valuation		
	Value	Technique	Unobservable Inputs	Range
Private label mortgage backed security	\$ 4,777	Discounted cash flow	(1) Constant prepayment rate	2.0% - 6.5%
			(2) Probability of default	3.0% - 9.0%
			(3) Loss severity	60% - 90%

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## 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, 2017, 2016 and 2015:

Years Ended December 31, (in thousands)	2017	2016	2015
Balance, beginning of period	\$ 3,200	\$ 3,405	\$ —
Total gains or losses included in earnings:			
Discount accretion	44	44	—
Net change in unrealized loss	356	(249)	—
Purchases	—	—	3,405
Balance, end of period	\$ 3,600	\$ 3,200	\$ 3,405

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, 2017 and 2016.

As of December 31, 2017 and 2016, the aggregate fair value, contractual balance (including accrued interest), and unrealized gain was as follows:

December 31, (in thousands)	2017	2016
Aggregate fair value	\$ 5,761	\$ 11,662
Contractual balance	5,668	11,568
Unrealized gain	93	94

The total amount of gains and losses from changes in fair value of mortgage loans held for sale included in earnings for 2017, 2016 and 2015 are presented in the following table:

Years Ended December 31, (in thousands)	2017	2016	2015
Interest income	\$ 346	\$ 200	\$ 219
Change in fair value	(1)	4	(33)
Total included in earnings	\$ 345	\$ 204	\$ 186



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## Consumer Loans Held for Sale

During the first quarter of 2016, RCS initiated a short-term installment loan program and elected to carry all loans originated through this program at fair value. Such loans are generally sold within 21 days of origination, with their fair value based on contractual terms. Interest income is recorded based on the contractual terms of the loan and in accordance with Bank policy for such instruments. None of these loans were past due 90-days-or-more or on nonaccrual as of December 31, 2017 and 2016.

A reconciliation of the Company's consumer loans held for sale measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2017 and 2016 is included in Footnote 4 of this section of the filing.

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 short-term installment loans as of December 31, 2017 and 2016:

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

December 31, 2016 (dollars in thousands)	Fair Value	Valuation Technique	Unobservable Inputs	Rate
Consumer loans held for sale	\$ 2,198	Contractual Terms	(1) Net Premium	0.9%
			(2) Discounted Sales	5.0%

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As of December 31, 2017 and 2016, the aggregate fair value, contractual balance, and unrealized gain on consumer loans held for sale, at fair value, was as follows:

December 31, (in thousands)	2017	2016
Aggregate fair value	\$ 2,677	\$ 2,198
Contractual balance	2,535	2,084
Unrealized gain	142	114

The total amount of net gains from changes in fair value included in earnings for the years ended December 31, 2017 and 2016 for consumer loans held for sale, at fair value, are presented in the following table:

Years Ended December 31, (in thousands)	2017	2016
Interest income	\$ 962	\$ 700
Change in fair value	29	114
Total included in earnings	\$ 991	\$ 814

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

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

(in thousands)	Fair Value Measurements at December 31, 2016 Using:			Total Fair Value
	Quoted Prices for Identifiable Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Impaired loans:				
Residential real estate:				
Owner occupied	\$ —	\$ —	\$ 4,787	\$ 4,787
Nonowner occupied	—	—	8	8
Commercial real estate	—	—	2,643	2,643
Home equity	—	—	426	426
Total impaired loans*	\$ —	\$ —	\$ 7,864	\$ 7,864

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Other real estate owned:

Residential real estate	\$ —	\$ —	\$ 400	\$ 400
Total other real estate owned	\$ —	\$ —	\$ 400	\$ 400
Premises	\$ —	\$ —	\$ 2,407	\$ 2,407

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

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The following tables present quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2017 and 2016:

December 31, 2017 (dollars in thousands)	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Impaired loans - residential real estate owner occupied	\$ 4,107	Sales comparison approach	Adjustments determined for differences between comparable sales	0% - 54% (10%)
Impaired loans - residential real estate nonowner occupied	\$ 237	Sales comparison approach	Adjustments determined for differences between comparable sales	0% - 8% (5%)
Impaired loans - commercial real estate	\$ 79	Sales comparison approach	Adjustments determined for differences between comparable sales	21% (21%)
Impaired loans - commercial real estate	\$ 1,287	Income approach	Adjustments for differences between net operating income expectations	17% (17%)
Impaired loans - home equity	\$ 393	Sales comparison approach	Adjustments determined for differences between comparable sales	0% - 23% (15%)
Other real estate owned - residential real estate	\$ 83	Sales comparison approach	Adjustments determined for differences between comparable sales	86% (86%)
Premises	\$ 3,017	Sales comparison approach	Adjustments determined for differences between comparable sales	4% - 67% (21%)
December 31, 2016 (dollars in thousands)	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
	\$ 4,787			

Explanation of Responses:

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Impaired loans - residential real estate owner occupied		Sales comparison approach	Adjustments determined for differences between comparable sales	0% - 53% (6%)
Impaired loans - residential real estate nonowner occupied	\$ 8	Sales comparison approach	Adjustments determined for differences between comparable sales	0% (0%)
Impaired loans - commercial real estate	\$ 1,214	Sales comparison approach	Adjustments determined for differences between comparable sales	3% - 49% (30%)
Impaired loans - commercial real estate	\$ 1,429	Income approach	Adjustments for differences between net operating income expectations	17% (17%)
Impaired loans - home equity	\$ 426	Sales comparison approach	Adjustments determined for differences between comparable sales	0% - 29% (16%)
Other real estate owned - residential real estate	\$ 400	Sales comparison approach	Adjustments determined for differences between comparable sales	17% (17%)
Premises	\$ 2,407	Sales comparison approach	Adjustments determined for differences between comparable sales	6% - 50% (22%)

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## Impaired Loans

Collateral-dependent impaired loans are generally measured for impairment 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 impairment 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. Impaired loans that are collateral dependent are classified within Level 3 of the fair value hierarchy when impairment is determined using the fair value method.

Impaired collateral-dependent loans are as follows:

December 31, (in thousands)	2017	2016
Carrying amount of loans measured at fair value	\$ 5,358	\$ 6,963
Estimated selling costs considered in carrying amount	752	936
Valuation allowance	(7)	(35)
Total fair value	\$ 6,103	\$ 7,864

Years Ended December 31, (in thousands)	2017	2016	2015
Provisions on collateral-dependent, impaired loans	\$ 169	\$ 552	\$ 88

## 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:

Explanation of Responses:

December 31, (in thousands)	2017	2016	2015
Other real estate owned carried at fair value	\$ 83	\$ 400	\$ 870
Other real estate owned carried at cost	32	991	350
Total carrying value of other real estate owned	\$ 115	\$ 1,391	\$ 1,220
Other real estate owned write-downs during the years ended	\$ 155	\$ 270	\$ 1,257

## Premises

The Company's Traditional Banking segment classified four of its former banking centers as held for sale as of December 31, 2017, with three of these former banking centers classified as held for sale as of December 31, 2016. Impairment charges are recorded when the value of a piece of property is reappraised or reassessed below the property's then-carrying value. Impairment charges related to these properties were as follows:

Years Ended December 31, (in thousands)	2017	2016	2015
Impairment charges on premises and equipment	\$ 1,175	\$ 191	\$ 132



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The carrying amounts and estimated fair values of financial instruments, at December 31, 2017 and 2016 are as follows:

