Section 1: 10-Q (FORM 10-Q)

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 June 30, 2019.

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ____ to ____.

Commission File Number: 000-17007

Republic First Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Pennsylvania	**23-2486815**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
50 South 16th Street, Philadelphia, Pennsylvania	**19102**
(Address of principal executive offices)	(Zip code)

215-735-4422
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	FRBK	Nasdaq Global Market

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **YES [X] NO [ ]**

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

Large accelerated filer [ ]	Accelerated filer **[X]**
Non-Accelerated filer [ ]	Smaller reporting company [ ]
Emerging growth company [ ]	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. **[ ]**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **YES [ ] NO [X]**

APPLICABLE ONLY TO CORPORATE ISSUERS

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

Common Stock, $0.01 per share	**58,842,778**
Title of Class	Number of Shares Outstanding as of August 5, 2019

REPUBLIC FIRST BANCORP, INC. AND SUBSIDIARIES
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Republic First Bancorp, Inc. and Subsidiaries
Consolidated Balance Sheets
June 30, 2019 and December 31, 2018
(Dollars in thousands, except per share data)

	June 30, 2019	December 31, 2018
ASSETS		
Cash and due from banks	$ 38,770	$ 35,685
Interest bearing deposits with banks	90,744	36,788
Cash and cash equivalents	129,514	72,473
Investment securities available for sale, at fair value	338,286	321,014
Investment securities held to maturity, at amortized cost (fair value of $725,796 and $747,323, respectively)	718,534	761,563
Restricted stock, at cost	5,130	5,754
Mortgage loans held for sale, at fair value	21,346	20,887
Other loans held for sale	2,066	5,404
Loans receivable (net of allowance for loan losses of $8,056 and $8,615, respectively)	1,500,664	1,427,983
Premises and equipment, net	105,311	87,661
Other real estate owned, net	6,406	6,223
Accrued interest receivable	9,270	9,025
Operating lease right-of-use asset	67,117	-
Goodwill	5,011	5,011
Other assets	32,331	30,299
Total Assets	$ 2,940,986	$ 2,753,297
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Demand – non-interest bearing	$ 544,406	$ 519,056
Demand – interest bearing	1,072,415	1,042,561
Money market and savings	719,075	676,993
Time deposits	192,081	154,257
Total Deposits	2,527,977	2,392,867
Short-term borrowings	68,979	91,422
Accrued interest payable	1,134	558
Other liabilities	9,739	12,002
Operating lease liability	70,537	-
Subordinated debt	11,262	11,259
Total Liabilities	2,689,628	2,508,108
Shareholders' Equity		
Preferred stock, par value $0.01 per share: 10,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value $0.01 per share: 100,000,000 shares authorized; shares issued 59,371,623 as of June 30, 2019 and 59,318,073 as of December 31, 2018; shares outstanding 58,842,778 as of June 30, 2019 and 58,789,228 as of December 31, 2018	594	593
Additional paid in capital	270,789	269,147
Accumulated deficit	(7,909)	(8,716)
Treasury stock at cost (503,408 shares as of June 30, 2019 and December 31, 2018)	(3,725)	(3,725)
Stock held by deferred compensation plan (25,437 shares as of June 30, 2019 and December 31, 2018)	(183)	(183)
Accumulated other comprehensive loss	(8,208)	(11,927)
Total Shareholders' Equity	251,358	245,189
Total Liabilities and Shareholders' Equity	$ 2,940,986	$ 2,753,297

(See notes to consolidated financial statements)

Republic First Bancorp, Inc. and Subsidiaries
Consolidated Statements of Income
For the Three and Six Months Ended June 30, 2019 and 2018
(Dollars in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Interest income:				
Interest and fees on taxable loans	$ 18,149	$ 15,082	$ 35,529	$ 28,989
Interest and fees on tax-exempt loans	420	375	840	737
Interest and dividends on taxable investment securities	7,059	6,676	14,304	13,025
Interest and dividends on tax-exempt investment securities	99	128	237	237
Interest on federal funds sold and other interest-earning assets	518	63	854	235
Total interest income	26,245	22,324	51,764	43,223
Interest expense:				
Demand- interest bearing	4,206	1,549	8,144	2,806
Money market and savings	1,628	1,174	3,080	2,146
Time deposits	861	366	1,485	735
Other borrowings	179	573	544	758
Total interest expense	6,874	3,662	13,253	6,445
Net interest income	19,371	18,662	38,511	36,778
Provision for loan losses	-	800	300	1,200
Net interest income after provision for loan losses	19,371	17,862	38,211	35,578
Non-interest income:				
Loan and servicing fees	689	372	899	519
Mortgage banking income	3,031	3,182	5,251	5,368
Gain on sales of SBA loans	1,147	846	1,649	1,838
Service fees on deposit accounts	1,848	1,326	3,460	2,501
Gain (loss) on sale of investment securities	261	(1)	583	(1)
Other non-interest income	50	43	129	78
Total non-interest income	7,026	5,768	11,971	10,303
Non-interest expenses:				
Salaries and employee benefits	13,705	10,883	26,064	21,528
Occupancy	2,682	1,888	5,276	4,001
Depreciation and amortization	1,539	1,465	2,960	2,822
Legal	333	349	562	640
Other real estate owned	517	192	854	503
Appraisal and other loan expenses	390	455	851	733
Advertising	454	297	769	626
Data processing	1,184	940	2,346	1,764
Insurance	216	217	451	509
Professional fees	725	510	1,203	978
Automated teller machine expenses	607	442	1,163	829
Regulatory assessments and costs	421	395	842	862
Taxes, other	207	245	494	490
Other operating expenses	2,931	2,451	5,343	4,546
Total non-interest expense	25,911	20,729	49,178	40,831
Income before provision for income taxes	486	2,901	1,004	5,050
Provision for income taxes	105	530	197	902
Net income	$ 381	$ 2,371	$ 807	$ 4,148
Net income per share:				
Basic	$ 0.01	$ 0.04	$ 0.01	$ 0.07
Diluted	$ 0.01	$ 0.04	$ 0.01	$ 0.07

(See notes to consolidated financial statements)

Republic First Bancorp, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
For the Three and Six Months Ended June 30, 2019 and 2018

(Dollars in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	$ 381	$ 2,371	$ 807	$ 4,148
Other comprehensive income (loss), net of tax				
Unrealized gains (losses) on securities (pre-tax $2,473, ($2,300), $4,775, and ($9,008), respectively)	1,902	(1,797)	3,672	(7,036)
Reclassification adjustment for securities (gains) losses (pre-tax ($261), $1, ($583), and $1, respectively)	(200)	1	(448)	1
Net unrealized gains/(losses) on securities	1,702	(1,796)	3,224	(7,035)
Amortization of net unrealized holding losses to income during the period (pre-tax $332, $30, $644, and $69 respectively)	255	23	495	54
Total other comprehensive income (loss)	1,957	(1,773)	3,719	(6,981)
Total comprehensive income (loss)	$ 2,338	$ 598	$ 4,526	$ (2,833)

(See notes to consolidated financial statements)

Republic First Bancorp, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2019 and 2018
(Dollars in thousands)
(unaudited)

	Six Months Ended June 30,	
	2019	**2018**
Cash flows from operating activities		
Net income	$ 807	$ 4,148
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	300	1,200
Write down of other real estate owned	16	-
Depreciation and amortization	2,960	2,822
Stock based compensation	1,382	1,052
Net (gain) loss on sale of investment securities	(583)	1
Amortization of premiums on investment securities	1,277	1,497
Accretion of discounts on retained SBA loans	(703)	(678)
Fair value adjustments on SBA servicing assets	745	833
Proceeds from sales of SBA loans originated for sale	25,099	24,283
SBA loans originated for sale	(20,112)	(23,331)
Gains on sales of SBA loans originated for sale	(1,649)	(1,838)
Proceeds from sales of mortgage loans originated for sale	152,784	156,560
Mortgage loans originated for sale	(149,557)	(145,366)
Fair value adjustment for mortgage loans originated for sale	49	41
Gains on mortgage loans originated for sale	(3,968)	(4,058)
Amortization of debt issuance costs	3	3
Non-cash expense related to leases	637	-
Increase in accrued interest receivable and other assets	(2,292)	(807)
Decrease in accrued interest payable and other liabilities	(518)	(616)
Net cash provided by operating activities	6,677	15,746
Cash flows from investing activities		
Purchase of investment securities available for sale	(78,751)	(79,595)
Purchase of investment securities held to maturity	-	(61,083)
Proceeds from the sale of securities available for sale	43,238	5,713
Proceeds from the maturity or call of securities available for sale	22,514	26,378
Proceeds from the maturity or call of securities held to maturity	42,898	28,030
Net redemption (purchase) of restricted stock	624	(6,461)
Net increase in loans	(72,878)	(156,855)
Net proceeds from sale of other real estate owned	401	407
Premises and equipment expenditures	(20,610)	(7,944)
Net cash used in investing activities	(62,564)	(251,410)
Cash flows from financing activities		
Proceeds from exercise of stock options	261	561
Increase in demand, money market and savings deposits	97,286	63,787
Increase in time deposits	37,824	7,059
Net (repayment) increase in short-term borrowings	(22,443)	161,669
Net cash provided by financing activities	112,928	233,076
Net increase (decrease) in cash and cash equivalents	57,041	(2,588)
Cash and cash equivalents, beginning of year	72,473	61,942
Cash and cash equivalents, end of period	$ 129,514	$ 59,354
Supplemental disclosures		
Interest paid	$ 13,829	$ 6,330
Non-monetary transfers from loans to other real estate owned	$ 600	$ -
Conversion of subordinated debt to common stock	$ -	$ 10,094

(See notes to consolidated financial statements)

Republic First Bancorp, Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
For the Three and Six Months Ended June 30, 2019 and 2018
(Dollars in thousands)
(unaudited)

	Common Stock	Additional Paid in Capital	Accumulated Deficit	Treasury Stock	Stock Held by Deferred Compensation Plan	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance April 1, 2019	**$ 593**	**$ 270,155**	**$ (8,290)**	**$ (3,725)**	**$ (183)**	**$ (10,165)**	**$ 248,385**
Net income			381				381
Other comprehensive income, net of tax						1,957	1,957
Stock based compensation		614					614
Options exercised (6,000 shares)	1	20					21
Balance June 30, 2019	$ 594	$ 270,789	$ (7,909)	$ (3,725)	$ (183)	$ (8,208)	$ 251,358
Balance January 1, 2019	**$ 593**	**$ 269,147**	**$ (8,716)**	**$ (3,725)**	**$ (183)**	**$ (11,927)**	**$ 245,189**
Net income			807				807
Other comprehensive income, net of tax						3,719	3,719
Stock based compensation		1,382					1,382
Options exercised (53,550 shares)	1	260					261
Balance June 30, 2019	$ 594	$ 270,789	$ (7,909)	$ (3,725)	$ (183)	$ (8,208)	$ 251,358
Balance April 1, 2018	**$ 592**	**$ 267,313**	**$ (15,566)**	**$ (3,725)**	**$ (183)**	**$ (14,357)**	**$ 234,074**
Net income			2,371				2,371
Other comprehensive loss, net of tax						(1,773)	(1,773)
Stock based compensation		531					531
Options exercised (36,500 shares)	1	130					131
Balance June 30, 2018	$ 593	$ 267,974	$ (13,195)	$ (3,725)	$ (183)	$ (16,130)	$ 235,334
Balance January 1, 2018	**$ 575**	**$ 256,285**	**$ (18,983)**	**$ (3,725)**	**$ (183)**	**$ (7,509)**	**$ 226,460**
Reclassification due to the adoption of ASU 2018-02			1,640			(1,640)	-
Net income			4,148				4,148
Other comprehensive loss, net of tax						(6,981)	(6,981)
Stock based compensation		1,052					1,052
Conversion of subordinated debt to common stock (1,624,614 shares)	16	10,078					10,094
Options exercised (145,475 shares)	2	559					561
Balance June 30, 2018	$ 593	$ 267,974	$ (13,195)	$ (3,725)	$ (183)	$ (16,130)	$ 235,334

(See notes to consolidated financial statements)

Note 1: Basis of Presentation

Republic First Bancorp, Inc. (the "Company") is a one-bank holding company organized and incorporated under the laws of the Commonwealth of Pennsylvania. It is comprised of one wholly-owned subsidiary, Republic First Bank, which does business under the name of Republic Bank ("Republic"). Republic is a Pennsylvania state chartered bank that offers a variety of banking services to individuals and businesses throughout the Greater Philadelphia, Southern New Jersey, and New York City markets through its offices and store locations in Philadelphia, Montgomery, Delaware, Bucks, Camden, Burlington, Atlantic, Gloucester, and New York Counties. On July 28, 2016, Republic acquired all of the issued and outstanding limited liability company interests of Oak Mortgage Company, LLC ("Oak Mortgage") and, as a result, Oak Mortgage became a wholly owned subsidiary of Republic on that date. Oak Mortgage is headquartered in Marlton, NJ and is licensed to do business in Pennsylvania, Delaware, New Jersey, and Florida. On January 1, 2018, Oak Mortgage was merged into Republic and restructured as a division with Republic. The Oak Mortgage name is still utilized for marketing and branding purposes. The Company also has two unconsolidated subsidiaries, which are statutory trusts established by the Company in connection with its sponsorship of two separate issuances of trust preferred securities.

The Company and Republic encounter vigorous competition for market share in the geographic areas they serve from bank holding companies, national, regional and other community banks, thrift institutions, credit unions and other non-bank financial organizations, such as mutual fund companies, insurance companies and brokerage companies.

The Company and Republic are subject to federal and state regulations governing virtually all aspects of their activities, including but not limited to, lines of business, liquidity, investments, the payment of dividends and others. Such regulations and the cost of adherence to such regulations can have a significant impact on earnings and financial condition.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Republic. The Company follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("US GAAP") that are followed to ensure consistent reporting of financial condition, results of operations, and cash flows. All material inter-company transactions have been eliminated. Events occurring subsequent to the date of the balance sheet have been evaluated for potential recognition or disclosure in the consolidated financial statements.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to United States Securities and Exchange Commission ("SEC") Form 10-Q and Article 10 of SEC Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for financial statements for a complete fiscal year. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month period ended June 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

Note 2: Summary of Significant Accounting Policies

Risks and Uncertainties

The earnings of the Company depend primarily on the earnings of Republic. The earnings of Republic are heavily dependent upon the level of net interest income, which is the difference between interest earned on its interest-earning assets, such as loans and investments, and the interest paid on its interest-bearing liabilities, such as deposits and borrowings. Accordingly, the Company's results of operations are subject to risks and uncertainties surrounding Republic's exposure to changes in the interest rate environment. Prepayments on residential real estate mortgage and other fixed rate loans and mortgage-backed securities vary significantly and may cause significant fluctuations in interest margins.

Mortgage Banking Activities and Mortgage Loans Held for Sale

Mortgage loans held for sale are originated and held until sold to permanent investors. Management has adopted the fair value option in accordance with FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, and record loans held for sale at fair value.

Mortgage loans held for sale originated on or subsequent to the election of the fair value option, are recorded on the balance sheet at fair value. The fair value is determined on a recurring basis by utilizing quoted prices from dealers in such securities. Changes in fair value are reflected in mortgage banking income in the statements of income. Direct loan origination costs are recognized when incurred and are included in non-interest expense in the statements of income.

Interest Rate Lock Commitments ("IRLCs")

Mortgage loan commitments known as interest rate locks that relate to the origination of a mortgage that will be held for sale upon funding are considered derivative instruments under the derivatives and hedging accounting guidance FASB ASC 815, *Derivatives and Hedging*. Loan commitments that are classified as derivatives are recognized at fair value on the balance sheet as other assets and other liabilities with changes in their fair values recorded as mortgage banking income and included in non-interest income in the statements of income. Outstanding IRLCs are subject to interest rate risk and related price risk during the period from the date of issuance through the date of loan funding, cancellation or expiration. Loan commitments generally range between 30 and 90 days; however, the borrower is not obligated to obtain the loan. Republic is subject to fallout risk related to IRLCs, which is realized if approved borrowers choose not to close on the loans within the terms of the IRLCs. Republic uses best efforts commitments to substantially eliminate these risks. The valuation of the IRLCs issued by Republic includes the value of the servicing released premium. Republic sells loans where the servicing is released, and the servicing released premium is included in the market price. See Note 10 Derivatives and Risk Management Activities for further detail of IRLCs.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates are made by management in determining the allowance for loan losses, carrying values of other real estate owned, assessment of other than temporary impairment ("OTTI") of investment securities, fair value of financial instruments, and the realization of deferred income tax assets. Consideration is given to a variety of factors in establishing these estimates.

In estimating the allowance for loan losses, management considers current economic conditions, past loss experience, diversification of the loan portfolio, delinquency statistics, results of internal loan reviews and regulatory examinations, borrowers' perceived financial and managerial strengths, the adequacy of underlying collateral, if collateral dependent, or present value of future cash flows, and other relevant and qualitative risk factors. Subsequent to foreclosure, an estimate for the carrying value of other real estate owned is normally determined through valuations that are periodically performed by management and the assets are carried at the lower of carrying amount or fair value, less the cost to sell. Because the allowance for loan losses and carrying value of other real estate owned are dependent, to a great extent, on the general economy and other conditions that may be beyond the Company's and Republic's control, the estimates of the allowance for loan losses and the carrying values of other real estate owned could differ materially in the near term.

In estimating OTTI of investment securities, securities are evaluated on at least a quarterly basis and more frequently when market conditions warrant such an evaluation, to determine whether a decline in their value is other-than-temporary. To determine whether a loss in value is other-than-temporary, management utilizes criteria such as the reasons underlying the decline, the magnitude and duration of the decline, the intent to hold the security and the likelihood of the Company not being required to sell the security prior to an anticipated recovery in the fair value. 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 is not necessarily favorable, or that there is a 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 portion of the decline related to credit impairment is charged to earnings.

In evaluating the Company's ability to recover deferred tax assets, management considers all available positive and negative evidence, including the past operating results and forecasts of future taxable income. In determining future taxable income, management makes assumptions for the amount of taxable income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require management to make judgments about the future taxable income and are consistent with the plans and estimates used to manage the business. A material reduction in estimated future taxable income may require management to record a valuation allowance against the deferred tax assets. An increase in the valuation allowance would result in additional income tax expense in the period and could have a

significant impact on future earnings.

Stock-Based Compensation

The Company has a Stock Option and Restricted Stock Plan ("the 2005 Plan"), under which the Company granted options, restricted stock or stock appreciation rights to the Company's employees, directors, and certain consultants. The 2005 Plan became effective on November 14, 1995, and was amended and approved at the Company's 2005 annual meeting of shareholders. Under the terms of the 2005 Plan, 1.5 million shares of common stock, plus an annual increase equal to the number of shares needed to restore the maximum number of shares that could be available for grant under the 2005 Plan to 1.5 million shares, were available for such grants. As of June 30, 2019, the only grants under the 2005 Plan were option grants. The 2005 Plan provided that the exercise price of each option granted equaled the market price of the Company's stock on the date of the grant. Options granted pursuant to the 2005 Plan vest within one to four years and have a maximum term of 10 years. The 2005 Plan terminated on November 14, 2015 in accordance with the terms and conditions specified in the Plan agreement.

On April 29, 2014 the Company's shareholders approved the 2014 Republic First Bancorp, Inc. Equity Incentive Plan (the "2014 Plan"), under which the Company may grant options, restricted stock, stock units, or stock appreciation rights to the Company's employees, directors, independent contractors, and consultants. Under the terms of the 2014 Plan, 2.6 million shares of common stock, plus an annual adjustment to be no less than 10% of the outstanding shares or such lower number as the Board of Directors may determine, are available for such grants. At June 30, 2019, the maximum number of common shares issuable under the 2014 Plan was 6.3 million shares. During the six months ended June 30, 2019, 1.2 million options were granted under the 2014 Plan with a fair value of $2,710,685.

The Company utilizes the Black-Scholes option pricing model to calculate the estimated fair value of each stock option granted on the date of the grant. A summary of the assumptions used in the Black-Scholes option pricing model for 2019 and 2018 are as follows:

	2019	2018
Dividend yield[(1)]	0.0%	0.0%
Expected volatility[(2)]	28.81%	28.22%
Risk-free interest rate[(3)]	1.95% to 2.70%	2.35% to 2.91%
Expected life[(4)] (in years)	6.25	6.25
Assumed forfeiture rate[(5)]	4.0%	4.0%

[(1)] A dividend yield of 0.0% is utilized because cash dividends have never been paid.

[(2)] The expected volatility was based on the historical volatility of the Company's common stock price as adjusted for certain historical periods of extraordinary volatility in order to provide a basis for a reasonable estimate of fair value.

[(3)] The risk-free interest rate is based on the five to seven year Treasury bond.

[(4)] The expected life reflects a 1 to 4 year vesting period, the maximum ten year term and review of historical behavior.

[(5)] Forfeiture rate is determined through forfeited and expired options as a percentage of options granted over the current three year period.

During the six months ended June 30, 2019 and 2018, 808,898 shares and 717,364 shares vested, respectively. Expense is recognized ratably over the period required to vest. At June 30, 2019, the intrinsic value of the 4,979,350 options outstanding was $2.6 million, while the intrinsic value of the 2,630,585 exercisable (vested) options was $2.4 million. At June 30, 2018, the intrinsic value of the 3,886,775 options outstanding was $8.1 million, while the intrinsic value of the 1,918,112 exercisable (vested) options was $6.7 million. During the six months ended June 30, 2019, 53,550 options were exercised resulting in cash receipts of $261,143 and 44,250 options were forfeited with a weighted average grant date fair value of $130,983. During the six months ended June 30, 2018, 145,475 options were exercised resulting in cash receipts of $561,082 and 43,375 options were forfeited with a weighted average grant date fair value of $124,944.

Information regarding stock based compensation for the six months ended June 30, 2019 and 2018 is set forth below:

		2019		2018
Stock based compensation expense recognized	$	1,382,000	$	1,052,000
Number of unvested stock options		2,348,765		1,968,663
Fair value of unvested stock options	$	6,000,570	$	5,555,672
Amount remaining to be recognized as expense	$	4,625,447	$	4,387,864

The remaining unrecognized expense amount of $4,625,447 will be recognized ratably as expense through June 2023.

Earnings per Share

Earnings per share ("EPS") consists of two separate components: basic EPS and diluted EPS. Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding for each period presented. