

FLUOR CORP
Form 8-K
February 09, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest reported event): **February 3, 2016**

FLUOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

001-16129
(Commission File Number)

33-0927079
(IRS Employer Identification
Number)

6700 Las Colinas Boulevard
Irving, Texas
(Address of principal executive offices)

75039
(Zip Code)

(469) 398-7000

(Registrant's telephone number, including area code)

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Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) On February 3, 2016, the Organization and Compensation Committee of the Board of Directors (the Board) of Fluor Corporation (the Corporation) made several modifications to the Corporation s compensation programs. A summary of the changes is as follows:

Long-Term Incentive Awards. The Corporation s current long-term incentive (LTI) program consists of three components: Value Driver Incentive (VDI) awards, restricted stock units (RSUs) and non-qualified stock options. In 2015, the Chief Executive Officer and his direct reports (Senior Officers) received approximately one-third of their LTI grant in each of the types of award. Effective for 2016 LTI grants, Senior Officers will receive 50% of their LTI in VDI awards. The other 50% will generally be granted in RSUs, but Senior Officers will be able to elect to receive all or a portion of this half of LTI in options, with the exception of the Chief Executive Officer, whose grant form and amount will be solely determined by the Organization and Compensation Committee.

VDI Goals. For VDI awards granted in 2015 to the Senior Officers (which awards remain unchanged), the number of earned awards will be determined at the end of a three-year performance period and will be based on two equally weighted measures: (i) three-year cumulative earnings per share (EPS) and (ii) three-year average annual return on operating assets employed (ROAE). For VDI awards granted in 2016 to the Senior Officers, the number of earned awards will continue to be determined at the end of a three-year performance period based on two equally weighted measures: EPS and ROAE. However, payouts for the 2016-2018 VDI performance period are based upon the three-year average of performance ratings for each measure during each year of the period.

Post-Vesting Holding Periods. RSU and VDI grants made in 2016 to Senior Officers will be subject to a three-year post-vesting holding period.

Item 5.03. Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

On February 4, 2016, the Board adopted amendments to the Corporation s Amended and Restated Bylaws (the Bylaws), which became effective immediately, to implement proxy access. Section 2.10 of the Bylaws permits a stockholder, or a group of up to 20 stockholders, owning 3% or more of the Corporation s outstanding shares of common stock continuously for at least three years to nominate and include in the Corporation s proxy materials director nominees constituting up to the greater of two individuals or 20% of the number of directors in office, provided that the stockholder(s) and the nominee(s) satisfy the requirements specified in the Bylaws. The Bylaws were also amended to make certain clarifications and refinements to the advance notice bylaw for nominations contained in Section 2.04 and other clarifying and conforming changes.

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The foregoing description of the amendments to the Bylaws is qualified in its entirety by reference to the full text of the Bylaws, a copy of which is attached hereto as Exhibit 3.2 and incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
3.2	Amended and Restated Bylaws of Fluor Corporation, effective February 4, 2016.

SIGNATURES

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

February 9, 2016

FLUOR CORPORATION

By: */s/ Carlos M. Hernandez*
Carlos M. Hernandez
Chief Legal Officer and Secretary

FLUOR CORPORATION

INDEX OF EXHIBITS

Exhibit Number	Description
3.2	Amended and Restated Bylaws of Fluor Corporation, effective February 4, 2016.

4

Credit cards

Overdrafts

Other consumer

17

120

17

120

Total

136

8

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\$										5,426
										35
\$										6,160
										8
\$										8,660
										179
\$										20,246

December 31, 2012 (dollars in thousands)	Number of Loans and Unpaid Principal Balance								Total Balance
	No.	Balance <= \$100	No.	Balance > \$100 <= \$500	No.	Balance > \$500	No.		
Residential real estate:									
Owner Occupied	82	\$ 3,993	31	\$ 5,411	1	\$ 624	114	\$ 10,028	
Non-owner occupied	15	798	2	578			17	1,376	
Commercial real estate	5	137	7	1,805	3	2,526	15	4,468	
Commercial real estate - purchased whole loans									
Construction & land dev	1	76	4	1,205	1	1,027	6	2,308	
Commercial	2	97	1	237	1	1,200	4	1,534	
Warehouse lines of credit									
Home equity	33	826	6	1,042			39	1,868	
Consumer:									
Credit cards									
Overdrafts									

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Other consumer	19		97					19		97		
Total	157	\$	6,024	51	\$	10,278	6	\$	5,377	214	\$	21,679

100

Table of Contents

Approximately \$14 million in non-performing loans at December 31, 2012, were removed from the non-performing loan classification during 2013. Approximately \$1 million, or 10%, of these loans were removed from the non-performing category because they were charged-off. Approximately \$3 million, or 21%, in loan balances were transferred to OREO with \$5 million, or 37%, refinanced at other financial institutions. The remaining \$5 million, or 32%, were returned to accrual status for performance reasons, such as six consecutive months of performance. Of the \$5 million returned to accrual status, one relationship of approximately \$2 million accounted for 42% of the total amount returned to accrual status.