		Fair Value Measurements at December 31, 2017:			
(in thousands)	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash and cash equivalents	\$ 299,351	\$ 299,351	\$ —	\$ —	\$ 299,351
Securities available for sale	527,231	2,455	516,727	8,049	527,231
Securities held to maturity	64,227	—	65,133	—	65,133
Mortgage loans held for sale, at fair value	5,761	—	5,761	—	5,761
Consumer loans held for sale, at fair value	2,677	—	—	2,677	2,677
Consumer loans held for sale, at the lower of cost or fair value	8,551	—	8,551	—	8,551
Loans, net	3,971,265	—	—	3,938,998	3,938,998
Federal Home Loan Bank stock	32,067	—	—	—	NA
Accrued interest receivable	12,082	—	12,082	—	12,082
Liabilities:					
Noninterest-bearing deposits	\$ 1,022,042	—	\$ 1,022,042	—	\$ 1,022,042
Transaction deposits	2,049,493	—	2,049,493	—	2,049,493
Time deposits	361,623	—	358,627	—	358,627
Securities sold under agreements to repurchase and other short-term borrowings	204,021	—	204,021	—	204,021
Federal Home Loan Bank advances	737,500	—	730,712	—	730,712
Subordinated note	41,240	—	31,763	—	31,763
Accrued interest payable	1,100	—	1,100	—	1,100

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NA - Not applicable

Fair Value Measurements at December 31, 2016:

Total

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(in thousands)	Carrying Value	Level 1	Level 2	Level 3	Fair Value
Assets:					
Cash and cash equivalents	\$ 289,309	\$ 289,309	\$ —	\$ —	\$ 289,309
Securities available for sale	481,275	2,455	470,843	7,977	481,275
Securities held to maturity	52,864	—	53,249	—	53,249
Mortgage loans held for sale, at fair value	11,662	—	11,662	—	11,662
Consumer loans held for sale, at fair value	2,198	—	—	2,198	2,198
Consumer loans held for sale, at the lower of cost or fair value	1,310	—	1,310	—	1,310
Loans, net	3,777,858	—	—	3,757,698	3,757,698
Federal Home Loan Bank stock	28,208	—	—	—	NA
Accrued interest receivable	10,356	—	10,356	—	10,356
Liabilities:					
Noninterest-bearing deposits	\$ 971,952	—	\$ 971,952	—	\$ 971,952
Transaction deposits	1,939,338	—	1,939,338	—	1,939,338
Time deposits	249,417	—	248,684	—	248,684
Securities sold under agreements to repurchase and other short-term borrowings	173,473	—	173,473	—	173,473
Federal Home Loan Bank advances	802,500	—	798,594	—	798,594
Subordinated note	41,240	—	30,821	—	30,821
Accrued interest payable	948	—	948	—	948

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NA - Not applicable

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Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the Bank's estimates.

The assumptions used in the estimation of the fair value of the Company's financial instruments are explained below. Where quoted market prices are not available, fair values are based on estimates using discounted cash flow and other valuation techniques. Discounted cash flows can be significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The following fair value estimates cannot be substantiated by comparison to independent markets and should not be considered representative of the liquidation value of the Company's financial instruments, but rather a good-faith estimate of the fair value of financial instruments held by the Company.

In addition to those previously disclosed, the following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Cash and cash equivalents — The carrying amounts of cash and short-term instruments approximate fair values and are classified as Level 1.

Consumer loans held for sale, at lower of cost or fair value – Consumer loans held for sale at the lower of cost or fair value constitute short-term consumer loans generally sold within two business days of origination. The carrying amounts of these loans, due to their short-term nature, approximate fair value and result in a Level 2 classification.

Loans, net of Allowance — The fair value of loans is calculated using discounted cash flows by loan type resulting in a Level 3 classification. The discount rate used to determine the present value of the loan portfolio is an estimated market rate that reflects the credit and interest rate risk inherent in the loan portfolio without considering widening credit spreads due to market illiquidity. The estimated maturity is based on the Bank's historical experience with repayments adjusted to estimate the effect of current market conditions. The Allowance is considered a reasonable discount for credit risk. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

Federal Home Loan Bank stock — It is not practical to determine the fair value of FHLB stock due to restrictions placed on its transferability.

Accrued interest receivable/payable — The carrying amounts of accrued interest, due to their short-term nature, approximate fair value and result in a Level 2 classification.

Deposits — Fair values for time deposits have been determined using discounted cash flows. The discount rate used is based on estimated market rates for deposits of similar remaining maturities and are classified as Level 2. The carrying amounts of all other deposits, due to their short-term nature, approximate their fair values and are also classified as Level 2.

Securities sold under agreements to repurchase and other short-term borrowings — The carrying amount for securities sold under agreements to repurchase and other short-term borrowings generally maturing within ninety days approximates its fair value resulting in a Level 2 classification.

Federal Home Loan Bank advances — The fair value of the FHLB advances is obtained from the FHLB and is calculated by discounting contractual cash flows using an estimated interest rate based on the current rates available to the Company for debt of similar remaining maturities and collateral terms resulting in a Level 2 classification.

Subordinated note — The fair value for the subordinated note is calculated using discounted cash flows based upon current market spreads to London Interbank Borrowing Rate (“LIBOR”) for debt of similar remaining maturities and collateral terms resulting in a Level 2 classification.

The fair value estimates presented herein are based on pertinent information available to management as of the respective period ends. Although management is not aware of any factors that would dramatically affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and, therefore, estimates of fair value may differ significantly from the amounts presented.

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## 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)	2017	2016	2015
Balance, beginning of period	\$ 11,662	\$ 4,083	\$ 6,388
Origination of mortgage loans held for sale	160,091	216,812	160,989
Transferred from held for investment to held for sale	—	71,201	—
Proceeds from the sale of mortgage loans held for sale	(169,969)	(287,090)	(167,209)
Net gain on sale of mortgage loans held for sale	3,977	6,656	3,915
Balance, end of period	\$ 5,761	\$ 11,662	\$ 4,083

Mortgage loans serviced for others are not reported as assets. The Bank serviced loans for others, primarily FHLMC, totaling \$969 million and \$971 million at December 31, 2017 and 2016. 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 \$9 million and \$7 million at December 31, 2017 and 2016.

The following table presents the components of Mortgage Banking income:

Years Ended December 31, (in thousands)	2017	2016	2015
Net gain realized on sale of mortgage loans held for sale	\$ 4,180	\$ 5,478	\$ 3,882

Explanation of Responses:

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Net gain realized on sale of mortgage loans transferred from held for investment to held for sale	—	1,129	—
Net change in fair value recognized on loans held for sale	(1)	4	(33)
Net change in fair value recognized on rate lock loan commitments	11	(8)	57
Net change in fair value recognized on forward contracts	(213)	53	9
Net gain recognized	3,977	6,656	3,915
Loan servicing income	2,169	1,983	1,896
Amortization of mortgage servicing rights	(1,504)	(1,757)	(1,400)
Net servicing income recognized	665	226	496
Total Mortgage Banking income	\$ 4,642	\$ 6,882	\$ 4,411

Activity for capitalized mortgage servicing rights was as follows:

Years Ended December 31, (in thousands)	2017	2016	2015
Balance, beginning of period	\$ 5,180	\$ 4,912	\$ 4,813
Additions	1,368	2,025	1,499
Amortized to expense	(1,504)	(1,757)	(1,400)
Balance, end of period	\$ 5,044	\$ 5,180	\$ 4,912

There was no balance or activity in the valuation allowance for capitalized mortgage servicing rights for the years ended December 31, 2017, 2016 and 2015.

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Other information relating to mortgage servicing rights follows:

December 31, (dollars in thousands)	2017		2016	
Fair value of mortgage servicing rights portfolio	\$ 7,984		\$ 7,478	
Monthly weighted average prepayment rate of unpaid principal balance*	200	%	158	%
Discount rate	10.00	%	13	%
Weighted average default rate	3.75	%	1.50	%
Weighted average life in years	5.49		6.75	

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\* 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)
2018	\$ 1,034
2019	1,005
2020	970
2021	901
2022	591
2023	529
2024	14
Total	\$ 5,044

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.



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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:

December 31, (in thousands)	2017 Notional Amount	Fair Value	2016 Notional Amount	Fair Value
Included in Mortgage loans held for sale:				
Mortgage loans held for sale, at fair value	\$ 5,668	\$ 5,761	\$ 11,568	\$ 11,662
Included in other assets:				
Rate lock loan commitments	\$ 14,696	\$ 310	\$ 19,521	\$ 299
Mandatory forward contracts	—	—	25,618	204
Included in other liabilities:				
Mandatory forward contracts	\$ 17,159	\$ 9	\$ —	\$ —

## 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 became effective April 23, 2015 when the Company's shareholders approved the 2015 Plan. The 2015 Plan replaced the Company's 2005 Stock Incentive Plan, which expired on March 15, 2015.

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 above-mentioned plans 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.

### Stock Options

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,	2017		2016		2015	
Risk-free interest rate	2.07	%	1.43	%	1.54	%
Expected dividend yield	2.41	%	3.16	%	3.06	%
Expected stock price volatility	20.36	%	20.17	%	22.66	%
Expected life of options (in years)	5		5		5	
Estimated fair value per share	\$ 5.46		\$ 3.27		\$ 3.58	

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The following table summarizes stock option activity from January 1, 2016 through December 31, 2017:

	Options Class A Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2016	323,400	\$ 24.40		
Granted	5,000	26.43		
Exercised	(4,000)	20.12		
Forfeited or expired	(11,800)	24.47		
Outstanding, December 31, 2016	312,600	\$ 24.49	3.77	\$ 4,705,807
Outstanding, January 1, 2017	312,600	\$ 24.49		
Granted	4,500	35.54		
Exercised	(3,500)	19.63		
Forfeited or expired	(18,600)	24.99		
Outstanding, December 31, 2017	295,000	\$ 24.68	2.86	\$ 3,935,010
Fully vested and unvested	295,000	\$ 24.68	2.86	\$ 3,935,010
Exercisable (vested) at December 31, 2017	—	\$ —	—	\$ —

Information related to the stock options during each year follows:

Years Ended December 31, (in thousands, except per share data)	2017	2016	2015
Intrinsic value of options exercised	\$ 71	\$ 18	\$ 581
Cash received from options exercised, net of shares redeemed	68	80	1,136
Weighted-average fair value per share of options granted	5.46	3.27	3.58

Loan balances of non-executive officer employees that were originated solely to fund stock option exercises were as follows:

December 31, (in thousands)	2017	2016
Outstanding loans	\$ 136	\$ 371



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## Restricted Stock Awards

Restricted stock awards generally vest five to 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, 2016 through December 31, 2017:

	Restricted Stock Awards	Weighted-Average Grant Date Fair Value
	Class A Shares	
Outstanding, January 1, 2016	79,000	\$ 20.02
Granted	—	—
Forfeited	(2,000)	19.85
Earned and issued	—	—
Outstanding, December 31, 2016	77,000	\$ 20.02
Outstanding, January 1, 2017	77,000	\$ 20.02
Granted	7,413	35.77
Forfeited	(750)	19.85
Earned and issued	(42,053)	21.66
Outstanding, December 31, 2017	41,610	\$ 21.18
Unvested	41,610	\$ 21.18

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 performance stock units (“PSUs”) under the 2015 Plan in January 2016. Shares of stock underlying the PSUs may be earned over a four-year performance period commencing on January 1, 2017 and ending on December 31, 2020 as follows:

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If the Company achieves a Return on Average Assets (“ROAA”), as defined in the award agreement, of 1.25% for a calendar year in the performance period, then between March 1st and March 15th of the following year, provided that the recipient is still employed in good standing on the payment date, the Company will issue shares of fully vested stock to the participant equal to 50% of the number of the PSUs initially granted to the participant; and

- If the ROAA of 1.25% is met again at the end of another calendar year during the remaining term of the performance period, the Company will similarly issue fully vested stock in an amount equal to the remaining 50% of the initial PSUs granted to the participant.

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The following table summarizes PSU activity from January 1, 2016 through December 31, 2017:

	Performance Stock Units	Weighted-Average Grant Date Fair Value
	Class A Shares	
Outstanding, January 1, 2016	—	\$ —
Granted	55,000	23.13
Forfeited	—	—
Earned and issued	—	—
Outstanding, December 31, 2016	55,000	\$ 23.13
Outstanding, January 1, 2017	55,000	\$ 23.13
Granted	—	—
Forfeited	(6,500)	23.48
Earned and issued	—	—
Outstanding, December 31, 2017	48,500	\$ 23.08
Unvested	48,500	\$ 23.08

## Expense Related to Stock Incentive Plans

The Company recorded expense related to stock incentive plans for the years ended December 31, 2017, 2016 and 2015 as follows:

Years Ended December 31, (in thousands)	2017	2016	2015
Stock option expense	\$ 227	\$ 248	\$ 169
Restricted stock award expense	424	258	253
Performance stock unit expense	491	524	—
Total expense	\$ 1,142	\$ 1,030	\$ 422

Unrecognized expenses related to unvested awards (net of estimated forfeitures) under stock incentive plans are estimated as follows:

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Year Ended (in thousands)	Stock Options	Restricted Stock Awards	Performance Stock Units	Total
2018	\$ 243	\$ 183	\$ 215	\$ 641
2019	139	—	—	139
2020	35	—	—	35
2021	5	—	—	5
2022	—	—	—	—
2023	—	—	—	—
Total	\$ 422	\$ 183	\$ 215	\$ 820

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## Director Deferred Compensation

In November 2004, the Company's Board of Directors approved a Non-Qualified Deferred Compensation Plan (the "Plan"). The Plan governs the deferral of board and committee fees of non-employee members of the Board of Directors. Members of the Board of Directors may defer up to 100% of their board and committee fees for a specified period ranging from two to five years. The value of the deferred director compensation account is deemed "invested" in Company stock and is immediately vested. On a quarterly basis, the Company reserves shares of Republic's stock within the Company's stock option plan for ultimate distribution to Directors at the end of the deferral period.

The following table presents information on director deferred compensation shares reserved for the periods shown:

Years ended December 31,	2017	Weighted Average Market Price at Date of Deferral	2016	Weighted Average Market Price at Date of Deferral	2015	Weighted Average Market Price at Date of Deferral
	Shares Deferred Class A		Shares Deferred Class A		Shares Deferred Class A	
Balance, beginning of period	64,155	\$ 22.94	62,253	\$ 22.12	58,604	\$ 21.56
Awarded	5,199	36.81	6,208	29.99	8,586	25.24
Released	(5,456)	22.84	(4,306)	21.13	(4,937)	21.00
Balance, end of period	63,898	\$ 24.08	64,155	\$ 22.94	62,253	\$ 22.12

Director deferred compensation has been expensed as follows:

Years Ended December 31, (in thousands)	2017	2016	2015
Director deferred compensation expense	\$ 191	\$ 170	\$ 223

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## 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 Internal Revenue Service (“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 aforementioned 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)	2017	2016	2015
Employer matching contributions	\$ 2,190	\$ 1,789	\$ 1,517
Discretionary employer bonus matching contributions	335	583	—

## Supplemental Executive Retirement Plan

In association with its May 17, 2016 Cornerstone acquisition, the Company inherited a Supplemental Executive Retirement Plan (“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 on a monthly basis. The SERP liability was approximately \$2 million and \$2 million at December 31, 2017 and 2016. Expense under the SERP was \$93,000 and \$81,000 for the years ended December 31, 2017 and 2016.

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## 19.INCOME TAXES

On December 22, 2017, President Donald Trump signed into law the Tax Cuts and Jobs Act (“TCJA”). The TCJA, among other things, reduces the federal corporate tax rate from 35% to 21%, effective January 1, 2018. As a result of the reduced tax rate, the Company incurred a charge of \$6.3 million to income tax expense during 2017 representing the decrease in value of its net DTA upon enactment of the TCJA. With the exception of deferred taxes related to depreciation on a portion of its property and equipment, the Company has materially completed its accounting for the tax effects upon enactment of the TCJA. Regarding its deferred taxes related to depreciation, the Company awaits the completion of a cost segregation study. For the year ended December 31, 2017, the Company did not have the necessary information available, analyzed or prepared to make a reasonable estimate of the impact of the cost segregation study on its deferred taxes related to depreciation. The cost segregation study is scheduled to be completed in the latter half of 2018, prior to the Company’s filing of its 2017 income tax returns. The cost segregation study is expected to provide the Company with the necessary information to complete the accounting for the deferred taxes related to depreciation.

Allocation of federal income tax between current and deferred portion is as follows:

Years Ended December 31, (in thousands)	2017	2016	2015
Current expense:			
Federal	\$ 26,983	\$ 24,295	\$ 18,108
State	486	465	1,125
Deferred expense:			
Impact of TCJA	6,326	—	—
Federal - other	(965)	(1,753)	(1,262)
State	(76)	53	107
Total	\$ 32,754	\$ 23,060	\$ 18,078

Effective tax rates differ from federal statutory rate of 35% applied to income before income taxes due to the following:

Years Ended December 31,	2017	2016	2015
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Federal statutory rate times financial statement income	35.00	%	35.00	%	35.00	%
Effect of:						
Enactment of TCJA	8.07		—		—	
State taxes, net of federal benefit	0.34		0.49		1.50	
General business tax credits	—		(0.33)		(0.43)	
Nontaxable income	(1.90)		(2.12)		(2.68)	
Other, net	0.28		0.39		0.56	
Effective tax rate	41.79		33.43		33.95	

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Year-end DTAs and DTLs were due to the following:

December 31, (in thousands)	2017	2016
Deferred tax assets:		
Allowance for loan and lease losses	\$ 9,057	\$ 10,824
Accrued expenses	3,009	5,733
Net operating loss carryforward(1)	3,934	5,417
Other-than-temporary impairment	462	746
Partnership losses	156	879
OREO writedowns	17	19
Fair value of cash flow hedges	19	138
Acquisition fair value adjustments	748	1,379
Other	1,620	2,237
Total deferred tax assets	19,022	27,372
Deferred tax liabilities:		
Unrealized investment securities gains	(130)	(508)
Federal Home Loan Bank dividends	(2,659)	(4,296)
Deferred loan fees	(7)	(162)
Mortgage servicing rights	(1,127)	(1,870)
Bargain purchase gain	(599)	(1,436)
New market tax credits	—	(831)
Depreciation and amortization(2)	(783)	(138)
Other	(1,656)	(1,127)
Total deferred tax liabilities	(6,961)	(10,368)
Less: Valuation allowance	(1,718)	(1,635)
Net deferred tax asset	\$ 10,343	\$ 15,369

(1) The Company has federal and state net operating loss carryforwards (acquired in its 2016 Cornerstone acquisition) of \$9.5 million (federal) and \$6.4 million (state). These carryforwards begin to expire in 2029 for both federal and state purposes. The use of these federal and state carryforwards are each limited under IRC Section 382 to \$722,000 annually for federal and \$709,000 annually for state. The Company also has a Kentucky net operating loss carryforward of \$27.8 million which began expiring in 2013. The company maintains a valuation allowance as it does not anticipate generating taxable income in Kentucky to utilize this carryforward prior to expiration. Finally, the Company has AMT credit carryforwards of \$87,000 with no expiration date.

(2) The Company lacked the necessary information available, analyzed or prepared to complete the accounting for a portion of this item. Additional information needed includes the completion of a cost segregation study that is expected to be in the latter part of 2018, prior to the filing of the Company's 2017 federal and state income tax returns.



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## Unrecognized Tax Benefits

The Company has not filed tax returns in certain jurisdictions where it has conducted limited lending activity but had no offices; therefore, the Company is open to examination for all years in which the lending activity has occurred. The Company adopted the provisions of ASC 740-10, Accounting for Uncertainty in Income Taxes, on January 1, 2007 and recognized a liability for the amount of tax which would be due to those jurisdictions should it be determined that income tax filings were required. It is the Company's policy to recognize interest and penalties as a component of income tax expense related to its unrecognized tax benefits.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Years Ended December 31, (in thousands)	2017	2016	2015
Balance, beginning of period	\$ 1,495	\$ 1,800	\$ 1,977
Additions based on tax related to the current period	259	268	109
Additions for tax positions of prior periods	—	—	15
Reductions for tax positions of prior periods	(42)	(90)	—
Reductions due to the statute of limitations	(800)	(340)	(301)
Settlements	—	(143)	—
Balance, end of period	\$ 912	\$ 1,495	\$ 1,800

Of the 2017 total, \$721,000 represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods.

Amounts related to interest and penalties recorded in the income statements for the years ended December 31, 2017, 2016 and 2015 and accrued on the balance sheets as of December 31, 2017, 2016 and 2015 are presented below:

Years Ended December 31, (in thousands)	2017	2016	2015
Interest and penalties recorded in the income statement as a component of income tax expense	\$ (258)	\$ (290)	\$ 19
Interest and penalties accrued on balance sheet	299	557	847

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.





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## 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)	2017	2016	2015
Net income	\$ 45,632	\$ 45,903	\$ 35,166
Dividends declared on Common Stock:			
Class A Shares	(16,158)	(15,359)	(14,531)
Class B Shares	(1,773)	(1,685)	(1,594)
Undistributed net income for basic earnings per share	27,701	28,859	19,041
Weighted average potential dividends on Class A shares upon exercise of dilutive options	(75)	(10)	(63)
Undistributed net income for diluted earnings per share	\$ 27,626	\$ 28,849	\$ 18,978
Weighted average shares outstanding:			
Class A Shares	18,678	18,697	18,616
Class B Shares	2,243	2,245	2,245
Effect of dilutive securities on Class A Shares outstanding	86	12	81
Weighted average shares outstanding including dilutive securities	21,007	20,954	20,942
Basic earnings per share:			
Class A Common Stock:			
Per share dividends distributed	\$ 0.87	\$ 0.83	\$ 0.78
Undistributed earnings per share*	1.34	1.39	0.92
Total basic earnings per share - Class A Common Stock	\$ 2.21	\$ 2.22	\$ 1.70
Class B Common Stock			
Per share dividends distributed	\$ 0.79	\$ 0.75	\$ 0.71
Undistributed earnings per share*	1.22	1.27	0.84
Total basic earnings per share - Class B Common Stock	\$ 2.01	\$ 2.02	\$ 1.55

Diluted earnings per share:  
Class A Common Stock:

Explanation of Responses:

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Per share dividends distributed	\$ 0.87	\$ 0.83	\$ 0.78
Undistributed earnings per share*	1.33	1.39	0.92
Total diluted earnings per share - Class A Common Stock	\$ 2.20	\$ 2.22	\$ 1.70

Class B Common Stock:

Per share dividends distributed	\$ 0.79	\$ 0.75	\$ 0.71
Undistributed earnings per share*	1.21	1.26	0.83
Total diluted earnings per share - Class B Common Stock	\$ 2.00	\$ 2.01	\$ 1.54

\*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:

	2017	2016	2015
Antidilutive stock options	4,500	5,000	318,400
Average antidilutive stock options	2,375	3,125	216,621

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## 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 under these leases was as follows:

Years Ended December 31, (in thousands)	2017	2016	2015
Rent expense under leases from related parties	\$ 4,008	\$ 3,791	\$ 3,706

Total minimum lease commitments under non-cancelable operating leases are as follows:

Year (in thousands)	Affiliate	Other	Total
2018	\$ 4,199	2,285	6,484
2019	3,969	2,062	6,031
2020	3,785	1,676	5,461
2021	3,287	1,515	4,802
2022	2,390	1,116	3,506
Thereafter	3,919	2,751	6,670
Total	\$ 21,549	\$ 11,405	\$ 32,954

A director of Republic Bancorp, Inc. is the President and Chief Executive Officer of a company that leases space to the Company. Fees paid by the Company totaled \$16,000, \$15,000 and \$15,000 for years ended December 31, 2017, 2016 and 2015.

A director of Republic Bancorp, Inc. was designated as a staff attorney with a local law firm through June 30, 2017. While this director had an arrangement where he received a percentage of revenues paid to the law firm by certain clients, fees paid to the law firm by the Company were not included in this arrangement. Fees paid by the Company to this law firm totaled \$237,000, \$183,000 and \$183,000 in 2017, 2016 and 2015.

A director of the Bank is an executive of two consulting firms and a local chamber of commerce. Fees paid by the Company to these entities totaled \$106,000, \$122,000 and \$101,000 in 2017, 2016 and 2015.

A director of the Bank is a partner of an accounting firm that received fees from the Company of \$1,000, \$1,000 and \$2,000 in 2017, 2016 and 2015.

Loans made to executive officers and directors of Republic and their related interests during 2017 were as follows:

	(in thousands)
Beginning balance	\$ 37,954
Effect of changes in composition of related parties	(632)
New loans	6,787
Repayments	(6,957)
Ending balance	\$ 37,152

Deposits from executive officers, directors, and their affiliates totaled \$86 million and \$81 million at December 31, 2017 and 2016.

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, 2017 and 2016.

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Pursuant to the terms of the trust, the beneficiaries of the trust will each receive the proceeds of the policies after the repayment of the \$690,000 of indebtedness to the Company. The aggregate amount of such unreimbursed premiums constitutes indebtedness from the trust to the Company and is secured by a collateral assignment of the policies. As of December 31, 2017 and 2016, the net death benefit under the policies was approximately \$3 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)	2017	2016	2015
Available for Sale Securities:			
Change in unrealized gain (loss) on securities available for sale	\$ (1,265)	\$ (2,294)	\$ (3,160)
Reclassification adjustment for net (gain) loss on securities available for sale recognized in earnings	136	—	(88)
Change in unrealized gain on security available for sale for which a portion of an other-than-temporary impairment has been recognized in earnings	298	(9)	(125)
Net unrealized gains (losses)	(831)	(2,303)	(3,373)
Tax effect	377	807	1,181
Net of tax	(454)	(1,496)	(2,192)
Cash Flow Hedges:			
Change in fair value of derivatives used for cash flow hedges	83	(125)	(514)
Reclassification amount for derivative losses realized in income	219	332	402
Net unrealized gains (losses)	302	207	(112)
Tax effect	(119)	(73)	38
Net of tax	183	134	(74)
Total other comprehensive income (loss) components, net of tax	\$ (271)	\$ (1,362)	\$ (2,266)

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Significant amounts reclassified out of each component of accumulated OCI for the years ended December 31, 2017, 2016 and 2015:

	Affected Line Items in the Consolidated	Amounts Reclassified From Accumulated Other Comprehensive Income		
Years Ended December 31, (in thousands)	Statements of Income	2017	2016	2015
Available for Sale Securities:				
Net gains (losses) on securities available for sale	Noninterest income	\$ (136)	\$ —	\$ 88
Tax effect	Income tax expense (benefit)	48	—	(31)
Net of tax	Net income	(88)	—	57
Cash Flow Hedges:				
Interest rate swap on money market deposits	Interest expense on deposits	(109)	(168)	(198)
	Interest expense on FHLB advances	(110)	(164)	(204)
Interest rate swap on FHLB advance				
Total derivative losses on cash flow hedges	Total interest expense	(219)	(332)	(402)
Tax effect	Income tax expense	77	116	141
Net of tax	Net income	(142)	(216)	(261)
Net of tax, total all reclassification amounts				
	Net income	\$ (230)	\$ (216)	\$ (204)

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The following is a summary of the accumulated OCI balances, net of tax:

(in thousands)	2017		December 31, 2017
	December 31, 2016	Change	
Unrealized gain on securities available for sale	\$ 237	\$ (841)	\$ (604)
Unrealized gain on security available for sale for which a portion of an other-than-temporary impairment has been recognized in earnings	706	387	1,093
Unrealized loss on cash flow hedge	(256)	183	(73)
Total unrealized gain	\$ 687	\$ (271)	\$ 416

(in thousands)	2016		December 31, 2016
	December 31, 2015	Change	
Unrealized gain on securities available for sale	\$ 1,727	\$ (1,490)	\$ 237
Unrealized gain on security available for sale for which a portion of an other-than-temporary impairment has been recognized in earnings	712	(6)	706
Unrealized loss on cash flow hedge	(390)	134	(256)
Total unrealized gain	\$ 2,049	\$ (1,362)	\$ 687

## 23.PARENT COMPANY CONDENSED FINANCIAL INFORMATION

## BALANCE SHEETS

December 31, (in thousands)	2017	2016
Assets:		
Cash and cash equivalents	\$ 98,943	\$ 95,755
Security available for sale	3,600	3,200
Investment in bank subsidiary	569,162	541,972
Investment in non-bank subsidiaries	3,211	2,982

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Other assets	5,512	6,838
Total assets	\$ 680,428	\$ 650,747
Liabilities and Stockholders' Equity:		
Subordinated note	\$ 41,240	\$ 41,240
Other liabilities	6,764	5,101
Stockholders' equity	632,424	604,406
Total liabilities and stockholders' equity	\$ 680,428	\$ 650,747



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## STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years Ended December 31, (in thousands)	2017	2016	2015
Income and expenses:			
Dividends from subsidiary	\$ 20,063	\$ 19,114	\$ 17,340
Interest income	186	162	17
Other income	45	45	45
Less: Interest expense	1,094	915	2,056
Less: Other expenses	394	446	568
Income before income tax benefit	18,806	17,960	14,778
Income tax benefit	116	394	876
Income before equity in undistributed net income of subsidiaries	18,922	18,354	15,654
Equity in undistributed net income of subsidiaries	26,710	27,549	19,512
Net income	\$ 45,632	\$ 45,903	\$ 35,166
Comprehensive income	\$ 45,361	\$ 44,541	\$ 32,900

## STATEMENTS OF CASH FLOWS

Years Ended December 31, (in thousands)	2017	2016	2015
Operating activities:			
Net income	\$ 45,632	\$ 45,903	\$ 35,166
Adjustments to reconcile net income to net cash provided by operating activities:			
Accretion of investment security	(44)	(44)	(4)
Equity in undistributed net income of subsidiaries	(26,710)	(27,549)	(19,512)
Director deferred compensation - Parent Company	108	103	108
Change in other assets	1,215	(1,366)	1,853
Change in other liabilities	1,623	(313)	201
Net cash provided by operating activities	21,824	16,734	17,812
Investing activities:			
Acquisition of Cornerstone Bancorp, Inc.	—	(31,795)	—
Purchases of security available for sale	—	—	(3,401)

Explanation of Responses:

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Net cash used in investing activities	—	(31,795)	(3,401)
Financing activities:			
Payoff of subordinated note, net of common security interest	—	(4,000)	—
Common Stock repurchases	(1,048)	(1,207)	(551)
Net proceeds from Common Stock options exercised	68	80	1,136
Cash dividends paid	(17,656)	(16,768)	(15,839)
Net cash used in financing activities	(18,636)	(21,895)	(15,254)
Net change in cash and cash equivalents	3,188	(36,956)	(843)
Cash and cash equivalents at beginning of period	95,755	132,711	133,554
Cash and cash equivalents at end of period	\$ 98,943	\$ 95,755	\$ 132,711

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## 24.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, 2017, 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 Bank’s Correspondent Lending channel and the Company’s national branchless banking platform, MemoryBank, are considered part of the Traditional Banking segment.

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

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 Revenues:
Core Banking:		
Traditional Banking	Provides traditional banking products to clients primarily in its market footprint 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 short-term 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 small-dollar, 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.

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Segment information for the years ended December 31, 2017, 2016 and 2015 is as follows:

(dollars in thousands)	Year Ended December 31, 2017				Republic Processing Group	
	Core Banking				Tax Refund Solutions	Republic Credit Solutions
	Traditional Banking	Warehouse Lending	Mortgage Banking	Total Core Banking		
Net interest income	\$ 142,823	\$ 17,533	\$ 346	\$ 160,702	\$ 15,197	\$ 22,621
Provision for loan and lease losses	3,923	(150)	—	3,773	6,535	17,396
Net refund transfer fees	—	—	—	—	18,500	—
Mortgage banking income	—	—	4,642	4,642	—	—
Program fees	—	—	—	—	176	5,648
Net losses on securities available for sale	(136)	—	—	(136)	—	—
Other noninterest income	27,588	37	279	27,904	164	1,516
Total noninterest income	27,452	37	4,921	32,410	18,840	7,164
Total noninterest expense	124,637	3,392	4,765	132,794	14,491	3,559
Income before income tax expense	41,715	14,328	502	56,545	13,011	8,830
Income tax expense (benefit) - TCJA	5,115	181	(702)	4,594	—	1,732
Income tax expense - Other	13,087	5,240	176	18,503	4,721	3,204
Total income tax expense (benefit)	18,202	5,421	(526)	23,097	4,721	4,936
Net income	\$ 23,513	\$ 8,907	\$ 1,028	\$ 33,448	\$ 8,290	\$ 3,894
Period-end total assets	\$ 4,470,932	\$ 525,246	\$ 11,115	\$ 5,007,293	\$ 12,450	\$ 65,619
Net interest margin	3.55	%	3.53	%	NM	NM

Explanation of Responses:

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Net-revenue concentration*	66	%	7	%	2	%	75	%	13	%	12	%
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(dollars in thousands)	Year Ended December 31, 2016				Republic Processing Group	
	Core Banking				Tax Refund Solutions	Republic Credit Solutions
	Traditional Banking	Warehouse Lending	Mortgage Banking	Total Core Banking		
Net interest income	\$ 121,692	\$ 16,529	\$ 200	\$ 138,421	\$ 6,607	\$ 11,026
Provision for loan and lease losses	3,448	497	—	3,945	2,772	7,776
Net refund transfer fees	—	—	—	—	19,240	—
Mortgage banking income	—	—	6,882	6,882	—	—
Program fees	—	—	—	—	210	2,834
Other noninterest income	26,090	18	360	26,468	189	1,686
Total noninterest income	26,090	18	7,242	33,350	19,639	4,520
Total noninterest expense	108,360	3,142	4,688	116,190	11,701	2,216
Income before income tax expense	35,974	12,908	2,754	51,636	11,773	5,554
Income tax expense	11,015	4,798	964	16,777	4,270	2,013
Net income	\$ 24,959	\$ 8,110	\$ 1,790	\$ 34,859	\$ 7,503	\$ 3,541

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Period-end total assets	\$ 4,169,557		\$ 584,916		\$ 17,453		\$ 4,771,926		\$ 13,575		\$ 30,808	
Net interest margin	3.26	%	3.59	%	NM		3.30	%	NM		NM	
Net-revenue concentration*	69	%	8	%	3	%	80	%	13	%	7	%

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(dollars in thousands)	Year Ended December 31, 2015				Republic Processing Group ('			
	Core Banking				Tax Refund Solutions Republic Credit Solutions			
	Traditional Banking	Warehouse Lending	Mortgage Banking	Total Core Banking				
Net interest income	\$ 108,303	\$ 12,209	\$ 219	\$ 120,731	\$ 896		\$ 2,343	
Provision for loan and lease losses	2,897	168	—	3,065	(279)		2,610	
Net refund transfer fees	—	—	—	—	17,388		—	
Mortgage banking income	—	—	4,411	4,411	—		—	
Program fees	—	—	—	—	254		979	
Gain on call of security available for sale	88	—	—	88	—		—	
Other noninterest income	23,670	24	248	23,942	932		—	
Total noninterest income	23,758	24	4,659	28,441	18,574		979	
Total noninterest expense	93,740	2,526	4,918	101,184	10,770		1,370	
Income (loss) before income tax expense	35,424	9,539	(40)	44,923	8,979		(658)	
Income tax expense (benefit)	11,505	3,575	(14)	15,066	3,250		(238)	
Net income (loss)	\$ 23,919	\$ 5,964	\$ (26)	\$ 29,857	\$ 5,729		\$ (420)	
Period-end total assets	\$ 3,809,526	\$ 386,414	\$ 9,348	\$ 4,205,288	\$ 18,891		\$ 6,110	
Net interest margin	3.20	%	3.58	%	NM		3.24	%
Net-revenue concentration*	77	%	7	%	3	%	87	%

Explanation of Responses:

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\*Net revenues are equal to net interest income plus noninterest income.

Segment assets are reported as of the respective period ends while income and margin data are reported for the respective periods.

NM - Not Meaningful

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## 25.SUMMARY OF QUARTERLY FINANCIAL DATA (UNAUDITED)

Presented below is a summary of the consolidated quarterly financial data for the years ended December 31, 2017 and 2016.

(dollars in thousands, except per share data)	2017 Fourth Quarter	Third Quarter	Second Quarter	First Quarter(1)
Interest income	\$ 56,349	\$ 53,725	\$ 47,821	\$ 60,883
Interest expense	5,711	5,418	4,684	4,445
Net interest income	50,638	48,307	43,137	56,438
Provision for loan and lease losses(2)	6,071	4,221	5,061	12,351
Net interest income after provision	44,567	44,086	38,076	44,087
Noninterest income	10,190	10,374	12,927	24,923
Noninterest expense(4)	38,145	38,026	35,734	38,939
Income before income taxes	16,612	16,434	15,269	30,071
Income tax expense(5)	11,774	5,728	5,198	10,054
Net income	\$ 4,838	\$ 10,706	\$ 10,071	\$ 20,017
Basic earnings per share:				
Class A Common Stock	\$ 0.23	\$ 0.51	\$ 0.48	\$ 0.97
Class B Common Stock	0.21	0.47	0.44	0.88
Diluted earnings per share:				
Class A Common Stock	\$ 0.23	\$ 0.51	\$ 0.48	\$ 0.96
Class B Common Stock	0.21	0.47	0.44	0.88
Dividends declared per common share:				
Class A Common Stock	\$ 0.220	\$ 0.220	\$ 0.220	\$ 0.209
Class B Common Stock	0.200	0.200	0.200	0.190

(dollars in thousands, except per share data)	2016 Fourth Quarter	Third Quarter	Second Quarter	First Quarter(1)
Interest income	\$ 45,903	\$ 43,934	\$ 40,140	\$ 44,015
Interest expense	4,258	4,536	4,563	4,581
Net interest income	41,645	39,398	35,577	39,434
Provision for loan and lease losses(2)	5,004	2,489	1,814	5,186

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Net interest income after provision	36,641	36,909	33,763	34,248
Noninterest income(3)	10,485	11,301	10,802	24,921
Noninterest expense(4)	32,166	33,534	31,866	32,541
Income before income tax expense	14,960	14,676	12,699	26,628
Income tax expense	4,960	4,848	4,359	8,893
Net income	\$ 10,000	\$ 9,828	\$ 8,340	\$ 17,735
Basic earnings per share:				
Class A Common Stock	\$ 0.48	\$ 0.47	\$ 0.40	\$ 0.86
Class B Common Stock	0.44	0.43	0.37	0.78
Diluted earnings per share:				
Class A Common Stock	\$ 0.48	\$ 0.47	\$ 0.40	\$ 0.85
Class B Common Stock	0.44	0.43	0.37	0.77
Dividends declared per common share:				
Class A Common Stock	\$ 0.209	\$ 0.209	\$ 0.209	\$ 0.198
Class B Common Stock	0.190	0.190	0.190	0.180

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(1) The first quarters of 2017 and 2016 were significantly impacted by the TRS segment of RPG.

(2) Provision expense:

The relatively higher levels of provision expense during the first quarters of 2017 and 2016 were driven by the TRS segment's EA product. Provision expense for EAs during the first quarters of 2017 and 2016 was \$8.6 million and \$3.6 million.

Excluding expense related to the TRS segment's EA product, the increase in Provision expense from the third quarter of 2016 to the fourth quarter of 2016 and into 2017 was primarily driven by growth in short-term consumer loans originated through the RCS segment.

(3) Noninterest income:

During the third quarter of 2016, the Company recorded a \$1.1 million gain on the bulk-loan sale of approximately \$71 million of its correspondent loan portfolio.

(4) Noninterest expense:

During the fourth quarters of 2017 and 2016, the Company reversed \$1.1 million and \$1.7 million of incentive compensation accruals based on revised payout estimates.

During the third quarter of 2016, The Company incurred an \$846,000 prepayment penalty on payoff of \$50 million in FHLB advances.

(5) Income tax expense:

Upon enactment of the TCJA on December 22, 2017, the Company recorded a charge to income tax expense of \$6.3 million due to the remeasurement of its deferred tax assets and liabilities at a 21% corporate tax rate.

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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, 2017 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

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## 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,” “SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE” and “THE BOARD OF DIRECTORS AND ITS COMMITTEES” of the Proxy Statement of Republic Bancorp, Inc. (“Republic” or the “Company”) for the 2017 Annual Meeting of Shareholders (“Proxy Statement”) to be held April 19, 2018, 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	57	Chairman and Chief Executive Officer (“CEO”)
A. Scott Trager	65	Vice Chairman and President
Kevin Sipes	46	Executive Vice President, Chief Financial Officer (“CFO”) and Chief Accounting Officer
William R. Nelson	54	President, Republic Processing Group
Anthony T. Powell	50	Executive Vice President, Republic Bank & Trust Company
Steven E. DeWeese	49	Executive Vice President, Republic Bank & Trust Company
Robert J. Arnold	59	Senior Vice President, Republic Bank & Trust Company
John Rippy	57	Executive Vice President, Republic Bank & Trust Company
Juan Montano	48	Executive Vice President, 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 Republic Bank & Trust Company (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 the Bank from 1994 to 2012.

Kevin Sipes joined the Company in 1995 and has served as Executive Vice President (“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.

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.

Anthony T. Powell joined the Company in 1999 as Vice President (“VP”). In 2001, he was promoted to Senior Vice President (“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.

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.

Robert J. Arnold joined the Company in 2006 as SVP and Chief Operating Officer of Commercial Banking. In 2015 he was named the Company’s Managing Director of Commercial and Corporate Banking.



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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.

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.

## 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, 2017. There were no equity compensation plans not approved by security holders at December 31, 2017.

Plan Category	(1) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(2) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(3) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans Having Securities Reflected in Column (1)
2015 Stock Incentive Plan	288,500	\$ 23.68	2,657,890
2005 Stock Incentive Plan	6,500	24.11	—

Explanation of Responses:

Column (1) above represents options issued for Class A Common Stock only. Options for Class B Common Stock have been authorized but are not issued.

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.

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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, 2017 and 2016

Consolidated statements of income and comprehensive income — years ended December 31, 2017, 2016 and 2015

Consolidated statements of stockholders’ equity — years ended December 31, 2017, 2016 and 2015

Consolidated statements of cash flows — years ended December 31, 2017, 2016 and 2015

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.

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INDEX TO EXHIBITS

No.	Description
3(i)	<u>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))</u>
3(ii)	<u>Amended Bylaws (Incorporated by reference to Exhibit 10.1 of Registrant's Form 10-Q for the quarter ended September 30, 2006 (Commission File Number: 0-24649))</u>
4.1	<u>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)</u>
4.2	<u>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))</u>
10.01*	<u>Officer Compensation Continuation Agreement with Steven E. Trager, dated January 12, 1995 (Incorporated by reference to Exhibit 10.1 to Registrant's Form 10-K for the year ended December 31, 1995 (Commission File Number: 33-77324))</u>
10.02*	<u>Officer Compensation Continuation Agreement, as amended and restated, with Steven E. Trager effective January 1, 2005 (Incorporated by reference to Exhibit 10.34 of Registrant's Form 10-K for the year ended December 31, 2005 (Commission File Number: 0-24649))</u>
10.03*	<u>Officer Compensation Continuation Agreement, as amended, with Steven E. Trager effective January 1, 2005 (Incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed February 21, 2006 (Commission File Number: 0-24649))</u>
10.04*	<u>Officer Compensation Continuation Agreement, as amended and restated, 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))</u>
10.05*	<u>Officer Compensation Continuation Agreement with A. Scott Trager, dated January 12, 1995 (Incorporated by reference to Exhibit 10.5 to Registrant's Form 10-K for the year ended December 31, 1995 (Commission File Number: 33-77324))</u>
10.06*	<u>Officer Compensation Continuation Agreement, as amended and restated, with A. Scott Trager effective January 1, 2005 (Incorporated by reference to Exhibit 10.35 of Registrant's Form 10-K for the year ended December 31, 2005 (Commission File Number: 0-24649))</u>
10.07*	<u>Officer Compensation Continuation Agreement, as amended, with A. Scott Trager effective January 1, 2005 (Incorporated by reference to Exhibit 10.2 of Registrant's Form 8-K filed February 21, 2006 (Commission File Number: 0-24649))</u>

- 10.08\* Officer Compensation Continuation Agreement, as amended and restated, 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))
- 10.09\* Officer Compensation Agreement with A. Scott Trager, effective March 21, 2012 (Incorporated by reference to Exhibit 10.3 of Registrant's Form 10-Q for the quarter ended March 31, 2012 (Commission File Number: 0-24649))
- 10.10\* Officer Compensation Continuation Agreement with Kevin Sipes, dated June 15, 2001 (Incorporated by reference to Exhibit 10.23 of Registrant's Form 10-Q for the quarter ended June 30, 2001 (Commission File Number: 0-24649))

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No. Description

- 10.11\* Officer Compensation Continuation Agreement, as amended and restated, with Kevin Sipes effective January 1, 2005 (Incorporated by reference to Exhibit 10.38 of Registrant's Form 10-K for the year ended December 31, 2005 (Commission File Number: 0-24649))
- 10.12\* Officer Compensation Continuation Agreement, as amended, with Kevin Sipes effective January 1, 2006 (Incorporated by reference to Exhibit 10.5 of Registrant's Form 8-K filed February 21, 2006 (Commission File Number: 0-24649))
- 10.13\* Officer Compensation Continuation Agreement, as amended and restated, 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))
- 10.14\* Officer Compensation Agreement with Kevin Sipes, effective March 21, 2012 (Incorporated by reference to Exhibit 10.1 of Registrant's Form 10-Q for the quarter ended March 31, 2012 (Commission File Number: 0-24649))
- 10.15\* Officer Compensation Agreement with Kevin Sipes, effective March 21, 2012 (Incorporated by reference to Exhibit 10.2 of Registrant's Form 10-Q for the quarter ended March 31, 2012 (Commission File Number: 0-24649))
- 10.16\* Officer Compensation Agreement with Kevin Sipes, effective November 7, 2012 (Incorporated by reference to Exhibit 10.1 of Registrant's Form 10-Q for the quarter ended September 30, 2012 (Commission File Number: 0-24649))
- 10.17\* Officer Compensation Agreement with Kevin Sipes, effective November 7, 2012 (Incorporated by reference to Exhibit 10.2 of Registrant's Form 10-Q for the quarter ended September 30, 2012 (Commission File Number: 0-24649))
- 10.18\* Death Benefit Agreement with Bernard M. Trager dated September 10, 1996 (Incorporated by reference to Exhibit 10.9 to Registrant's Form 10-K for the year ended December 31, 1996 (Commission File Number: 33-77324))
- 10.19 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))
- 10.20 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))
- 10.21 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))

- 10.22 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))
- 10.23 Lease between Republic Bank & Trust Company and Jaytee Properties, dated August 1, 2008, as amended, relating to 2801 Bardstown Road, Louisville (Commission File Number: 0-24649))
- 10.24 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))

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- 10.25 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))
- 10.26 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))
- 10.27 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))
- 10.28 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))
- 10.29 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))
- 10.30 Lease between Republic Bank & Trust Company and Teeco Properties, as of July 8, 2008, as amended, 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))
- 10.31 Lease between Republic Bank & Trust Company and Teeco Properties, as of July 8, 2008, as amended, 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))
- 10.32 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))
- 10.33 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))
- 10.34 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))
- 10.35 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))

- 10.36 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))
- 10.37 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))

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- 10.38 Lease between Republic Bank & Trust Company and Jaytee Properties, dated August 2, 1993, as amended, 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))
- 10.39 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))
- 10.40 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))
- 10.41 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))
- 10.42 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))
- 10.43 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))
- 10.44 Lease between Republic Bank & Trust Company and Jaytee Properties, dated September 1, 2005, as amended, 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))
- 10.45 Lease between Republic Bank & Trust Company and Jaytee Properties, dated July 1, 2008, as amended, 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))
- 10.46 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))
- 10.47 Lease between Republic Bank & Trust Company and Jaytee Properties, dated August 14, 2015, as amended, relating to 661 South Hurstbourne Parkway, Louisville (Commission File Number: 0-24649))
- 10.48 Lease between Republic Bank & Trust Company and Jaytee Properties, dated November 17, 1997, as amended, relating to 9600 Brownsboro Road (Incorporated by reference to Exhibit 10.18 of Registrant's Form 10-Q for the quarter ended March 31, 1998 (Commission File Number: 0-24649))

- 10.49 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 10.18 of Registrant's Form 10-Q for the quarter ended June 30, 1999 (Commission File Number: 0-24649))
- 10.50 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))

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- 10.51 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))
- 10.52 Lease between Republic Bank & Trust Company and Jaytee Properties, dated November 1, 2005, as amended, 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))
- 10.53 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))
- 10.54 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))
- 10.55 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))
- 10.56 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))
- 10.57 Ground lease between Republic Bank & Trust Company and Jaytee Properties, relating to 9600 Brownsboro Road, dated January 17, 2008, as amended, 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))
- 10.58 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))
- 10.59 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))
- 10.60 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))
- 10.61 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))

- 10.62 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))
- 10.63 Lease between Republic Bank & Trust Company and Jaytee Properties II SPE, LLC, dated September 30, 2015, as amended, 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))

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- 10.64 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))
- 10.65 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))
- 10.66\* 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))
- 10.67\* 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))
- 10.68\* 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))
- 10.69\* 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))
- 10.70\* 2015 Stock Incentive Plan (Incorporated by reference to Annex A of Registrant's 2015 Proxy Statement (Commission File Number: 0-24649))
- 10.71\* 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))
- 10.72\* 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))
- 10.73\* 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))
- 10.74\* 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))
- 10.75\* 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))
- 10.76\* 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))

- 10.77\* 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))
- 10.78\* 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))



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No.	Description
10.79*	<u>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))</u>
10.80*	<u>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))</u>
10.81*	<u>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))</u>
10.82	<u>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))</u>
10.83*	<u>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))</u>
10.84	<u>Purchase and Assumption Agreement — Whole Bank; All Deposits, among the Federal Deposit Insurance Corporation, receiver of Tennessee Commerce Bank, Franklin, Tennessee, the Federal Deposit Insurance Corporation and Republic Bank &amp; Trust Company, dated as of January 27, 2012 (Incorporated by reference to Exhibit 2.1 of Registrant's Form 8-K filed February 1, 2012 (Commission File Number: 0-24649))</u>
21	<u>Subsidiaries of Republic Bancorp. Inc.</u>
23	<u>Consent of Independent Registered Public Accounting Firm</u>
31.1	<u>Certification of Principal Executive Officer, pursuant to the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of Principal Financial Officer, pursuant to the Sarbanes-Oxley Act of 2002</u>
32**	<u>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</u>
101	Interactive data files: (i) Consolidated Balance Sheets at December 31, 2017 and 2016, (ii) Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2017, 2016 and 2015, (iii) Consolidated Statement of Stockholders' Equity for the years ended December 31, 2017, 2016 and 2015, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015 and (v) Notes to Consolidated Financial Statements.

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\*Denotes management contracts and compensatory plans or arrangements required to be filed as exhibits to this Form 10-K pursuant to Item 15(b).

\*\*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.

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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.

March 9, 2018 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	March 9, 2018
/s/ A. Scott Trager A. Scott Trager	Vice Chairman, President and Director	March 9, 2018
/s/ Kevin Sipes Kevin Sipes	Chief Financial Officer and Chief Accounting Officer	March 9, 2018
/s/ Craig A. Greenberg Craig Greenberg	Director	March 9, 2018
/s/ Michael T. Rust Michael T. Rust	Director	March 9, 2018
/s/ Mark A. Vogt Mark A. Vogt	Director	March 9, 2018
/s/ R. Wayne Stratton R. Wayne Stratton	Director	March 9, 2018
/s/ Susan Stout Tamme Susan Stout Tamme	Director	March 9, 2018

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