REPUBLIC BANCORP INC /KY/
Form 10-Q
May 09, 2013

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

FORM 10-Q

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

For the quarterly period ended March 31, 2013

or

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

Commission File Number: 0-24649

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes o No

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

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

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

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

The number of shares outstanding of the registrant's Class A Common Stock and Class B Common Stock, as of April 30, 2013, was 18,518,387 and 2,267,847, respectively.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSOLIDATED BALANCE SHEETS (in thousands) (unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$207,451	$137,691
Securities available for sale	421,443	438,246
Securities to be held to maturity (fair value of $52,758 in 2013 and $46,416 in 2012)	52,283	46,010
Mortgage loans held for sale	20,726	10,614
Loans, net of allowance for loan losses of $23,563 and $23,729 (2013 and 2012)	2,575,079	2,626,468
Federal Home Loan Bank stock, at cost	28,342	28,377
Premises and equipment, net	33,535	33,197
Goodwill	10,168	10,168
Other real estate owned	18,689	26,203
Other assets and accrued interest receivable	33,642	37,425
TOTAL ASSETS	$3,401,358	$3,394,399
LIABILITIES		
Deposits		
Non interest-bearing	$524,149	$479,046
Interest-bearing	1,547,647	1,503,882
Total deposits	2,071,796	1,982,928
Securities sold under agreements to repurchase and other short-term borrowings	120,217	250,884
Federal Home Loan Bank advances	572,570	542,600
Subordinated note	41,240	41,240
Other liabilities and accrued interest payable	52,800	40,045
Total liabilities	2,858,623	2,857,697
STOCKHOLDERS' EQUITY		
Preferred stock, no par value	-	-
Class A Common Stock and Class B Common Stock, no par value	4,889	4,932
Additional paid in capital	131,671	132,686
Retained earnings	400,702	393,472
Accumulated other comprehensive income	5,473	5,612
Total stockholders' equity	542,735	536,702
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,401,358	$3,394,399

See accompanying footnotes to consolidated financial statements.

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

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
INTEREST INCOME:		
Loans, including fees	$31,914	$75,292
Taxable investment securities	2,040	3,267
Federal Home Loan Bank stock and other	447	1,028
Total interest income	34,401	79,587
INTEREST EXPENSE:		
Deposits	1,055	1,539
Securities sold under agreements to repurchase and other short-term borrowings	29	112
Federal Home Loan Bank advances	3,558	4,086
Subordinated note	629	630
Total interest expense	5,271	6,367
NET INTEREST INCOME	29,130	73,220
Provision for loan losses	(625)	11,170
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	29,755	62,050
NON-INTEREST INCOME:		
Service charges on deposit accounts	3,210	3,303
Net refund transfer fees	12,014	71,749
Mortgage banking income	3,274	1,354
Debit card interchange fee income	1,811	1,556
Bargain purchase gain - Tennessee Commerce Bank	-	27,899
Bargain purchase gain - First Commercial Bank	1,324	-
Gain on sale of securities available for sale	-	56
Other	892	892
Total non interest income	22,525	106,809
NON-INTEREST EXPENSES:		
Salaries and employee benefits	16,114	16,971
Occupancy and equipment, net	5,577	6,074
Communication and transportation	1,030	2,661
Marketing and development	902	938
FDIC insurance expense	413	430
Bank franchise tax expense	1,715	1,931
Data processing	716	1,221
Debit card interchange expense	843	601
Supplies	354	949
Other real estate owned expense	889	605
Charitable contributions	236	2,678
Legal expense	430	368
FHLB advance prepayment expense	-	2,436
Other	2,083	3,290
Total non interest expenses	31,302	41,153

INCOME BEFORE INCOME TAX EXPENSE	20,978	127,706
INCOME TAX EXPENSE	7,622	45,234
NET INCOME	$13,356	$82,472
BASIC EARNINGS PER SHARE:		
Class A Common Stock	$0.64	$3.94
Class B Common Stock	$0.63	$3.92
DILUTED EARNINGS PER SHARE:		
Class A Common Stock	$0.64	$3.92
Class B Common Stock	$0.62	$3.90

See accompanying footnotes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2013	2012
Net income	$ 13,356	$ 82,472
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized gain (loss) on securities available for sale	(398)	1,739
Change in unrealized losses on securities available for sale for which a portion of an other-than-temporary impairment has been recognized in earnings	184	(22)
Reclassification adjustment for gains recognized in earnings	-	(55)
Net unrealized gains (losses)	(214)	1,662
Tax effect	75	(582)
Net of tax	(139)	1,080
COMPREHENSIVE INCOME	$ 13,217	$ 83,552

See accompanying footnotes to consolidated financial statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2013

(in thousands, except per share data)	Common Stock Class A Shares Outstanding	Class B Shares Outstanding	Amount	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, January 1, 2013	18,694	2,271	$ 4,932	$ 132,686	$ 393,472	$ 5,612	$ 536,702
Net income	-	-	-	-	13,356	-	13,356
Net change in accumulated other comprehensive income	-	-	-	-	-	(139)	(139)
Dividend declared Common Stock:							
Class A ($0.165 per share)	-	-	-	-	(2,965)	-	(2,965)
Class B ($0.150 per share)	-	-	-	-	(340)	-	(340)
Stock options exercised, net of shares redeemed	-	-	-	-	-	-	-
Repurchase of Class A Common Stock	(193)	-	(43)	(1,230)	(2,821)	-	(4,094)
Conversion of Class B Common Stock to Class A Common Stock	7	(7)	-	-	-	-	-
Net change in notes recveivable on Common Stock	-	-	-	25	-	-	25
Deferred director compensation expense - Company Stock	5	-	-	51	-	-	51

Stock based compensation expense - restricted stock	-	-	-	74	-	-	74
Stock based compensation expense - options	-	-	-	65	-	-	65
Balance, March 31, 2013	18,513	2,264	$ 4,889	$ 131,671	$ 400,702	$ 5,473	$ 542,735

See accompanying footnotes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2013 AND 2012 (in thousands)

	2013	2012
OPERATING ACTIVITIES:		
Net income	$13,356	$82,472
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	462	3,057
Provision for loan losses	(625)	11,170
Net gain on sale of mortgage loans held for sale	(3,284)	(1,688)
Origination of mortgage loans held for sale	(84,593)	(53,855)
Proceeds from sale of mortgage loans held for sale	77,765	55,476
Net realized impairment (recovery) of mortgage servicing rights	(152)	12
Net realized gain on sales, calls and impairment of securities	-	(56)
Net gain on sale of other real estate owned	(277)	(137)
Writedowns of other real estate owned	366	226
Deferred director compensation expense - Company Stock	51	54
Stock based compensation expense	139	402
Bargain purchase gains on acquisitions	(1,324)	(27,899)
Net change in other assets and liabilities:		
Accrued interest receivable	309	(699)
Accrued interest payable	30	(168)
Other assets	2,862	7,832
Other liabilities	12,782	42,143
Net cash provided by operating activities	17,867	118,342
INVESTING ACTIVITIES:		
Net cash received in FDIC-assisted transactions	-	846,399
Purchases of securities available for sale	(19,697)	(2,688)
Purchases of securities to be held to maturity	(10,000)	-
Proceeds from calls, maturities and paydowns of securities available for sale	36,476	54,652
Proceeds from calls, maturities and paydowns of securities to be held to maturity	3,710	1,031
Proceeds from sales of securities available for sale	-	35,224
Proceeds from sales of Federal Home Loan Bank stock	35	-
Proceeds from sales of other real estate owned	8,261	6,270
Net change in loans	54,016	(73,072)
Net purchases of premises and equipment	(1,573)	(1,371)
Net cash provided by investing activities	71,228	866,445
FINANCING ACTIVITIES:		
Net change in deposits	88,868	(632,628)
Net change in securities sold under agreements to repurchase and other short-term borrowings	(130,667)	(4,512)
Payments of Federal Home Loan Bank advances	(30)	(541,037)
Proceeds from Federal Home Loan Bank advances	30,000	20,000
Repurchase of Common Stock	(4,094)	-
Net proceeds from Common Stock options exercised	-	117
Cash dividends paid	(3,412)	(3,194)

Net cash used in financing activities	(19,335)	(1,161,254)
NET CHANGE IN CASH AND CASH EQUIVALENTS	69,760	(176,467)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	137,691	362,971
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$207,451	$186,504
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$5,302	$6,535
Income taxes	2,169	1,037
SUPPLEMENTAL NONCASH DISCLOSURES		
Transfers from loans to real estate acquired in settlement of loans	$897	$8,722
Loans provided for sales of other real estate owned	61	382

See accompanying footnotes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2013 AND 2012 (UNAUDITED) AND DECEMBER 31, 2012

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. For further information, refer to the consolidated financial statements and footnotes thereto included in Republic's Form 10-K for the year ended December 31, 2012.

As of March 31, 2013, the Company was divided into three distinct business operating segments: Traditional Banking, Mortgage Banking and Republic Processing Group ("RPG"). During the second quarter of 2012, the Company realigned the previously reported Tax Refund Solutions ("TRS") segment as a division of the newly formed RPG segment. Along with the TRS division, Republic Payment Solutions ("RPS") and Republic Credit Solutions ("RCS") also operate as divisions of the RPG segment.

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

Republic operates 44 banking centers, primarily in the retail banking industry, and conducts its Core Banking operations predominately in metropolitan Louisville, Kentucky; Central Kentucky; Northern Kentucky; Southern Indiana; metropolitan Tampa, Florida; metropolitan Cincinnati, Ohio; metropolitan Nashville, Tennessee; metropolitan Minneapolis, Minnesota and through an Internet banking delivery channel.

Effective January 27, 2012, RB&T acquired specific assets and assumed substantially all of the deposits and certain other liabilities of Tennessee Commerce Bank ("TCB"), headquartered in Franklin, Tennessee from the Federal Deposit Insurance Corporation ("FDIC"), as receiver for TCB. This acquisition of a failed bank represented a single banking center located in metropolitan Nashville and was RB&T's initial entrance into the Tennessee market. See additional discussion under Footnote 2 "2012 Acquisitions of Failed Banks" in this section of the filing.

Effective September 7, 2012 RB&T acquired specific assets and assumed substantially all of the liabilities of First Commercial Bank ("FCB"), headquartered in Bloomington, Minnesota from the FDIC, as receiver for FCB. This acquisition of a failed bank represented a single banking center located in metropolitan Minneapolis and was RB&T's initial entrance into the Minnesota market. See additional discussion under Footnote 2 "2012 Acquisitions of Failed Banks" in this section of the filing.

Core Banking results of operations are primarily dependent upon net interest income, which represents the difference between the interest income and fees on interest-earning assets and the interest expense on interest-bearing liabilities. Principal interest-earning Core Banking assets represent investment securities and real estate, commercial and consumer loans. Interest-bearing liabilities primarily consist of interest-bearing deposit accounts, securities sold under agreements to repurchase, as well as short-term and long-term borrowing sources. In June 2011 the Bank began offering its warehouse lending product. With this product, the Bank provides short-term, revolving credit facilities to mortgage bankers across the nation. These credit facilities are secured by single family, first lien residential real estate loans.

Other sources of Core Banking income include service charges on deposit accounts, debit card interchange fee income, title insurance commissions, fees charged to customers for trust services and revenue generated from Mortgage Banking activities. Mortgage Banking activities represent both the origination and sale of loans in the secondary market and the servicing of loans for others, primarily the Federal Home Loan Mortgage Corporation ("Freddie Mac" or "FHLMC").

Core Banking operating expenses consist primarily of salaries and employee benefits, occupancy and equipment expenses, communication and transportation costs, marketing and development expenses, FDIC insurance expense, and various general and administrative costs. Core 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.

Republic Processing Group

Nationally, through RB&T, RPG facilitates the receipt and payment of federal and state tax refund products under the TRS division. Nationally, through RB, the RPS division is an issuing bank offering general purpose reloadable prepaid debit cards through third party program managers. Nationally, through RB&T, the RCS division is preparing to pilot short-term consumer credit products on-line.

Reclassifications and recasts – Certain amounts presented in prior periods have been reclassified to conform to the current period presentation. These reclassifications had no impact on prior years' net income. Additionally, as discussed in Footnote 2 "2012 Acquisitions of Failed Banks," during the first quarter of 2013 the Bank posted adjustments to the First Commercial Bank acquired assets in the determination of day-one fair values, which resulted in a $1.3 million increase to the bargain purchase gain.

2. 2012 ACQUISITIONS OF FAILED BANKS

OVERVIEW

Republic implemented an acquisition strategy in early 2012 to selectively grow its franchise as a complement to its internal growth strategies. During 2012, RB&T acquired two failed institutions in FDIC-assisted transactions. RB&T acquired certain assets and assumed certain liabilities of Tennessee Commerce Bank ("TCB") during the first quarter of 2012 and First Commercial Bank ("FCB") during the third quarter of 2012. The Company did not raise capital to complete either of these acquisitions.

RB&T determined that the acquisitions of these failed banks constituted "business acquisitions" as defined by Accounting Standards Codification ("ASC") Topic 805, Business Combinations. Accordingly, the assets acquired and liabilities assumed are presented at their estimated fair values, as required. Fair values are determined over a measurement period 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 these 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 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, recast adjustments for loans and other real estate owned are made as market value data, such as appraisals, are received by RB&T. Increases or decreases to day-one fair values are reflected with a corresponding increase or decrease to goodwill or bargain purchase gain.

Tennessee Commerce Bank

On January 27, 2012, RB&T acquired specific assets and assumed substantially all of the deposits and specific other liabilities of TCB, headquartered in Franklin, Tennessee from the FDIC, as receiver for TCB, pursuant to the terms of a Purchase and Assumption Agreement — Whole Bank; All Deposits entered into among RB&T, the FDIC as receiver of TCB and the FDIC. On January 30, 2012, TCB's sole location re-opened as a division of RB&T.

RB&T acquired approximately $221 million in notional assets from the FDIC as receiver for TCB. In addition, RB&T also recorded a receivable from the FDIC for approximately $785 million, which represented the net difference between the assets acquired and the liabilities assumed adjusted for the discount RB&T received for the acquisition. The FDIC paid approximately $771 million of this receivable on January 30, 2012 with the remaining $14 million paid on February 15, 2012.

During the first quarter of 2012, the Bank recorded an initial bargain purchase gain of $27.9 million as a result of the TCB acquisition. The bargain purchase gain was realized because the overall price paid by RB&T was substantially less than the fair value of the TCB assets acquired and liabilities assumed in the acquisition. In the second and third quarters of 2012, the Bank posted adjustments to the acquired assets for its FDIC-assisted acquisition in the determination of day-one fair values and recorded a net decrease to the bargain purchase gain of $285,000, as additional information relative to the day-one fair values became available.

Information obtained subsequent to January 27, 2012 and through September 30, 2012 was considered in forming TCB estimates of cash flows and collateral values as of the January 27, 2012 acquisition date, i.e., TCB's day-one fair values. Day-one fair values for TCB were considered final as of September 30, 2012, which is the date RB&T believed it had all the information necessary to determine TCB's day-one fair values.

A summary of the assets acquired and liabilities assumed in the TCB acquisition, including 2012 recast adjustments, follows:

Tennessee Commerce Bank	January 27, 2012			
	As Previously Reported		As Recasted	
(in thousands)	Contractual Amount	Fair Value Adjustments	2012 Recast Adjustments	Fair Value
Assets acquired:				
Cash and cash equivalents	$61,943	$(89)	$(2)	$61,852
Securities available for sale	42,646	-	-	42,646
Loans to be repurchased by the FDIC, net of discount	19,800	(2,797)	-	17,003
Loans	79,112	(22,666)	830	57,276
Federal Home Loan Bank stock, at cost	2,491	-	-	2,491
Other assets and accrued interest receivable	945	(60)	-	885
Other real estate owned	14,189	(3,359)	(1,113)	9,717
Core deposit intangible	-	64	-	64
Discount	(56,970)	56,970	-	-
FDIC settlement receivable	784,545	-	-	784,545
Total assets acquired	$948,701	$28,063	$(285)	$976,479
Liabilities assumed:				
Deposits				
Non interest-bearing	$19,754	$-	$-	$19,754
Interest-bearing	927,641	54	-	927,695
Total deposits	947,395	54	-	947,449
Accrued income taxes payable	-	9,988	(100)	9,888
Other liabilities and accrued interest payable	1,306	110	-	1,416
Total liabilities assumed	$948,701	$10,152	$(100)	$958,753
Equity				
Bargain purchase gain, net of taxes	-	17,911	(185)	17,726
Total liabilities assumed and equity	$948,701	$28,063	$(285)	$976,479

A summary of the net assets acquired from the FDIC and the estimated fair value adjustments as of the TCB acquisition date follows:

Tennessee Commerce Bank	January 27, 2012			
		Second Quarter	Third Quarter	
(in thousands)	As Previously Reported	2012 Recast Adjustments	2012 Recast Adjustments	As Recasted
Assets acquired, at contractual amount	$221,126	$-	$-	$221,126
Liabilities assumed, at contractual amount	(948,701)	-	-	(948,701)
Net liabilities assumed per the P&A Agreement	(727,575)	-	-	(727,575)
Contractual discount	(56,970)	-	-	(56,970)
Net receivable from the FDIC	$(784,545)	$-	$-	$(784,545)
Fair value adjustments:				
Loans	$(22,666)	$919	$(89)	$(21,836)
Discount for loans to be repurchased by the FDIC	(2,797)	-	-	(2,797)
Other real estate owned	(3,359)	(1,000)	(113)	(4,472)
Other assets and accrued interest receivable	(60)	-	-	(60)
Core deposit intangible	64	-	-	64
Deposits	(54)	-	-	(54)
All other	(199)	(15)	13	(201)
Total fair value adjustments	(29,071)	(96)	(189)	(29,356)
Discount	56,970	-	-	56,970
Bargain purchase gain, pre-tax	$27,899	$(96)	$(189)	$27,614

On January 27, 2012, RB&T did not immediately acquire the TCB banking facility, including outstanding lease agreements and furniture, fixtures and equipment. During the third quarter of 2012, RB&T renegotiated a new lease with the landlord related to the sole banking facility and acquired all related data processing equipment and fixed assets totaling approximately $573,000.

First Commercial Bank

On September 7, 2012, RB&T acquired specific assets and assumed substantially all of the liabilities of FCB, headquartered in Bloomington, Minnesota from the FDIC, as receiver for FCB, pursuant to the terms of a Purchase and Assumption Agreement — Whole Bank; All Deposits, entered into among RB&T, the FDIC as receiver of FCB and the FDIC. On September 10, 2012, FCB's sole location re-opened as a division of RB&T.

RB&T acquired approximately $215 million in notional assets from the FDIC as receiver for FCB. In addition, RB&T also recorded a receivable from the FDIC for approximately $64 million, which represented the net difference between the assets acquired and the liabilities assumed adjusted for the discount RB&T received for the acquisition. The FDIC paid substantially all of this receivable to RB&T on September 10, 2012.

During the third quarter of 2012, the Bank recorded an initial bargain purchase gain of $27.1 million as a result of the FCB acquisition. The bargain purchase gain was realized because the overall price paid by RB&T was substantially less than the fair value of the FCB assets acquired and liabilities assumed in the acquisition. During the fourth quarter of 2012, RB&T posted adjustments to the acquired assets for its FDIC-assisted acquisition in the determination of day-one fair values and recorded a net increase to the bargain purchase gain of $712,000, as additional information relative to the day-one fair values became available. During the first quarter of 2013, RB&T posted an additional increase of $1.3 million to the bargain purchase gain.

Information obtained subsequent to September 7, 2012 and through the date of this filing was considered in forming FCB estimates of cash flows and collateral values as of the September 7, 2012 acquisition date, i.e., FCB's day-one fair values.

While future recasts of the FCB bargain purchase gain are possible, management does not currently anticipate additional future adjustments to the FCB bargain purchase gain, as a significant amount of information is now available to management regarding the assets and liabilities in the acquisition and a significant amount of the assets acquired have been resolved in some manner. As a result, management considers the measurement period for the FCB day-one fair values to be closed as of March 31, 2013 but reserves the right to make future adjustments if material information that existed as of the acquisition date of September 7, 2012 becomes available.

A summary of the assets acquired and liabilities assumed in the FCB acquisition, including recast adjustments, follows:

First Commercial Bank	September 7, 2012			
	As Previously Reported		As Recasted	
(in thousands)	Contractual Amount	Fair Value Adjustments	2012 & 2013 Recast Adjustments	Fair Value
Assets acquired :				
Cash and cash equivalents	$10,524	$-	$-	$10,524
Securities available for sale	12,002	-	-	12,002
Loans	171,744	(44,214)	2,821	130,351
Federal Home Loan Bank stock, at cost	407	-	-	407
Other assets and accrued interest receivable	829	(95)	-	734
Other real estate owned	19,360	(8,389)	(785)	10,186
Core deposit intangible	-	559	-	559
Discount	(79,412)	79,412	-	-
FDIC settlement receivable	64,326	-	-	64,326
Total assets acquired	$199,780	$27,273	$2,036	$229,089
Liabilities assumed:				
Deposits:				
Non interest-bearing	$7,197	$-	$-	$7,197
Interest-bearing	189,057	(3)	-	189,054
Total deposits	196,254	(3)	-	196,251
Federal Home Loan Bank advances	3,002	63	-	3,065
Accrued income taxes payable	-	9,706	712	10,418
Other liabilities and accrued interest payable	524	101	-	625
Total liabilities assumed	$199,780	$9,867	$712	$210,359
Equity:				
Bargain purchase gain, net of taxes	-	17,406	1,324	18,730

Total liabilities assumed and equity	$199,780	$27,273	$2,036	$229,089

A summary of the net assets acquired from the FDIC and the estimated fair value adjustments as of the FCB acquisition date follows:

First Commercial Bank	September 7, 2012			
		Fourth Quarter	First Quarter	
(in thousands)	As Previously Reported	2012 Recast Adjustments	2013 Recast Adjustments	As Recasted
Assets acquired, at contractual amount	$214,866	$-	$-	$214,866
Liabilities assumed, at contractual amount	(199,780)	-	-	(199,780)
Net liabilities assumed per the P&A Agreement	15,086	-	-	15,086
Contractual discount	(79,412)	-	-	(79,412)
Net receivable from the FDIC	$(64,326)	$-	$-	$(64,326)
Fair value adjustments:				
Loans	$(44,214)	$423	$2,398	$(41,393)
Other real estate owned	(8,389)	289	(1,074)	(9,174)
Other assets and accrued interest receivable	(95)	-	-	(95)
Core deposit intangible	559	-	-	559
Deposits	3	-	-	3
Federal Home Loan Bank advances	(63)	-	-	(63)
All other	(101)	-	-	(101)
Total fair value adjustments	(52,300)	712	1,324	(50,264)
Discount	79,412	-	-	79,412
Bargain purchase gain, pre-tax	$27,112	$712	$1,324	$29,148

On September 7, 2012, RB&T did not immediately acquire the FCB banking facility, including outstanding lease agreements and furniture, fixtures and equipment. RB&T acquired all data processing equipment and fixed assets totaling approximately $328,000 during the fourth quarter of 2012. During the first quarter of 2013, RB&T renegotiated a new lease with the landlord related to the sole banking facility and acquired all related data processing equipment and fixed assets totaling approximately $233,000.

FAIR VALUE METHODS ASSOCIATED WITH THE ACQUISITIONS OF FAILED BANKS

The following is a description of the methods used to determine the fair values of significant assets and liabilities at the respective acquisition dates as presented throughout:

Cash and Due from Banks and Interest-bearing Deposits in Banks – The carrying amount of these assets, adjusted for any cash items deemed uncollectible by management, was determined to be a reasonable estimate of fair value based on their short-term nature.

Investment Securities – Investment securities were acquired at fair value from the FDIC. The fair values provided by the FDIC were reviewed and considered reasonable based on RB&T’s understanding of the marketplace. FHLB stock was acquired at cost, as it is not practicable to determine its fair value given restrictions on its marketability.

With the TCB acquisition, RB&T acquired $43 million in securities at fair value. The majority of the securities acquired were subsequently sold or called during the first quarter of 2012 with RB&T realizing a net gain on the corresponding transactions of approximately $56,000. The Bank sold these securities because management determined that the acquired securities did not fit within the Bank’s traditional investment strategies.

With the FCB acquisition, RB&T acquired $12 million in securities at fair value. The nature of these securities acquired were consistent with RB&T’s existing investment portfolio and RB&T elected not to sell these securities.

Loans – Fair values for loans were based on a discounted cash flow methodology that considered factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and a discount rate reflecting current market rates for new originations of comparable loans adjusted for the risk inherent in the cash flow estimates.

Certain loans that were deemed to be collateral dependent were valued based on the fair value of the underlying collateral. These estimates were 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 related factors to estimate the current value of the collateral.

With the TCB acquisition, RB&T purchased approximately $99 million in loans with a fair value of approximately $74 million. During 2012, the FDIC repurchased approximately $20 million of TCB loans at a price of par less the original discount of $3 million that RB&T received when it purchased the loans. Loans repurchased by the FDIC were valued at the contractual amount reduced by the applicable discount.

With the FCB acquisition, RB&T purchased approximately $172 million in loans with a fair value of approximately $128 million.

The composition of acquired loans as of the respective acquisition dates follows:

Tennessee Commerce Bank	January 27, 2012			
	As Previously Reported		As Recasted	
(in thousands)	Contractual Amount	Fair Value Adjustments	2012 Recast Adjustments	Fair Value
Residential real estate	$22,693	$(4,076)	$243	$18,860
Commercial real estate	18,646	(6,971)	1,988	13,663
Real estate construction	14,877	(2,681)	(1,972)	10,224
Commercial	13,224	(6,939)	496	6,781
Home equity	6,220	(606)	24	5,638
Consumer:				
Credit cards	608	(22)	-	586
Overdrafts	672	(621)	-	51
Other consumer	2,172	(750)	51	1,473
Total loans	$79,112	$(22,666)	$830	$57,276

First Commercial Bank	September 7, 2012			
	As Previously Reported		As Recasted	
(in thousands)	Contractual Amount	Fair Value Adjustments	2012 & 2013 Recast Adjustments	Fair Value
Residential real estate	$48,409	$(9,634)	$180	$38,955
Commercial real estate	82,161	(12,330)	(1,746)	68,085
Real estate construction	14,918	(6,182)	316	9,052
Commercial	25,475	(16,060)	4,120	13,535
Home equity	404	(3)	-	401
Consumer:				
Credit cards	-	-	-	-
Overdrafts	6	-	-	6
Other consumer	371	(5)	(49)	317
Total loans	$171,744	$(44,214)	$2,821	$130,351

The following tables present the purchased loans that are included within the scope of ASC Topic 310-30 at the respective acquisition dates:

Tennessee Commerce Bank	January 27, 2012		
(in thousands)	As Previously Reported	2012 Recast Adjustments	As Recasted
Contractually-required principal and interest payments	$52,278	$-	$52,278
Non-accretable difference	(21,308)	903	(20,405)
Cash flows expected to be collected	30,970	903	31,873
Accretable yield	(425)	(73)	(498)
Fair value of loans	$30,545	$830	$31,375

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First Commercial Bank	September 7, 2012 2012 & 2013		
(in thousands)	As Previously Reported	Recast Adjustments	As Recasted
Contractually-required principal and interest payments	$116,940	$4,213	$121,153
Non-accretable difference	(33,523)	4,640	(28,883)
Cash flows expected to be collected	83,417	8,853	92,270
Accretable difference	(2,827)	(1,819)	(4,646)
Fair value of loans	$80,590	$7,034	$87,624

The following table presents a rollforward of the accretable discount on the purchased loans within the scope of ASC Topic 310-30 for the three months ended March 31, 2013:

(in thousands)	Tennessee Commerce Bank	First Commercial Bank	Total Acquired Banks
Balance as of January 1, 2013	$ (319)	$ (2,912)	$ (3,231)
Transfers between non-accretable and accretable	(984)	-	(984)
Accreted/(Amortized) into interest income on loans, including loan fees	991	641	1,632
Net recast adjustment	-	283	283
Ending balance, March 31, 2013	$ (312)	$ (1,988)	$ (2,300)

Changes between the accretable and non-accretable components within the respective measurement periods for FCB were deemed to be the result of facts and circumstances that existed the day of the acquisition and became known to RB&T after the fact. Thus, any adjustments between the two categories within the measurement period were deemed to be recast adjustments to the bargain purchase gain.

Core Deposit Intangible – In its assumption of the deposit liabilities for the 2012 acquisitions, RB&T believed that the customer relationships associated with these deposits had intangible value, although this value was anticipated to be modest given the nature of the deposit accounts and the anticipated rapid account run-off since acquired. RB&T recorded a core deposit intangible asset of $64,000 and $559,000 related to the TCB and FCB acquisitions. The fair value of these intangible assets were estimated based on a discounted cash flow methodology that gave appropriate consideration to type of deposit, deposit retention, cost of the deposit base, and net maintenance cost attributable to customer deposits.

OREO – OREO is presented at fair value, which is the estimated value that management expects to receive when the property is sold, net of related costs to sell. These estimates were 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 related factors to estimate the current value of the property.

RB&T acquired $14 million in OREO related to the TCB acquisition, which was reduced by a $3 million fair value adjustment as of January 27, 2012. Subsequent to the first quarter, RB&T posted a net negative recast adjustment of $1 million to OREO to mark several properties to market based on appraisals received.

RB&T acquired $19 million in OREO related to the FCB acquisition, which was reduced by a $8 million fair value adjustment as of September 7, 2012. During the fourth quarter of 2012, RB&T posted a net positive recast adjustment of $289,000 to OREO to mark several properties to market based on appraisals received. During the first quarter of 2013, RB&T posted an additional negative recast adjustment of $1.1 million to the OREO acquired in the FCB acquisition.

FHLB Advances – RB&T acquired $3 million in FHLB advances related to the FCB acquisition. The advances were marked to market as of the acquisition date based on their early termination penalties as of that date. RB&T paid off the advances during the third quarter of 2012 at no additional loss beyond the fair value adjustment as of their date of acquisition.

Deposits – The fair values used for the demand and savings deposits that comprise the acquisition accounts acquired, by definition, equal the amount payable on demand at the acquisition date. The fair values for time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered to the interest rates embedded on such time deposits.

RB&T assumed $947 million in deposits at estimated fair value in connection with the TCB acquisition. As permitted by the FDIC, within seven days of the acquisition date, RB&T had the option to disclose to TCB's deposit customers that it was repricing the acquired deposit portfolios. In addition, depositors had the option to withdraw funds without penalty. RB&T chose to re-price all of the acquired TCB interest-bearing deposits, including transaction, time and brokered deposits with an effective date of January 28, 2012. This re-pricing triggered time and brokered deposit run-off consistent with management's expectations. Through March 31, 2013, approximately 97% of the assumed TCB interest-bearing deposit account balances had exited RB&T, with no penalty on the applicable time and brokered deposits. At March 31, 2013, RB&T had $34 million of deposits remaining from the TCB acquisition.

RB&T assumed $196 million in deposits at estimated fair value in connection with the FCB acquisition. RB&T chose to re-price all of the acquired FCB time deposits with an effective date of October 1, 2012. This re-pricing triggered certificate of deposit run-off consistent with management's expectations. Through March 31, 2013, approximately 74% of the assumed interest-bearing deposit account balances had exited RB&T, with no penalty on the applicable time and brokered deposits. At March 31, 2013, RB&T had $56 million of deposits remaining from the FCB acquisition.

The composition of deposits assumed at fair value as of the respective 2012 acquisition dates follows:

Tennessee Commerce Bank	January 27, 2012			
(in thousands)	Contractual Amount	Fair Value Adjustments	Recast Adjustments	Fair Value
Demand	$3,190	$-	$-	$3,190
Money market accounts	11,338	-	-	11,338
Savings	91,859	-	-	91,859
Individual retirement accounts*	15,486	-	-	15,486
Time deposits, $100,000 and over*	278,825	-	-	278,825
Other certificates of deposit*	108,003	14	-	108,017
Brokered certificates of deposit*	418,940	40	-	418,980
Total interest-bearing deposits	927,641	54	-	927,695
Total non interest-bearing deposits	19,754	-	-	19,754
Total deposits	$947,395	$54	$-	$947,449

First Commercial Bank	September 7, 2012			
(in thousands)	Contractual Amount	Fair Value Adjustments	Recast Adjustments	Fair Value
Demand	$4,003	$-	$-	$4,003
Money market accounts	38,187	-	-	38,187
Savings	-	-	-	-
Individual retirement accounts*	16,780	-	-	16,780
Time deposits, $100,000 and over*	14,740	-	-	14,740

Other certificates of deposit*	62,033	-	-	62,033
Brokered certificates of deposit*	53,314	(3)	-	53,311
Total interest-bearing deposits	189,057	(3)	-	189,054
Total non interest-bearing deposits	7,197	-	-	7,197
Total deposits	$196,254	$(3)	$-	$196,251

* - denotes a time deposit

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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:

March 31, 2013 (in thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$ 38,954	$ 454	$ (4)	$ 39,404
Private label mortgage backed security	5,501	187	-	5,688
Mortgage backed securities - residential	171,021	6,186	-	177,207
Collateralized mortgage obligations	197,547	2,003	(406)	199,144
Total securities available for sale	$ 413,023	$ 8,830	$ (410)	$ 421,443

December 31, 2012 (in thousands)	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$ 38,931	$ 547	$ (6)	$ 39,472
Private label mortgage backed security	5,684	3	-	5,687
Mortgage backed securities - residential	190,569	6,641	-	197,210
Collateralized mortgage obligations	194,427	1,580	(130)	195,877
Total securities available for sale	$ 429,611	$ 8,771	$ (136)	$ 438,246

Mortgage backed Securities

At March 31, 2013, with the exception of the $5.7 million private label mortgage backed security, all other mortgage backed securities held by the Bank were issued by U.S. government-sponsored entities and agencies, primarily Freddie Mac and Fannie Mae (“FNMA”), institutions that the government has affirmed its commitment to support. At March 31, 2013 and December 31, 2012, there were gross unrealized/unrecognized losses of $406,000 and $130,000 related to available for sale mortgage backed securities. Because the decline in fair value of these mortgage backed securities is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Bank does not have the intent to sell these mortgage backed securities, and it is likely that it will not be required to sell the securities before their anticipated recovery, management does not consider these securities to be other-than-temporarily impaired.

Securities to be held to maturity:

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

March 31, 2013 (in thousands)	Carrying Value	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$2,366	$ 16	$ -	$2,382
Mortgage backed securities - residential	548	46	-	594
Collateralized mortgage obligations	49,369	413	-	49,782
Total securities to be held to maturity	$52,283	$ 475	$ -	$52,758

December 31, 2012 (in thousands)	Carrying Value	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
U.S. Treasury securities and U.S. Government agencies	$4,388	$ 27	$ -	$4,415
Mortgage backed securities - residential	827	63	-	890
Collateralized mortgage obligations	40,795	316	-	41,111
Total securities to be held to maturity	$46,010	$ 406	$ -	$46,416

During the three months ended March 31, 2013, there were no sales or calls of securities available for sale.

During the three months ended March 31, 2012, the Bank recognized net securities gains in earnings for securities available for sale as follows:

The Bank sold six available for sale securities acquired in the TCB acquisition with an amortized cost of $35 million, resulting in a pre-tax gain of $53,000 during the first quarter of 2012.
The Bank realized $3,000 in pre-tax gains related to unamortized discount accretion on $10 million of callable U.S. Government agencies that were called during the first quarter of 2012 before their maturity.

The tax provision related to the Bank’s realized gains totaled $0 and $20,000 for the three ended March 31, 2013 and 2012, respectively.

The amortized cost and fair value of the investment securities portfolio by contractual maturity at March 31, 2013 follows. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations whether or not there are associated call or prepayment penalties. Securities not due at a single maturity date are detailed separately.

	Securities available for sale		Securities held to maturity	
March 31, 2013 (in thousands)	Amortized Cost	Fair Value	Carrying Value	Fair Value
Due in one year or less	$1,000	$1,001	$521	$528
Due from one year to five years	35,419	35,869	1,845	1,854
Due from five years to ten years	2,535	2,534	-	-
Due beyond ten years	-	-	-	-
Private label mortgage backed security	5,501	5,688	-	-
Mortgage backed securities - residential	171,021	177,207	548	594
Collateralized mortgage obligations	197,547	199,144	49,369	49,782
Total securities	$413,023	$421,443	$52,283	$52,758

At March 31, 2013 and December 31, 2012, 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.

Market Loss Analysis

Securities with unrealized losses at March 31, 2013 and December 31, 2012, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Less than 12 months		12 months or more		Total	
March 31, 2013 (in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and U.S. Government agencies	$ 2,007	$ (4)	$ -	$ -	$ 2,007	$ (4)
Mortgage backed securities - residential, including Collateralized mortgage obligations	33,559	(406)	-	-	33,559	(406)
Total	$ 35,566	$ (410)	$ -	$ -	$ 35,566	$ (410)

	Less than 12 months		12 months or more		Total	
December 31, 2012 (in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and						

U.S. Government agencies	$	3,588		$	(6	)	$	-		$	-		$	3,588	$	(6	)
Mortgage backed securities - residential, including Collateralized mortgage obligations		20,508			(130	)		-			-			20,508		(130	)
Total	$	24,096		$	(136	)	$	-		$	-		$	24,096	$	(136	)

At March 31, 2013, the Bank’s security portfolio consisted of 155 securities, six of which were in an unrealized loss position. At December 31, 2012, the Bank’s security portfolio consisted of 153 securities, seven of which were in an unrealized loss position.

Other-than-temporary impairment (“OTTI”)

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

- The length of time and the extent to which fair value has been less than the amortized cost basis;
- The 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.

Nationally, residential real estate values have declined significantly since 2007. These declines in value, coupled with the reduced ability of certain homeowners to refinance or repay their residential real estate obligations, have led to elevated delinquencies and losses in residential real estate loans. Many of these loans have previously been securitized and sold to investors as private label mortgage backed securities. The Bank owns one private label mortgage backed security with a total carrying value of $5.7 million at March 31, 2013. This security is mostly backed by “Alternative A” first lien mortgage loans and is backed with an insurance “wrap” or guarantee with an average life currently estimated at four years. Due to current market conditions, this asset remains extremely 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 under Footnote 7 “Fair Value” in this section of the filing.

Pledged Investment Securities

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

(in thousands)	March 31, 2013	December 31, 2012

Carrying amount	$	260,494	$	334,560
Fair value		260,895		334,843

4. LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of the loan portfolio follows:

(in thousands)	March 31, 2013	December 31, 2012
Residential real estate:		
Owner occupied	$ 1,155,207	$ 1,148,354
Non owner occupied	69,035	74,539
Commercial real estate	697,517	698,611
Commercial real estate - purchased whole loans	33,690	33,531
Real estate construction	82,545	80,093
Commercial	131,235	130,768
Warehouse lines of credit	173,018	216,576
Home equity	233,458	241,853
Consumer:		
Credit cards	8,255	8,716
Overdrafts	903	955
Other consumer	13,779	16,201
Total loans	2,598,642	2,650,197
Less: Allowance for loan losses	23,563	23,729
Total loans, net	$ 2,575,079	$ 2,626,468

2012 Acquisitions of Failed Banks

The contractual amount of the loans purchased in the TCB transaction decreased from $79 million as of the acquisition date to $36 million as of March 31, 2013. The carrying value of the loans purchased in the TCB transaction was $57 million as of the acquisition date compared to $28 million as of March 31, 2013.

The contractual amount of the loans purchased in the FCB transaction decreased from $172 million as of the acquisition date to $121 million as of March 31, 2013. The carrying value of the loans purchased in the FCB transaction was $130 million as of the acquisition date compared to $95 million as of March 31, 2013.

The composition of TCB and FCB loans outstanding at March 31, 2013 and December 31, 2012 follows:

March 31, 2013 (in thousands)	Tennessee Commerce Bank	First Commercial Bank	Total Acquired Banks
Residential real estate	$ 10,585	$ 28,099	$ 38,684
Commercial real estate	9,847	56,168	66,015
Real estate construction	1,592	2,585	4,177
Commercial	1,194	7,347	8,541
Home equity	4,310	106	4,416
Consumer:			-

Credit cards		297		-		297
Overdrafts		6		3		9
Other consumer		522		260		782
Total gross loans	$	28,353	$	94,568	$	122,921

December 31, 2012 (in thousands)	Tennessee Commerce Bank	First Commercial Bank	Total Acquired Banks
Residential real estate	$ 12,270	$ 32,459	$ 44,729
Commercial real estate	8,015	61,758	69,773
Real estate construction	4,235	3,301	7,536
Commercial	1,284	9,405	10,689
Home equity	4,183	385	4,568
Consumer:			-
Credit cards	321	-	321
Overdrafts	1	11	12
Other consumer	655	333	988
Total gross loans	$ 30,964	$ 107,652	$ 138,616

The tables below reconcile the contractually required and carrying amounts of acquired TCB and FCB loans at March 31, 2013 and December 31, 2012:

March 31, 2013 (in thousands)	Tennessee Commerce Bank	First Commercial Bank	Total Acquired Banks
Contractually-required principal	$ 36,191	$ 121,369	$ 157,560
Non-accretable difference	(7,526)	(24,813)	(32,339)
Accretable difference	(312)	(1,988)	(2,300)
Carrying value of loans	$ 28,353	$ 94,568	$ 122,921

December 31, 2012 (in thousands)	Tennessee Commerce Bank	First Commercial Bank	Total Acquired Banks
Contractually-required principal	$ 41,677	$ 139,156	$ 180,833
Non-accretable difference	(10,394)	(28,870)	(39,264)
Accretable difference	(319)	(2,634)	(2,953)
Carrying value of loans	$ 30,964	$ 107,652	$ 138,616

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

March 31, 2013 (in thousands)	Pass	Special Mention / Watch	Substandard	Doubtful / Loss	Purchased Credit Impaired Loans Group 1	Purchased Credit Impaired Loans Group 2	Total Rated Loans*
Residential real estate:							
Owner occupied	$-	$24,163	$9,976	$-	$4,856	$136	$39,131
Non owner occupied	-	1,340	3,580	-	13,814	416	19,150
Commercial real estate	619,458	13,013	19,266	-	45,595	185	697,517
Commercial real estate - Purchased whole loans	33,690	-	-	-	-	-	33,690
Real estate construction	75,685	985	2,909	-	2,626	340	82,545
Commercial	123,243	2,056	627	-	5,245	64	131,235
Warehouse lines of credit	173,018	-	-	-	-	-	173,018
Home equity	-	684	2,202	-	-	-	2,886
Consumer:							
Credit cards	-	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-	-
Other consumer	-	368	2	-	116	-	486
Total rated loans	$1,025,094	$42,609	$38,562	$-	$72,252	$1,141	$1,179,658

December 31, 2012 (in thousands)	Pass	Special Mention / Watch	Substandard	Doubtful / Loss	Purchased Credit Impaired Loans Group 1	Purchased Credit Impaired Loans Group 2	Total Rated Loans*
Residential real estate:							
Owner occupied	$-	$25,116	$8,297	$-	$2,277	$136	$35,826
Non owner occupied	-	2,484	3,211	-	21,453	323	27,471
Commercial real estate	608,599	16,648	18,953	-	54,071	340	698,611

Commercial real estate - Purchased whole loans	33,531	-	-	-	-	-	33,531
Real estate construction	73,434	894	2,919	-	2,846	-	80,093
Commercial	121,256	2,312	525	-	6,315	360	130,768
Warehouse lines of credit	216,576	-	-	-	-	-	216,576
Home equity	-	648	2,346	-	-	-	2,994
Consumer:							
Credit cards	-	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-	-
Other consumer	-	356	53	-	71	1	481
Total rated loans	$1,053,396	$48,458	$36,304	$-	$87,033	$1,160	$1,226,351

* - The above tables exclude all non classified residential real estate and consumer loans at the respective period ends. It also excludes all non classified small commercial and commercial real estate relationships totaling $100,000 or less. These loans are not rated since they are accruing interest and not past due 80 days or more.

Allowance for Loan Losses

Activity in the allowance for loan losses follows:

	Three Months Ended March 31,	
(in thousands)	2013	2012
Allowance for loan losses at beginning of period	$23,729	$24,063
Charge offs - Traditional Banking	(554)	(4,267)
Charge offs - Refund Anticipation Loans	-	(10,754)
Total charge offs	(554)	(15,021)
Recoveries - Traditional Banking	414	435
Recoveries - Refund Anticipation Loans	599	3,085
Total recoveries	1,013	3,520
Net loan charge offs (recoveries) - Traditional Banking	(140)	(3,832)
Net loan charge offs (recoveries) - Refund Anticipation Loans	599	(7,669)
Net loan charge offs (recoveries)	459	(11,501)
Provision for loan losses - Traditional Banking	(26)	3,131
Provision for loan losses - Refund Anticipation Loans	(599)	8,039
Total provision for loan losses	(625)	11,170
Allowance for loan losses at end of period	$23,563	$23,732

The Bank's allowance calculation has historically included specific allowance allocations for qualitative factors such as:

- Changes in nature, volume and seasoning of the loan portfolio;
- Changes in experience, ability, and depth of lending management and other relevant staff;
- Changes in the quality of the Bank's loan 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, nonaccrual 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 collectibility of the loan portfolio, 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 institution's existing portfolio.

The following tables present the activity in the allowance for loan losses by portfolio class for the three months ended March 31, 2013 and 2012:

Three Months Ended March 31, 2013 (in thousands)	Residential Real Estate Owner Occupied	Residential Real Estate Non Owner Occupied	Commercial Real Estate	Commercial Real Estate - Purchased Whole Loans	Real Estate Construction	Commercial	Warehouse Lines of Credit
Beginning balance	$ 7,006	$ 1,049	$ 8,843	$ 34	$ 2,769	$ 580	$ 541
Provision for loan losses	80	(90)	(66)	-	296	142	(108)
Loans charged off	(200)	(43)	(14)	-	-	-	-
Recoveries	98	8	18	-	36	5	-
Ending balance	$ 6,984	$ 924	$ 8,781	$ 34	$ 3,101	$ 727	$ 433

(continued)	Home Equity	Refund Anticipation Loans	Credit Cards	Consumer Overdrafts	Other Consumer	Total
Beginning balance	$ 2,348	$ -	$ 210	$ 198	$ 151	$ 23,729
Provision for loan losses	(435)	(599)	121	56	(22)	(625)
Loans charged off	(43)	-	(10)	(175)	(69)	(554)
Recoveries	39	599	5	130	75	1,013
Ending balance	$ 1,909	$ -	$ 326	$ 209	$ 135	$ 23,563

Three Months Ended March 31, 2012 (in thousands)	Residential Real Estate Owner Occupied	Residential Real Estate Non Owner Occupied	Commercial Real Estate	Commercial Real Estate - Purchased Whole Loans	Real Estate Construction	Commercial	Warehouse Lines of Credit
Beginning balance	$ 5,212	$ 1,142	$ 7,724	$ -	$ 3,042	$ 1,025	$ 104
Allocation of previously unallocated allowance	1,164	146	-	-	-	-	-
Provision for loan losses	1,152	(88)	1,163	-	627	35	46
Loans charged off	(1,583)	(36)	(21)	-	(1,295)	-	-

Recoveries	117	12	33	-	28	8	-
Ending balance	$ 6,062	$ 1,176	$ 8,899	$ -	$ 2,402	$ 1,068	$ 150

(continued)	Home Equity	Refund Anticipation Loans	Credit Cards	Consumer Overdrafts	Other Consumer	Unallocated	Total
Beginning balance	$ 2,984	$ -	$ 503	$ 135	$ 227	$ 1,965	$ 24,063
Allocation of previously unallocated allowance	536	-	47	17	55	(1,965)	-
Provision for loan losses	309	8,039	(40)	(63)	(10)	-	11,170
Loans charged off	(1,115)	(10,754)	(28)	(118)	(71)	-	(15,021)
Recoveries	6	3,085	20	144	67	-	3,520
Ending balance	$ 2,720	$ 370	$ 502	$ 115	$ 268	$ -	$ 23,732

Non-performing Loans and Non-performing Assets

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

(dollars in thousands)	March 31, 2013	December 31, 2012
Loans on non-accrual status(1)	$ 18,161	$ 18,506
Loans past due 90 days or more and still on accrual	2,752	3,173
Total non-performing loans	20,913	21,679
Other real estate owned	18,689	26,203
Total non-performing assets	$ 39,602	$ 47,882
Credit Quality Ratios:		
Non-performing loans to total loans	0.80 %	0.82 %
Non-performing assets to total loans (including OREO)	1.51 %	1.79 %
Non-performing assets to total assets	1.16 %	1.41 %

(1) Loans on non-accrual status include impaired loans.

Non-performing loans and non-performing asset balances related to the 2012 acquisitions, and included in the tables above at March 31, 2013 and December 31, 2012, are presented below:

March 31, 2013 (dollars in thousands)	Tennessee Commerce Bank	First Commercial Bank	Total Acquired Banks
Loans on non-accrual status	$ 24	$ -	$ 24
Loans past due 90 days or more and still on accrual	801	1,951	2,752
Total non-performing loans	825	1,951	2,776
Other real estate owned	1,245	9,101	10,346
Total non-performing assets	$ 2,070	$ 11,052	$ 13,122
Credit Quality Ratios - Acquired Banks:			
Non-performing loans to total loans	2.26 %		
Non-performing assets to total loans (including OREO)	9.85 %		
Non-performing assets to total assets	8.87 %		

December 31, 2012 (dollars in thousands)	Tennessee Commerce Bank	First Commercial Bank	Total Acquired Banks
Loans on non-accrual status	$-	$-	$-
Loans past due 90 days or more and still on accrual	801	2,372	3,173
Total non-performing loans	801	2,372	3,173
Other real estate owned	2,100	12,398	14,498
Total non-performing assets	$2,901	$14,770	$17,671
Credit Quality Ratios - Acquired Banks:			
Non-performing loans to total loans	2.29 %		
Non-performing assets to total loans (including OREO)	11.54 %		
Non-performing assets to total assets	8.73 %		

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

	Non-Accrual Loans		Loans Past Due 90 Days or More and Still Accruing Interest	
in thousands)	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Residential real estate:				
Owner occupied	$10,341	$9,298	$345	$730
Non owner occupied	1,693	1,376	86	-
Commercial real estate	1,975	3,756	292	712
Commercial real estate - purchased whole loans	-	-	-	-
Real estate construction	1,771	1,777	455	531
Commercial	605	334	1,574	1,200
Warehouse lines of credit	-	-	-	-
Home equity	1,646	1,868	-	-
Consumer:				
Credit cards	-	-	-	-
Overdrafts	-	-	-	-
Other consumer	130	97	-	-
Total	$18,161	$18,506	$2,752	$3,173

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

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Delinquent Loans

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

March 31, 2013 (dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due *	Total Loans Past Due	Total Loans Not Past Due	Total Loans
Residential real estate:						
Owner occupied	$2,693	$1,361	$5,221	$9,275	$1,145,932	$1,155,207
Non owner occupied	-	-	1,439	1,439	67,596	69,035
Commercial real estate	436	551	1,490	2,477	695,040	697,517
Commercial real estate - purchased whole loans	-	-	-	-	33,690	33,690
Real estate construction	333	372	1,856	2,561	79,984	82,545
Commercial	425	-	1,943	2,368	128,867	131,235
Warehouse lines of credit	-	-	-	-	173,018	173,018
Home equity	216	59	1,145	1,420	232,038	233,458
Consumer:						
Credit cards	40	34	-	74	8,181	8,255
Overdrafts	118	-	-	118	785	903
Other consumer	64	15	2	81	13,698	13,779
Total	$4,325	$2,392	$13,096	$19,813	$2,578,829	$2,598,642
Delinquent loans to total loans	0.17 %	0.09 %	0.50 %	0.76 %		

December 31, 2012 (dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due *	Total Loans Past Due	Total Loans Not Past Due	Total Loans
Residential real estate:						
Owner occupied	$2,210	$1,978	$4,712	$8,900	$1,139,454	$1,148,354
Non owner occupied	907	1,128	864	2,899	71,640	74,539
Commercial real estate	103	486	2,051	2,640	695,971	698,611
Commercial real estate - purchased whole loans	-	-	-	-	33,531	33,531
Real estate construction	-	194	1,930	2,124	77,969	80,093
Commercial	222	733	1,307	2,262	128,506	130,768
Warehouse lines of credit	-	-	-	-	216,576	216,576
Home equity	521	251	882	1,654	240,199	241,853
Consumer:						
Credit cards	60	5	-	65	8,651	8,716
Overdrafts	167	1	-	168	787	955
Other consumer	102	28	2	132	16,069	16,201
Total	$4,292	$4,804	$11,748	$20,844	$2,629,353	$2,650,197

Delinquent loans to total loans	0.16	%	0.18	%	0.44	%	0.79	%

An aging of the recorded investment in past due loans related to the 2012 acquisitions and included in the tables above at March 31, 2013 and December 31, 2012, are presented below:

March 31, 2013 (dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due *	Total Loans Past Due	Total Loans Not Past Due	Total Loans
Residential real estate	$ 365	$ 111	$ 431	$ 907	$ 37,777	$ 38,684
Commercial real estate	320	-	292	612	65,403	66,015
Real estate construction	96	-	455	551	3,626	4,177
Commercial	174	-	1,574	1,748	6,793	8,541
Home equity	-	-	-	-	4,416	4,416
Consumer:						
Credit cards	-	-	-	-	297	297
Overdrafts	-	-	-	-	9	9
Other consumer	28	-	-	28	754	782
Total	$ 983	$ 111	$ 2,752	$ 3,846	$ 119,075	$ 122,921
Delinquent loans to total loans	0.80 %	0.09 %	2.24 %	3.13 %		

December 31, 2012 (dollars in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due *	Total Loans Past Due	Total Loans Not Past Due	Total Loans
Residential real estate	$ 159	$ 1,430	$ 729	$ 2,318	$ 42,411	$ 44,729
Commercial real estate	-	165	698	863	68,910	69,773
Real estate construction	-	194	531	725	6,811	7,536
Commercial	-	732	1,215	1,947	8,742	10,689
Home equity	83	-	-	83	4,485	4,568
Consumer:						
Credit cards	-	-	-	-	321	321
Overdrafts	-	-	-	-	12	12
Other consumer	4	27	-	31	957	988
Total	$ 246	$ 2,548	$ 3,173	$ 5,967	$ 132,649	$ 138,616
Delinquent loans to total loans	0.18 %	1.84 %	2.29 %	4.30 %		

* - All loans, excluding purchased credit impaired loans, greater than 90 days past due or more as of March 31, 2013 and December 31, 2012 were on non-accrual status.

See additional discussion regarding the TCB and FCB acquisitions under Footnote 2 “2012 Acquisitions of Failed Banks” in this section of the filing.

Impaired Loans

The Bank defines impaired loans as follows:

- All loans, excluding purchased credit impaired ("PCI") loans, internally classified as "Substandard," "Doubtful" or "Loss;"
- All loans, excluding PCI loans, on non-accrual status;
- All retail and commercial troubled debt restructurings ("TDRs"), including PCI loans. TDRs are loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties;
- PCI loans whereby current projected cash flows have deteriorated since acquisition, or cash flows cannot be reasonably estimated in terms of timing and amounts; and
- Any other situation where the collection of total amount due for a loan is improbable or otherwise meets the definition of impaired.

See the section titled "Credit Quality Indicators" in this section of the filing for additional discussion regarding the Bank's loan classification structure.

Information regarding the Bank's impaired loans follows:

(in thousands)	March 31, 2013	December 31, 2012
Loans with no allocated allowance for loan losses	$ 48,138	$ 36,325
Loans with allocated allowance for loan losses	67,904	69,382
Total impaired loans	$ 116,042	$ 105,707
Amount of the allowance for loan losses allocated	$ 8,628	$ 8,531

Approximately $25 million, or 20%, of impaired loans were loans acquired in the Bank's 2012 acquisitions. Substantially all of these loans became classified as "impaired" through a modification of the original loan, which the Bank deemed to be a TDR. See additional discussion regarding the TCB and FCB acquisitions under Footnote 2 "2012 Acquisitions of Failed Banks" in this section of the filing.

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio class based on impairment method as of March 31, 2013 and December 31, 2012:

March 31, 2013 (in thousands)	Residential Real Estate Owner Occupied	Residential Real Estate Non Owner Occupied	Commercial Real Estate	Commercial Real Estate - Purchased Whole Loans	Real Estate Construction	Commercial	Warehouse Lines of Credit
Allowance for loan losses:							
Ending allowance balance attributable to loans:							
Individually evaluated for impairment, excluding PCI loans	$ 3,040	$ 453	$ 3,075	$ -	$ 1,309	$ 446	$ -
Collectively evaluated for impairment	3,913	467	5,705	34	1,779	281	433
Acquired with deteriorated credit quality	31	4	1	-	13	-	-
Total ending allowance for loan losses	$ 6,984	$ 924	$ 8,781	$ 34	$ 3,101	$ 727	$ 433
Loans:							
Impaired loans individually evaluated, excluding PCI loans	$ 44,565	$ 4,507	$ 31,094	$ -	$ 3,989	$ 4,661	$ -
Loans collectively evaluated for impairment	1,105,650	50,298	620,643	33,690	75,590	121,265	173,018
Loans acquired with deteriorated credit quality	4,992	14,230	45,780	-	2,966	5,309	-
Total ending loan balance	$ 1,155,207	$ 69,035	$ 697,517	$ 33,690	$ 82,545	$ 131,235	$ 173,018

(continued) Consumer

	Home Equity	Credit Cards	Overdrafts	Other Consumer	Total
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment, excluding PCI loans	$ 249	$ -	$ -	$ 6	$ 8,578
Collectively evaluated for impairment	1,660	326	209	128	14,935
Acquired with deteriorated credit quality	-	-	-	1	50
Total ending allowance for loan losses	$ 1,909	$ 326	$ 209	$ 135	$ 23,563
Loans:					
Impaired loans individually evaluated, excluding PCI loans	$ 3,704	$ -	$ -	$ 448	$ 92,968
Loans collectively evaluated for impairment	229,754	8,255	903	13,215	2,432,281
Loans acquired with deteriorated credit quality	-	-	-	116	73,393
Total ending loan balance	$ 233,458	$ 8,255	$ 903	$ 13,779	$ 2,598,642

December 31, 2012 (in thousands)	Residential Real Estate Owner Occupied	Residential Real Estate Non Owner Occupied	Commercial Real Estate	Commercial Real Estate - Purchased Whole Loans	Real Estate Construction	Commercial	Warehouse Lines of Credit
Allowance for loan losses:							
Ending allowance balance attributable to loans:							
Individually evaluated for impairment, excluding PCI loans	$ 3,033	$ 518	$ 2,906	$ -	$ 1,157	$ 347	$ -
Collectively evaluated for impairment	3,972	527	5,924	34	1,612	232	541
Acquired with deteriorated credit quality	1	4	13	-	-	1	-
Total ending allowance for loan losses	$ 7,006	$ 1,049	$ 8,843	$ 34	$ 2,769	$ 580	$ 541
Loans:							
Impaired loans individually evaluated, excluding PCI loans	$ 42,340	$ 4,419	$ 30,544	$ -	$ 4,000	$ 4,578	$ -
Loans collectively evaluated for impairment	1,103,601	48,344	613,656	33,531	73,247	119,515	216,576
Loans acquired with deteriorated credit quality	2,413	21,776	54,411	-	2,846	6,675	-
Total ending loan balance	$ 1,148,354	$ 74,539	$ 698,611	$ 33,531	$ 80,093	$ 130,768	$ 216,576

(continued)	Consumer Home Equity	Consumer Credit Cards	Consumer Overdrafts	Consumer Other Consumer	Total

Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment, excluding PCI loans	$ 496	$ -	$ -	$ 55	$ 8,512
Collectively evaluated for impairment	1,852	210	198	96	15,198
Acquired with deteriorated credit quality	-	-	-	-	19
Total ending allowance for loan losses	$ 2,348	$ 210	$ 198	$ 151	$ 23,729
Loans:					
Impaired loans individually evaluated, excluding PCI loans	$ 3,420	$ -	$ -	$ 437	$ 89,738
Loans collectively evaluated for impairment	238,433	8,716	955	15,692	2,472,266
Loans acquired with deteriorated credit quality	-	-	-	72	88,193
Total ending loan balance	$ 241,853	$ 8,716	$ 955	$ 16,201	$ 2,650,197

The following tables present loans individually evaluated for impairment by class of loans as of March 31, 2013 and December 31, 2012. The difference between the "Unpaid Principal Balance" and "Recorded Investment" columns represents life-to-date partial write downs/charge offs taken on individual impaired credits.

	As of March 31, 2013			Three Months Ended March 31, 2013	
(in thousands)	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance recorded:					
Residential real estate:					
Owner occupied	$14,272	$14,220	$-	$13,664	$154
Non owner occupied	2,472	2,311	-	1,553	7
Commercial real estate	22,103	22,103	-	18,198	239
Commercial real estate - purchased whole loans	-	-	-	-	-
Real estate construction	3,566	2,561	-	2,323	25
Commercial	4,139	4,047	-	4,081	31
Warehouse lines of credit	-	-	-	-	-
Home equity	2,731	2,473	-	2,010	16
Consumer:					
Credit cards	-	-	-	-	-
Overdrafts	-	-	-	-	-
Other consumer	423	423	-	405	4
Impaired loans with an allowance recorded:					
Residential real estate:					
Owner occupied	32,096	31,891	3,071	31,674	210
Non owner occupied	3,714	3,644	457	3,635	39
Commercial real estate	25,315	24,903	3,076	25,601	289
Commercial real estate - purchased whole loans	-	-	-	-	-
Real estate construction	3,746	3,513	1,323	3,348	25
Commercial	2,668	2,668	446	2,762	43
Warehouse lines of credit	-	-	-	-	-
Home equity	1,231	1,231	249	1,552	4
Consumer:					
Credit cards	-	-	-	-	-
Overdrafts	-	-	-	-	-
Other consumer	54	54	6	69	1
Total impaired loans	$118,530	$116,042	$8,628	$110,875	$1,087

	As of December 31, 2012			Three Months Ended March 31, 2012	
(in thousands)	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance recorded:					
Residential real estate:					
Owner occupied	$13,299	$13,107	$-	$18,650	$212
Non owner occupied	955	794	-	622	17
Commercial real estate	14,293	14,293	-	5,728	101
Commercial real estate - purchased whole loans	-	-	-	-	-
Real estate construction	3,090	2,085	-	2,160	57
Commercial	4,206	4,114	-	1,686	37
Warehouse lines of credit	-	-	-	-	-
Home equity	1,753	1,546	-	573	-
Consumer:					
Credit cards	-	-	-	-	-
Overdrafts	-	-	-	-	-
Other consumer	386	386	-	16	1
Impaired loans with an allowance recorded:					
Residential real estate:					
Owner occupied	31,709	31,458	3,034	4,016	8
Non owner occupied	3,695	3,625	522	2,022	-
Commercial real estate	26,710	26,300	2,919	20,135	29
Commercial real estate - purchased whole loans	-	-	-	-	-
Real estate construction	3,416	3,183	1,157	8,416	-
Commercial	2,858	2,858	348	2,797	-
Warehouse lines of credit	-	-	-	-	-
Home equity	1,874	1,874	496	1,859	-
Consumer:					
Credit cards	-	-	-	-	-
Overdrafts	-	-	-	-	-
Other consumer	84	84	55	-	-
Total impaired loans	$108,328	$105,707	$8,531	$68,680	$462

Troubled Debt Restructurings

A TDR is the situation where the Bank grants a concession to the borrower that the Bank would not otherwise have considered due to a borrower's financial difficulties. 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 its debt in the foreseeable future without the modification. This evaluation is performed under the Bank's internal underwriting policy.

All TDRs are considered "Impaired" loans, including loans acquired in acquisitions of failed banks and subsequently restructured. The majority of the Bank's commercial related and construction TDRs involve a restructuring of loan 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 loan. The substantial majority of the Bank's residential real estate TDRs involve reducing the client's loan payment through a rate reduction for a set period of time based on the borrower's ability to service the modified loan payment.

Management determines whether to classify a TDR as non-performing based on its accrual status prior to modification. Non-accrual loans modified as TDRs remain on non-accrual status and continue to be reported as non-performing loans. Accruing loans modified as TDRs are evaluated for non-accrual status based on a current evaluation of the borrower's financial condition and ability and willingness to service the modified debt. At March 31, 2013 and December 31, 2012, $18 million and $15 million of TDRs were classified as non-performing loans.

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

March 31, 2013 (in thousands)	Troubled Debt Restructurings on Non-Accrual Status	Troubled Debt Restructurings on Accrual Status	Total Troubled Debt Restructurings
Residential real estate	$ 8,752	$ 39,681	$ 48,433
Commercial real estate	5,082	38,460	43,542
Real estate construction	1,741	3,575	5,316
Commercial	2,244	4,247	6,491
Total troubled debt restructurings	$ 17,819	$ 85,963	$ 103,782

Approximately $8 million in TDRs modified during 2013 were loans related to the 2012 acquisitions. See additional discussion regarding the TCB and FCB acquisitions under Footnote 2 "2012 Acquisitions of Failed Banks" in this section of the filing.

December 31, 2012 (in thousands)	Troubled Debt Restructurings on Non-Accrual Status	Troubled Debt Restructurings on Accrual Status	Total Troubled Debt Restructurings
Residential real estate	$ 7,512	$ 36,889	$ 44,401

Commercial real estate	5,149	31,864	37,013
Real estate construction	1,595	3,127	4,722
Commercial	2,263	4,604	6,867
Total troubled debt restructurings	$ 16,519	$ 76,484	$ 93,003

The Bank considers a TDR to be performing to its modified terms if the loan is in accrual status and not past due 30 days or more as of the reporting date. A summary of the categories of TDR loan modifications outstanding and respective performance under modified terms at March 31, 2013 and December 31, 2012 follows:

March 31, 2013 (in thousands)	Troubled Debt Restructurings Performing to Modified Terms	Troubled Debt Restructurings Not Performing to Modified Terms	Total Troubled Debt Restructurings
Residential real estate loans (including home equity loans):			
Interest only payments for 6-24 months	$ 811	$ 624	$ 1,435
Rate reduction	24,862	2,767	27,629
Forbearance for 3-6 months	2,775	1,751	4,526
First modification extension	884	275	1,159
Subsequent modification extension	4,745	2,363	7,108
Bankruptcies	4,854	1,722	6,576
Total residential TDRs	38,931	9,502	48,433
Commercial related and construction loans:			
Interest only payments for 6-24 months	6,362	342	6,704
Rate reduction	10,270	2,472	12,742
Forbearance for 3-6 months	1,409	-	1,409
First modification extension	11,979	3,979	15,958
Subsequent modification extension	16,262	2,032	18,294
Bankruptcies	-	242	242
Total commercial TDRs	46,282	9,067	55,349
Total troubled debt restructurings	$ 85,213	$ 18,569	$ 103,782

December 31, 2012 (in thousands)	Troubled Debt Restructurings Performing to Modified Terms	Troubled Debt Restructurings Not Performing to Modified Terms	Total Troubled Debt Restructurings
Residential real estate loans (including home equity loans):			
Interest only payments for 6-24 months	$ 957	$ 624	$ 1,581
Rate reduction	23,673	4,426	28,099
Forbearance for 3-6 months	2,552	1,722	4,274
First modification extension	1,891	441	2,332
Subsequent modification extension	4,730	68	4,798
Bankruptcies	2,224	1,093	3,317
Total residential TDRs	36,027	8,374	44,401
Commercial related and construction loans:			

Interest only payments for 6-24 months		7,002		342		7,344
Rate reduction		8,573		5,142		13,715
Forbearance for 3-6 months		743		-		743
First modification extension		7,209		2,678		9,887
Subsequent modification extension		15,512		1,401		16,913
Bankruptcies		-		-		-
Total commercial TDRs		39,039		9,563		48,602
Total troubled debt restructurings	$	75,066	$	17,937	$	93,003

As of March 31, 2013 and December 31, 2012, 82% and 81% of the Bank's TDRs were performing according to their modified terms. The Bank had provided $7 million of specific reserve allocations to customers whose loan terms have been modified in TDRs as of March 31, 2013 and 2012. Specific reserve allocations are generally assessed prior to loans being modified as a TDR, as most of these loans migrate from the Bank's internal watch list and have been specifically provided for or reserved for as part of the Bank's normal loan loss provisioning methodology. The Bank has not committed to lend any additional material amounts to its existing TDR relationships at March 31, 2013.

A summary of the categories of TDR loan modifications that occurred during the three months ended March 31, 2013 follows:

March 31, 2013 (in thousands)	Troubled Debt Restructurings Performing to Modified Terms	Troubled Debt Restructurings Not Performing to Modified Terms	Total Troubled Debt Restructurings
Residential real estate loans (including home equity loans):			
Interest only payments for 6-24 months	$ -	$ -	$ -
Rate reduction	1,232	888	2,120
Forbearance for 3-6 months	233	-	233
First modification extension	122	136	258
Subsequent modification extension	-	64	64
Bankruptcies	2,795	363	3,158
Total residential TDRs	4,382	1,451	5,833
Commercial related and construction loans:			
Interest only payments for 6 - 12 months	47	-	47
Rate reduction	-	-	-
Forbearance for 3-6 months	195	-	195
First modification extension	5,879	2,092	7,971
Subsequent modification extension	-	-	-
Bankruptcies	-	-	-
Total commercial TDRs	6,121	2,092	8,213
Total troubled debt restructurings	$ 10,503	$ 3,543	$ 14,046

As of March 31, 2013, 75% of the Bank's TDRs that occurred during 2013 were performing according to their modified terms. The Bank has provided $78,000 in specific reserve allocations to customers whose loan terms were modified in TDRs during 2013. As stated above, specific reserves are generally assessed prior to loans being modified as a TDR, as most of these loans migrate from the Bank's internal watch list and have been specifically reserved for as part of the Bank's normal reserving methodology.

There was no change between the pre and post modification loan balances at March 31, 2013 and December 31, 2012.

The following table presents loans by class modified as troubled debt restructurings within the past twelve months for which there was a subsequent payment default:

(dollars in thousands)	Number of Loans	Recorded Investment
Residential real estate:		
Owner occupied	31	$ 3,154
Non owner occupied	-	-
Commercial real estate	1	1,763
Commercial real estate - purchased whole loans	-	-
Real estate construction	-	-
Commercial	3	329
Warehouse lines of credit	-	-
Home equity	6	367
Consumer:		
Credit cards	-	-
Overdrafts	-	-
Other consumer	4	77
Total	45	$ 5,690

5. DEPOSITS

Ending deposit balances at March 31, 2013 and December 31, 2012 were as follows:

(in thousands)	March 31, 2013	December 31, 2012
Demand	$ 636,094	$ 580,900
Money market accounts	525,497	514,698
Brokered money market accounts	37,785	35,596
Savings	66,116	62,145
Individual retirement accounts*	31,140	32,491
Time deposits, $100,000 and over*	73,251	80,906
Other certificates of deposit*	88,956	100,036
Brokered certificates of deposit*(1)	88,808	97,110
Total interest-bearing deposits	1,547,647	1,503,882
Total non interest-bearing deposits	524,149	479,046
Total deposits	$ 2,071,796	$ 1,982,928

(*) - Represents a time deposit.
(1) – Includes brokered deposits less than, equal to and greater than $100,000.

The composition of deposits related to the acquisitions of failed banks outstanding at March 31, 2013 and December 31, 2012 follows:

March 31, 2013 (in thousands)	Tennessee Commerce Bank	First Commercial Bank	Total Acquired Banks
Demand	$ 1,075	$ 3,504	$ 4,579
Money market accounts	1,831	24,447	26,278
Savings	6,488	-	6,488
Individual retirement accounts*	885	2,111	2,996
Time deposits, $100,000 and over*	8,574	2,240	10,814
Other certificates of deposit*	5,372	7,257	12,629
Brokered certificates of deposit*(1)	5,256	9,121	14,377
Total interest-bearing deposits	29,481	48,680	78,161
Total non interest-bearing deposits	4,596	6,918	11,514
Total deposits	$ 34,077	$ 55,598	$ 89,675

(*) - Represents a time deposit.
(1) – Includes brokered deposits less than, equal to and greater than $100,000.

December 31, 2012 (in thousands)	Tennessee Commerce Bank	First Commercial Bank	Total Acquired Banks
Demand	$ 10,024	$ 5,871	$ 15,895
Money market accounts	1,510	25,762	27,272
Savings	217	-	217
Individual retirement accounts*	1,166	3,269	4,435
Time deposits, $100,000 and over*	10,822	3,267	14,089
Other certificates of deposit*	7,196	12,574	19,770
Brokered certificates of deposit*(1)	6,729	12,247	18,976
Total interest-bearing deposits	37,664	62,990	100,654
Total non interest-bearing deposits	4,240	6,812	11,052
Total deposits	$ 41,904	$ 69,802	$ 111,706

(*) - Represents a time deposit.
(1) – Includes brokered deposits less than, equal to and greater than $100,000.

See additional discussion regarding the TCB and FCB acquisitions under Footnote 2 “2012 Acquisitions of Failed Banks” in this section of the filing.

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

At March 31, 2013 and December 31, 2012, FHLB advances were as follows:

(in thousands)	March 31, 2013	December 31, 2012
Fixed interest rate advances with a weighted average interest rate of 2.18% due through 2021	$ 472,570	$ 442,600
Putable fixed interest rate advances with a weighted average interest rate of 4.39% due through 2017(1)	100,000	100,000
Total FHLB advances	$ 572,570	$ 542,600

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

Each FHLB advance is payable at its maturity date, with a prepayment penalty for fixed rate advances that are paid off earlier than maturity. FHLB advances are collateralized by a blanket pledge of eligible real estate loans. At March 31, 2013, Republic had available collateral to borrow an additional $470 million from the FHLB. In addition to its borrowing line with the FHLB, Republic also had unsecured lines of credit totaling $216 million available through various other financial institutions.

During the first quarter of 2012, RB&T prepaid $81 million in FHLB advances. These advances had a weighted average cost of 3.56% and were all scheduled to mature between October 2012 and May 2013. The Bank incurred a $2.4 million early termination penalty in connection with this transaction.

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

Year	(in thousands)
2013	$ 35,000
2014	178,000
2015	25,000
2016	82,000
2017	125,000
Thereafter	127,570
Total	$ 572,570

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

(in thousands)	March 31, 2013	December 31, 2012
First lien, single family residential real estate	$ 1,093,467	$ 1,053,946
Home equity lines of credit	109,929	116,043
Multi-family commercial real estate	8,669	7,017

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

The Bank's private label mortgage backed security remains extremely 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.

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

Derivative instruments: Mortgage Banking derivatives used in the ordinary course of business primarily consist of mandatory forward sales contracts ("forward contracts") and 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.

Impaired Loans: At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for loan losses. For collateral dependent loans, fair value is 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 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. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Other Real Estate Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals. 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 are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

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. Once received, a member of the Credit Administration Department reviews the assumptions and approaches utilized in the appraisal, as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. On an annual basis, the Bank compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment, if any, should be made to the appraisal value to arrive at a fair value.

Mortgage Servicing Rights: On a monthly basis, mortgage servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. If the carrying amount of an individual tranche exceeds fair value, impairment is recorded on that tranche so that the servicing asset is carried at fair value. The valuation model utilizes assumptions that market participants would use in estimating future net servicing income and that can generally be validated against available market data (Level 3).

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

	Fair Value Measurements at March 31, 2013 Using:			
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Securities available for sale:				
U.S. Treasury securities and U.S. Government agencies	$ -	$ 39,404	$ -	$ 39,404
Private label mortgage backed security	-	-	5,688	5,688
Mortgage backed securities - residential	-	177,207	-	177,207
Collateralized mortgage obligations	-	199,144	-	199,144
Total securities available for sale	$ -	$ 415,755	$ 5,688	$ 421,443
Mandatory forward contracts	$ -	$ (175)	$ -	$ (175)
Rate lock loan commitments	-	1,966	-	1,966
Mortgage loans held for sale	-	20,726	-	20,726

	Fair Value Measurements at December 31, 2012 Using:			
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Securities available for sale:				
U.S. Treasury securities and U.S. Government agencies	$ -	$ 39,472	$ -	$ 39,472
Private label mortgage backed security	-	-	5,687	5,687
Mortgage backed securities - residential	-	197,210	-	197,210
Collateralized mortgage obligations	-	195,877	-	195,877
Total securities available for sale	$ -	$ 432,559	$ 5,687	$ 438,246
Mandatory forward contracts	$ -	$ 47	$ -	$ 47

Rate lock loan commitments	-	833	-	833
Mortgage loans held for sale	-	10,614	-	10,614

All transfers between levels are generally recognized at the end of each quarter. There were no transfers into or out of Level 1, 2 or 3 assets during the three months ended March 31, 2013 and 2012.

The table below presents a reconciliation of the Bank's private label mortgage backed security. This is the only asset that was measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the periods ended March 31, 2013 and 2012:

	Three Months Ended March 31,	
(in thousands)	2013	2012
Balance, beginning of period	$5,687	$4,542
Total gains or losses included in earnings:		
Net change in unrealized gain/(loss)	184	(22)
Principal paydowns	(183)	-
Balance, end of period	$5,688	$4,520

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 Fair Isaac Corporation ("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.

There were no transfers into or out of Level 3 assets during the three months ended March 31, 2013 and 2012.

The following table presents quantitative information about recurring Level 3 fair value measurements at March 31, 2013 and December 31, 2012:

March 31, 2013 (dollars in thousands)	Fair Value	Valuation Technique	Unobservable Inputs	Range
Private label mortgage backed security	$ 5,688	Discounted cash flow	(1) Constant prepayment rate	1% - 6%
			(2) Probability of default	2% - 4%
			(2) Loss severity	60% - 70%

December 31, 2012 (dollars in thousands)	Fair Value	Valuation Technique	Unobservable Inputs	Range
Private label mortgage backed security	$ 5,687	Discounted cash flow	(1) Constant prepayment rate	1% - 6%
			(2) Probability of default	3.5% - 7%

(2) Loss severity	60% - 70%

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 lower/higher fair value measurement.

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

	Fair Value Measurements at March 31, 2013 Using:			
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Impaired loans:				
Residential real estate:				
Owner occupied	$-	$-	$ 787	$787
Non owner occupied	-	-	1,887	1,887
Commercial real estate	-	-	15,443	15,443
Real estate construction	-	-	1,505	1,505
Commercial	-	-	201	201
Total impaired loans *	$-	$-	$ 19,823	$19,823
Other real estate owned:				
Residential real estate:				
Owner occupied	$-	$-	$ 798	$798
Non owner occupied	-	-	-	-
Commercial real estate	-	-	460	460
Real estate construction	-	-	5,000	5,000
Total other real estate owned	$-	$-	$ 6,258	$6,258
Mortgage servicing rights	$-	$-	$ 665	$665

	Fair Value Measurements at December 31, 2012 Using:			
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Impaired loans:				
Residential real estate:				
Owner occupied	$-	$-	$ 782	$782
Non owner occupied	-	-	1,788	1,788
Commercial real estate	-	-	15,618	15,618
Real estate construction	-	-	1,552	1,552

Commercial	-	-	182	182
Home equity	-	-	303	303
Total impaired loans *	$-	$-	$ 20,225	$20,225
Other real estate owned:				
Residential real estate:				
Owner occupied	$-	$-	$ 1,195	$1,195
Non owner occupied	-	-	-	-
Commercial real estate	-	-	1,219	1,219
Real estate construction	-	-	5,161	5,161
Total other real estate owned	$-	$-	$ 7,575	$7,575
Mortgage servicing rights	$-	$-	$ 3,484	$3,484

* - The impaired loan balances exclude non-collateral dependent TDRs.

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at March 31, 2013 and December 31, 2012:

March 31, 2013 (dollars in thousands)		Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Impaired loans - commercial real estate	$	15,043	Sales comparison approach	Adjustments determined by Management for differences between the comparable sales	3% - 50% (18%)
	$	1,905	Income approach	Adjustments for differences between net operating income expectations	12% (12%)
Impaired loans - residential real estate	$	2,674	Sales comparison approach	Adjustments determined by Management for differences between the comparable sales	10% - 60% (21%)
Impaired loans - commercial	$	201	Sales comparison approach	Adjustments determined by Management for differences between the comparable sales	0% - 50% (42%)
Other real estate owned - residential	$	798	Sales comparison approach	Adjustments determined by Management for differences between the comparable sales	10% - 77% (16%)
Other real estate owned - commercial real estate	$	460	Sales comparison approach	Adjustments determined by Management for differences between the comparable sales	26% - 29% (27%)

Other real estate owned - real estate construction	$	615	Sales comparison approach	Adjustments determined by Management for differences between the comparable sales	17% - 57% (41%)
	$	4,385	Income approach	Adjustments for differences between net operating income expectations	12% - 12% (12%)
Mortgage servicing rights	$	665	Third party valuation pricing	Prepayment speeds	260% (260%)
				Default rate	1.50% (1.50%)
				Discount rate	9% (9%)

December 31, 2012 (dollars in thousands)	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Impaired loans - commercial real estate	$ 15,230	Sales comparison approach	Adjustments determined by Management for differences	0% - 50% (18%)