The following tables detail the activity of the Bank's non-performing loans:

Table 12 Rollforward of Non-performing Loan Activity

(in thousands)	2013	2012
Non-performing loans at January 1,	\$ 21,679	\$ 23,306
Loans added to non-performing status	12,773	12,027
Acquired bank loans added to non-performing status	312	
Loans removed from non-performing status	(13,866)	(13,752)
Principal paydowns	(652)	(529)
Non-performing loans at September 30,	\$ 20,246	\$ 21,052

Table 13 Detail of Loans Removed from Non-Performing Status

(in thousands)	2013	2012
Loans charged-off	\$ (1,368)	\$ (2,218)
Loans transferred to OREO	(2,952)	(5,448)
Loans refinanced at other institutions	(5,162)	(3,196)
Loans returned to accrual status	(4,384)	(2,890)
Total loans removed from non-performing status	\$ (13,866)	\$ (13,752)

Based on the Bank's review of the large individual non-performing commercial credits, as well as its migration analysis for its residential real estate and home equity non-performing portfolio, management believes that its reserves as of September 30, 2013, are adequate to absorb probable losses on non-performing loans.

Delinquent Loans

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Delinquent loans to total loans decreased to 0.59% at September 30, 2013, from 0.79% at December 31, 2012, as the total balance of delinquent loans decreased by \$6 million, or 28%, for the same period. With the exception of PCI loans, generally all traditional bank loans past due 90 days or more as of September 30, 2013 and December 31, 2012 were on non-accrual status.

Table of Contents

The composition of the Bank's past due loans follows:

Table 14 Delinquent Loan Composition (1)

(in thousands)	September 30, 2013	December 31, 2012
Residential real estate:		
Owner occupied	\$ 7,401	\$ 8,900
Non owner occupied	1,456	2,899
Commercial real estate	3,120	2,640
Commercial real estate - purchased whole loans		
Construction & land development	193	2,124
Commercial	1,525	2,262
Warehouse lines of credit		
Home equity	1,083	1,654
Consumer:		
Credit cards	55	65
Overdrafts	143	168
Other consumer	111	132
Total delinquent loans	\$ 15,087	\$ 20,844

(1) Represents loans over 30 days past due.

Table 15 Delinquent Loans to Total Loans by Loan Type (1)

(in thousands)	September 30, 2013	December 31, 2012
Residential real estate:		
Owner occupied	0.67%	0.78%
Non owner occupied	1.33%	3.89%
Commercial real estate	0.41%	0.37%
Commercial real estate - purchased whole loans	0.00%	0.00%
Construction & land development	0.36%	3.11%
Commercial	1.33%	1.73%
Warehouse lines of credit	0.00%	0.00%
Home equity	0.48%	0.68%
Consumer:		
Credit cards	0.61%	0.75%
Overdrafts	16.80%	17.59%
Other consumer	0.69%	0.87%
Total delinquent loans to total loans	0.59%	0.79%

(1) *Represents loans over 30 days past due divided by total loans.*

Table of Contents

Approximately \$15 million in delinquent loans at December 31, 2012, were removed from delinquent status during 2013. Approximately \$1 million, or 8%, of these loans were removed from the delinquent category because they were charged-off. Approximately \$5 million, or 35%, in loan balances were transferred to OREO with \$6 million, or 38%, refinanced at other financial institutions. The remaining \$3 million, or 19%, in delinquent loans paid current in 2013.

The Bank had \$106 million in loans outstanding related to the 2012 FDIC-Assisted Acquisitions of Failed Banks at September 30, 2013, with approximately \$3 million of the purchased loans (accounted for under both ASC Topic 310-20 and ASC Topic 310-30) past due 30 days or more.

See additional discussion regarding the 2012 FDIC-Assisted Acquisitions of Failed Banks under Footnote 2 2012 FDIC-Assisted Acquisitions of Failed Banks of Part I Item 1 Financial Statements.

Table 16 Rollforward of Delinquent Loan Activity

(in thousands)	2013	2012
Delinquent loans, January 1,	\$ 20,844	\$ 24,433
Traditional bank loans that became delinquent	8,749	12,717
Acquired bank loans that became delinquent	1,243	731
Net change in delinquent credit cards and demand deposit accounts	(21)	3
Delinquent loans removed from delinquent status (<i>see table below</i>)	(15,292)	(19,784)
Principal paydowns of loans delinquent in both periods	(436)	(208)
Delinquent loans, September 30,	\$ 15,087	\$ 17,892

Table 17 Detail of Loans Removed From Delinquent Status

(in thousands)	2013	2012
Loans charged-off	\$ (1,186)	\$ (1,690)
Loans transferred to OREO	(5,379)	(6,428)
Loans refinanced at other institutions	(5,751)	(6,658)
Loans paid current	(2,976)	(5,008)
Total loans removed from delinquent status	\$ (15,292)	\$ (19,784)

Impaired Loans and Troubled Debt Restructurings

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The Bank's policy is to charge off all or that portion of its investment in an impaired loan upon a determination that it is probable the full amount will not be collected. Impaired loans totaled \$104 million at September 30, 2013 compared to \$106 million at December 31, 2012. Impaired loans from the 2012 FDIC-Assisted Acquisitions of Failed Banks totaled \$29 million at September 30, 2013 compared to \$18 million at December 31, 2012.

A TDR is the situation where, due to a borrower's financial difficulties, the Bank grants a concession to the borrower that the Bank would not otherwise have considered. The majority of the Bank's TDRs involve a restructuring of loan terms such as a temporary reduction in the payment amount to require only interest and escrow (if required) and/or extending the maturity date of the loan. 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. As of September 30, 2013, the Bank had \$75 million in TDRs, of which \$12 million were also on non-accrual status. As of December 31, 2012, the Bank had \$83 million in TDRs, of which \$14 million were also on non-accrual status.

Table of Contents

The composition of the Bank's impaired loans follows:

Table 18 Impaired Loan Composition

(in thousands)	September 30, 2013		December 31, 2012	
Troubled debt restructurings	\$	74,785	\$	83,307
Classified impaired loans (which are not TDRs)		29,348		22,400
Total impaired loans	\$	104,133	\$	105,707

See Footnote 4 *Loans and Allowance for Loan Losses* of Part I Item 1 *Financial Statements* for additional discussion regarding impaired loans and TDRs.

Other Real Estate Owned

The composition of the Bank's OREO follows:

Table 19 Other Real Estate Owned Composition

(in thousands)	September 30, 2013		December 31, 2012	
Residential real estate	\$	2,941	\$	6,281
Commercial real estate		3,717		7,693
Construction & land development		8,589		12,229
Total other real estate owned	\$	15,247	\$	26,203

The composition of the Bank's other real estate stratified by the number of properties within a specific value range follows:

Table 20 Stratification of Other Real Estate Owned

September 30, 2013 (dollars in thousands)	No.	Carrying Value ≤ \$100	Number of Properties and Carrying Value Range			No.	Total Carrying Value
			No.	Carrying Value > \$100 ≤ \$500	No.		

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Residential real estate	10	\$	436	5	\$	943	2	\$	1,562	17	\$	2,941
Commercial real estate				8		2,051	1		1,666	9		3,717
Construction & land development	3		142	15		3,431	4		5,016	22		8,589
Total	13	\$	578	28	\$	6,425	7	\$	8,244	48	\$	15,247

December 31, 2012 (dollars in thousands)	Number of Properties and Carrying Value Range								Total Carrying Value			
	No.	Carrying Value ≤ \$100	No.	Carrying Value > \$100 ≤ \$500	No.	Carrying Value > \$500	No.					
Residential real estate	30	\$	1,665	12	\$	2,735	3	\$	1,881	45	\$	6,281
Commercial real estate				7		1,826	6		5,867	13		7,693
Construction & land development	5		105	14		2,897	6		9,227	25		12,229
Total	35	\$	1,770	33	\$	7,458	15	\$	16,975	83	\$	26,203

Table of Contents**Table 21 Rollforward of Other Real Estate Owned Activity**

(in thousands)	2013		2012	
Balance, January 1,	\$	26,203	\$	10,956
OREO acquired from failed bank acquisitions at fair value				20,688
Transfer from loans to OREO		8,690		16,018
Proceeds from sale		(20,286)		(21,688)
Net gain on sale		1,714		381
Writedowns		(1,074)		(1,207)
Balance, September 30,	\$	15,247	\$	25,148

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

Approximately \$6 million of the OREO balance at September 30, 2013 related to the 2012 FDIC-assisted acquisitions of failed banks and relates predominantly to commercial real estate and real estate construction loans. *See additional discussion regarding the 2012 FDIC-assisted acquisitions of failed banks under Footnote 2 2012 FDIC-Assisted Acquisitions of Failed Banks of Part I Item 1 Financial Statements.*

Approximately \$9 million of the OREO balance at September 30, 2013 related to loans transferred to OREO in connection with the Banks traditional lending markets. Approximately \$2 million of this balance was tied to retail residential real estate properties, \$5 million to construction and land development estate, with the remaining \$2 million tied to commercial real estate. Approximately 72%, or \$3 million, of the construction and land development balance related to one land development property added during the first nine months of 2012 located in the Bank s greater Louisville, Kentucky market.

Deposits

Total Company deposits increased \$37 million, or 2%, from December 31, 2012 to \$2 billion at September 30, 2013. Total Company interest-bearing deposits increased \$24 million, or 2% and total Company non-interest bearing deposits increased \$13 million, or 3%.

Deposits related to the 2012 FDIC-assisted acquisitions totaled \$51 million at September 30, 2013 compared to \$112 million at December 31, 2012. Former TCB deposits consisted of \$19 million in interest-bearing deposits and \$3 million in non-interest bearing deposits at September 30, 2013, a decrease of \$19 million and \$1 million since December 31, 2012. Former FCB deposits consisted of \$24 million in interest-bearing deposits and \$5 million in non-interest bearing deposits at September 30, 2013, a decrease of \$39 million and \$2 million since December 31, 2012. In general, the run-off of deposits balances for both TCB-related customers and FCB-related customers is within management s expectations and the result of lower offering rates by RB&T as compared to those offered by TCB and FCB as of their respective acquisition dates.

Excluding non-interest bearing deposits associated with the 2012 FDIC-assisted acquisitions, non-interest bearing deposits increased \$16 million, or 4%, during 2013. During most of 2012, non-interest bearing accounts, in general, remained an attractive product offering to clients due to the unlimited FDIC insurance feature. This unlimited guaranty by the FDIC expired on December 31, 2012. Management does not believe that the expiration of the unlimited FDIC insurance guaranty has had an immediate negative impact on the Bank's non-interest bearing deposit balances, however, at this time, management cannot predict the future impact that may yet occur.

Excluding interest-bearing deposits associated with the 2012 FDIC-assisted acquisitions, interest-bearing deposits increased \$81 million, or 6%, during 2013. Approximately \$32 million of this increase represented an expected transfer by one account out of a repurchase agreement into the NOW category of deposits. At this time, management remains uncertain as to the long-term nature of this large deposit.

See additional discussion regarding the 2012 acquisitions under Footnote 2 2012 FDIC-Assisted Acquisitions of Failed Banks in this section of the filing under Part I Item 1 Financial Statements.

Table of Contents

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

Securities sold under agreements to repurchase and other short-term borrowings decreased \$145 million, or 58%, during the first nine months of 2013. Approximately \$32 million of this decline was related to the previously discussed expected transfer into deposits by one customer relationship. Approximately \$28 million of the decrease in repurchase agreements was due to a change in ownership of the account holder, with the new account owner transferring the funds to another financial institution during the first quarter. The remaining decrease was related to customary account fluctuations, as these balances are subject to large fluctuations on a daily basis. The substantial majority of these accounts are indexed to immediately repricing indices such as the Fed Funds Target Rate.

Federal Home Loan Bank Advances

FHLB advances increased \$44 million, or 8%, from December 31, 2012 to \$587 million at September 30, 2013. During the first nine months of 2013, the Bank borrowed \$70 million in FHLB advances primarily to fund and partially mitigate the Bank's interest rate risk for its fixed rate CRE loan initiative. These advances had a weighted average rate of 1.61% and a weighted average life of seven years.

In addition to using FHLB advances as a funding source, the Bank also utilizes longer-term FHLB advances as an interest rate risk management tool. Overall use of these advances during a given year is dependent upon many factors including asset growth, deposit growth, current earnings, and expectations of future interest rates, among others. With many of the Bank's expected loan originations during 2013 having repricing terms longer than five years, management will likely elect to borrow additional funds during the year to mitigate its risk of future increases in market interest rates. Whether the Bank ultimately does so, and how much in advances it extends out, will be dependent upon circumstances at that time. If the Bank does obtain longer-term FHLB advances for interest rate risk mitigation, it will have a negative impact on then current earnings. The amount of the negative impact will be dependent upon the dollar amount, coupon and final maturity of the advances obtained.

Liquidity

The Bank had a loan to deposit ratio (excluding brokered deposits) of 135% at September 30, 2013 and 143% at December 31, 2012. At September 30, 2013 and December 31, 2012, the Bank had cash and cash equivalents on-hand of \$142 million and \$138 million. In addition, the Bank had available collateral to borrow an additional \$317 million and \$472 million from the FHLB at September 30, 2013 and December 31, 2012. In addition to its borrowing line with the FHLB, RB&T also had unsecured lines of credit totaling \$166 million available through various other financial institutions as of September, 30 2013.

The Bank maintains sufficient liquidity to fund routine loan demand and routine deposit withdrawal activity. Liquidity is managed by maintaining sufficient liquid assets in the form of investment securities. Funding and cash flows can also be realized by the sale of securities available for sale, principal paydowns on loans and MBSs and proceeds realized from loans held for sale. The Bank's liquidity is impacted by its ability to sell certain investment securities, which is limited due to the level of investment securities that are needed to secure public deposits, securities sold under agreements to repurchase, FHLB borrowings, and for other purposes, as required by law.

Table of Contents

At September 30, 2013 and December 31, 2012, these pledged investment securities had a fair value of \$178 million and \$335 million. Republic's banking centers and its website, www.republicbank.com, provide access to retail deposit markets. These retail deposit products, if offered at attractive rates, have historically been a source of additional funding when needed. If the Bank were to lose a significant funding source, such as a few major depositors, or if any of its lines of credit were cancelled, or if the Bank cannot obtain brokered deposits, the Bank would be forced to offer market leading deposit interest rates to meet its funding and liquidity needs.

At September 30, 2013, the Bank had approximately \$319 million from 50 large deposit relationships where the individual relationship individually exceeded \$2 million. These accounts do not require collateral; therefore, cash from these accounts can generally be utilized to fund the loan portfolio. The 20 largest deposit relationships represented approximately \$221 million of the total balance. If any of these balances are moved from the Bank, the Bank would likely utilize overnight borrowing lines in the short-term to replace the balances. On a longer-term basis, the Bank would likely utilize brokered deposits to replace withdrawn balances. Based on past experience utilizing brokered deposits, the Bank believes it can quickly obtain brokered deposits if needed. The overall cost of gathering brokered deposits, however, could be substantially higher than the Traditional Bank deposits they replace, potentially decreasing the Bank's earnings.

Capital

Total stockholders' equity increased from \$537 million at December 31, 2012 to \$546 million at September 30, 2013. The increase in stockholders' equity was primarily attributable to net income earned during 2013 reduced by cash dividends declared and common stock repurchases.

See Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds for additional detail regarding stock repurchases and stock buyback programs.

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

Dividend Restrictions The Parent Company's principal source of funds for dividend payments are dividends received from RB&T. Banking regulations limit the amount of dividends that may be paid to the Parent Company by the Bank without prior approval of the respective states banking regulators. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years. At September 30, 2013, RB&T could, without prior approval, declare dividends of approximately \$77 million. The Company does not plan to pay dividends from its Florida subsidiary, RB, in the foreseeable future.

Regulatory Capital Requirements The Parent Company and the Bank are subject to various regulatory capital requirements administered by banking regulators. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on Republic's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Parent Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off balance sheet items, as calculated under regulatory accounting practices.

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The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Banking regulators have categorized the Bank as well-capitalized. To be categorized as well-capitalized, the Bank must maintain minimum Total Risk Based, Tier I Capital and Tier I Leverage Capital ratios. Regulatory agencies measure capital adequacy within a framework that makes capital requirements, in part, dependent on the individual risk profiles of financial institutions. Republic continues to exceed the regulatory requirements for Total Risk Based Capital, Tier I Capital and Tier I Leverage Capital. Republic and the Bank intend to maintain a capital position that meets or exceeds the well-capitalized requirements as defined by the FRB, FDIC and the OCC. Republic's average stockholders equity to average assets ratio was 16.16% at September 30, 2013 compared to 14.89% at December 31, 2012. Formal measurements of the capital ratios for Republic and the Bank are performed by the Company at each quarter end.

In 2004, the Bank executed an intragroup trust preferred transaction with the purpose of providing RB&T access to additional capital markets, if needed in the future. The subordinated debentures held by RB&T were treated as Tier 2 Capital based on requirements administered by the Bank's federal banking agency. In April 2013, the Bank received approval from its regulators and unwound the intragroup trust preferred transaction. The cash utilized to pay off the transaction remained at the Parent Company,

Table of Contents

Republic Bancorp. Unwinding of the transaction had no impact on Republic Bank & Trust Company's two Tier 1 related capital ratios and only a minimal impact on its Total Risk Based Capital ratio.

In 2005, Republic Bancorp Capital Trust (RBCT), an unconsolidated trust subsidiary of Republic Bancorp, Inc., was formed and issued \$40 million in Trust Preferred Securities (TPS). The TPS pay a fixed interest rate for ten years and adjust with LIBOR + 1.42% thereafter. The TPS mature on September 30, 2035 and are redeemable at the Bank's option after ten years. The subordinated debentures are treated as Tier I Capital for regulatory purposes. The sole asset of RBCT represents the proceeds of the offering loaned to Republic Bancorp, Inc. in exchange for subordinated debentures which have terms that are similar to the TPS. The subordinated debentures and the related interest expense, which are payable quarterly at the annual rate of 6.015%, are included in the consolidated financial statements. The proceeds obtained from the TPS offering have been utilized to fund loan growth (in prior years), support an existing stock repurchase program and for other general business purposes such as the acquisition of GulfStream Community Bank in 2006.

The following table sets forth the Company's risk based capital amounts and ratios as of September 30, 2013 and December 31, 2012:

Table 22 Capital Ratios

(dollars in thousands)	As of September 30, 2013		As of December 31, 2012	
	Amount	Ratio	Amount	Ratio
Total Risk Based Capital (to Risk Weighted Assets)				
Republic Bancorp, Inc.	\$ 594,716	27.34%	\$ 581,189	25.28%
Republic Bank & Trust Co.	441,620	21.17	451,898	20.37
Republic Bank	15,735	18.30	14,494	18.02
Tier I Capital (to Risk Weighted Assets)				
Republic Bancorp, Inc.	\$ 571,224	26.26%	\$ 558,982	24.31%
Republic Bank & Trust Co.	420,488	20.16	407,261	18.36
Republic Bank	14,644	17.03	13,474	16.75
Tier I Leverage Capital (to Average Assets)				
Republic Bancorp, Inc.	\$ 571,224	17.16%	\$ 558,982	16.36%
Republic Bank & Trust Co.	420,488	13.01	407,261	12.18
Republic Bank	14,644	13.87	13,474	13.43

Beginning January 1, 2015 the Company and the Bank will be subject to the new capital regulations of Basel III. The new regulations establish higher minimum risk-based capital ratio requirements, a new common equity Tier 1 risk-based capital ratio and a new capital conservation buffer. The new regulations also include revisions to the definition of capital and changes in the risk-weighting of certain assets. The new regulations establish definitions of "well capitalized" including the capital conservation buffer as a 7.0% common equity Tier 1 risk-based capital ratio, an 8.5% Tier 1 risk-based capital ratio and a 10.5% total risk-based capital ratio. The Tier 1 leverage ratio is unchanged from current regulations. Management has completed a preliminary analysis of the impact of these new regulations to the capital ratios of both the Company and the Bank and estimates that the ratios for both the Company and the Bank will comfortably exceed the new minimum capital ratio requirements for "well-capitalized" including the capital conservation buffer under Basel III when effective.

New Capital Rules On July 2, 2013, the Federal Reserve approved final rules that substantially amend the regulatory risk-based capital rules applicable to the Bank. The FDIC and the OCC have subsequently approved these rules. The final rules were adopted following the issuance of proposed rules by the Federal Reserve in June 2012, and implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act.

Table of Contents

The rules include new risk-based capital and leverage ratios, which will be phased in from 2015 to 2019, and will refine the definition of what constitutes capital for purposes of calculating those ratios. The new minimum capital level requirements applicable to the Bank under the final rules are: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 4% for all institutions. The final rules also establish a capital conservation buffer above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital. The capital conservation buffer will be phased-in over four years beginning on January 1, 2016, as follows: the maximum buffer will be 0.625% of risk-weighted assets for 2016, 1.25% for 2017, 1.875% for 2018, and 2.5% for 2019 and thereafter. This will result in the following minimum ratios beginning in 2019: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. Under the final rules, institutions are subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

The final rules implement revisions and clarifications consistent with Basel III regarding the various components of Tier 1 capital, including common equity, unrealized gains and losses, as well as certain instruments that will no longer qualify as Tier 1 capital, some of which will be phased out over time. However, the final rules provide that small depository institution holding companies with less than \$15 billion in total assets as of December 31, 2009 (which includes the Company) will be able to permanently include non-qualifying instruments that were issued and included in Tier 1 or Tier 2 capital prior to May 19, 2010 in additional Tier 1 or Tier 2 capital until they redeem such instruments or until the instruments mature.

The final rules also contain revisions to the prompt corrective action framework, which is designed to place restrictions on insured depository institutions if their capital levels begin to show signs of weakness. These revisions take effect January 1, 2015. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions will be required to meet the following increased capital level requirements in order to qualify as well capitalized: (i) a new common equity Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8% (increased from 6%); (iii) a total capital ratio of 10% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 5% (increased from 4%).

The final rules set forth certain changes for the calculation of risk-weighted assets, which the Bank will be required to utilize beginning January 1, 2015. The standardized approach final rule utilizes an increased number of credit risk exposure categories and risk weights, and also addresses: (i) an alternative standard of creditworthiness consistent with Section 939A of the Dodd-Frank Act; (ii) revisions to recognition of credit risk mitigation; (iii) rules for risk weighting of equity exposures and past due loans; (iv) revised capital treatment for derivatives and repo-style transactions; and (v) disclosure requirements for top-tier banking organizations with \$50 billion or more in total assets that are not subject to the advance approach rules that apply to banks with greater than \$250 billion in consolidated assets.

Based on the Bank's current capital composition and levels, management believes it will be in compliance with the requirements as set forth in the final rules.

Asset/Liability Management and Market Risk

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

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

Table of Contents

Republic utilized an earnings simulation model to analyze net interest income sensitivity. Potential changes in market interest rates and their subsequent effects on net interest income were evaluated with the model. The model projects the effect of instantaneous movements in interest rates between 100 and 300 basis point increments equally across all points on the yield curve. These projections are computed based on many various assumptions, which are used to determine the range between 100 and 300 basis point increments, as well as the base case (which is a twelve month projected amount) scenario. Assumptions based on growth expectations and on the historical behavior of Republic's deposit and loan rates and their related balances in relation to changes in interest rates are also incorporated into the model. These assumptions are inherently uncertain and, as a result, the model cannot precisely measure future net interest income or precisely predict the impact of fluctuations in market interest rates on net interest income. Actual results will differ from the model's simulated results due to timing, magnitude and frequency of interest rate changes, as well as changes in market conditions and the application and timing of various management strategies. Additionally, actual results could differ materially from the model if interest rates do not move equally across all points on the yield curve.

The Company did not run a model simulation for declining interest rates as of September 30, 2013 because the Federal Open Market Committee effectively lowered the Fed Funds Target Rate between 0.00% to 0.25% in December 2008; therefore, no further short-term rate reductions can occur. Overall, the Company's interest rate risk position from rising rates has generally remained within a relatively narrow range since December 31, 2012, showing improvements in the Up 100 and Up 200 basis points scenarios with deterioration in the Up 300 scenario. The Company's Base net interest income projection as of September 30, 2013, however, was substantially lower than the previous 12 months and the Base projection as of December 31, 2012. The Base projection represents the Company's projected net interest income, excluding loan fees, for the next 12-month period. The deterioration in the Company's Base net interest income projection is primarily due to the expected continued downward repricing of the Company's interest earning assets.

The following table illustrates Republic's projected net interest income sensitivity profile based on the asset/liability model as of September 30, 2013. The Company's interest rate sensitivity model does not include loan fees within interest income. During the 12 months from October 1, 2012 through September 30, 2013, loan fees included in interest income were \$11.2 million.

Table 23 Traditional Banking Interest Rate Sensitivity for 2013

(dollars in thousands)	Previous Twelve Months	Base	100 Basis Points	Increase in Rates 200 Basis Points	300 Basis Points
Projected interest income:					
Short-term investments	\$ 375	\$ 6	\$ 28	\$ 50	\$ 73
Investment securities	9,393	10,675	13,225	15,582	17,987
Loans, excluding loan fees	117,459	110,433	115,416	122,524	130,159
Total interest income, excluding loan fees	127,227	121,114	128,669	138,156	148,219
Projected interest expense:					
Deposits	4,232	3,937	9,673	18,172	27,080
Securities sold under agreements to repurchase	54	71	635	1,730	2,877
Federal Home Loan Bank advances and other long-term borrowings	17,186	16,576	17,645	18,731	19,896
Total interest expense	21,472	20,584	27,953	38,633	49,853
Net interest income, excluding loan fees	\$ 105,755	\$ 100,530	\$ 100,716	\$ 99,523	\$ 98,366
Change from base			\$ 186	\$ (1,007)	\$ (2,164)
% Change from base			0.19%	-1.00%	-2.15%

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Information required by this item is included under *Part I, Item 2., Management's Discussion and Analysis of Financial Condition and Results of Operation.*

Item 4. Controls and Procedures.

As of the end of the period covered by this report, an evaluation was carried out by Republic Bancorp, Inc.'s management, with the participation of its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

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

Overdraft Litigation

On August 1, 2011, a lawsuit was filed in the U.S. District Court for the Western District of Kentucky styled Brenda Webb vs. Republic Bank & Trust Company d/b/a Republic Bank, Civil Action No. 3:11-CV-00423-TBR. The Complaint was brought as a putative class action and seeks monetary damages, restitution and declaratory relief allegedly arising from the manner in which Republic Bank & Trust assessed overdraft fees. In the Complaint, the Plaintiff pleads seven claims against RB&T alleging: breach of contract and breach of the covenant of good faith and fair dealing (Counts I), unconscionability (Count II), conversion (Count III), unjust enrichment (Count IV), violation of the Electronic Funds Transfer Act and Regulation E (Count V), and violations of the Kentucky Consumer Protection Act, (Count VI). RB&T filed a Motion to Dismiss the case on January 12, 2012. In response, Plaintiff filed her Motion to Amend the Complaint on February 23, 2012. In Plaintiff's proposed Amended Complaint, Plaintiff acknowledged disclosure of the Overdraft Honor Policy and did not seek to add any claims to the Amended Complaint. However, Plaintiff divided the breach of contract and breach of the covenant of good faith and fair dealing claims into two counts (Counts One and Two). In the original Complaint, those claims were combined in Count One. RB&T filed its objection to Plaintiff's Motion to Amend. On June 16, 2012, the District Court denied the Plaintiff's Motion to Amend concluding that the Plaintiff lacked the ability to

automatically amend the complaint as of right. However, the Court held that the Plaintiff could be permitted to amend if the Plaintiff could first demonstrate that her amendment would not be futile and that the Plaintiff had standing to sue despite RB&T's offer of judgment. The Court declined to rule on that issue at that time and ordered the case stayed pending a decision by the U.S. Court of Appeals for the Sixth Circuit in a case on appeal with the same standing issue. The Sixth Circuit ruled on June 11, 2013 and concluded that the offer of judgment did not moot the matter before it only because the offer of judgment in question did not afford the Plaintiff complete relief. The District Court lifted the stay of this matter on June 14, 2013 and permitted Plaintiff to file her Amended Complaint. Plaintiff filed her Amended Complaint on June 21, 2013 and brought seven claims: breach of contract and breach of the covenant of good faith and fair dealing (Counts I & II), unconscionability (Count III), conversion (Count IV), unjust enrichment (Count V), violation of the Electronic Funds Transfer Act, (Count VI) and violation of the Kentucky Consumer Protection Act (Count VII). RB&T filed its Motion to Dismiss the Amended Complaint on July 15, 2013. On September 30, 2013 the Court issued its decision granting the Motion to Dismiss in part and denying it in part. The Court initially concluded that the offer of judgment did not moot the case and deprive it of subject matter jurisdiction as it did not provide Plaintiff with all of the relief she sought. The Court dismissed the conversion, unconscionability and Electronic Funds Transfer Act claims in their entirety for failure to state a claim. With respect to the remaining claims, the Court dismissed them to the extent they are premised upon any overdraft charges incurred by the Plaintiff on or after January 6, 2010, the date on which she received the Overdraft Honor Policy. The Court concluded that Plaintiff could not state any claim for the time period after she received the Policy with respect to the manner in which RB&T assessed overdraft fees. The Answer to the remaining claims was filed on October 14, 2013 and the matter now proceeds into discovery.

Table of Contents**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

Details of Republic's Class A Common Stock purchases during the third quarter of 2013 are included in the following table:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plan or Programs
July 1 - July 31		\$		
August 1 - August 31				
September 1 - September 30				
Total		\$		330,640

During 2013, the Company repurchased 193,000 shares and there were no shares exchanged for stock option exercises. During November of 2011, the Company's Board of Directors amended its existing share repurchase program by approving the repurchase of 300,000 additional shares from time to time, as market conditions are deemed attractive to the Company. The repurchase program will remain effective until the total number of shares authorized is repurchased or until Republic's Board of Directors terminates the program. As of September 30, 2013, the Company had 330,640 shares which could be repurchased under its current share repurchase programs.

During 2013, there were approximately 11,000 shares of Class A Common Stock issued upon conversion of shares of Class B Common Stock by stockholders of Republic in accordance with the share-for-share conversion provision option of the Class B Common Stock. The exemption from registration of the newly issued Class A Common Stock relied upon was Section (3)(a)(9) of the Securities Act of 1933.

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

Table of Contents

Item 6. Exhibits.

(a) Exhibits

The following exhibits are filed or furnished as a part of this report:

Exhibit Number	Description of Exhibit
31.1	Certification of Principal Executive Officer pursuant to the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to the Sarbanes-Oxley Act of 2002.
32*	Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive data files: (i) Consolidated Balance Sheets at September 30, 2013 and December 31, 2012, (ii) Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2013 and 2012, (iii) Consolidated Statement of Stockholders' Equity for the nine months ended September 30, 2013, (iv) Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012 and (v) Notes to Consolidated Financial Statements.

* - *This certification shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.*

Table of Contents

SIGNATURES

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

REPUBLIC BANCORP, INC.
(Registrant)

Principal Executive Officer:

November 8, 2013

By: Steven E. Trager
Chairman and Chief Executive Officer

Principal Financial Officer:

November 8, 2013

By: Kevin Sipes
Executive Vice President, Chief Financial
Officer and Chief Accounting Officer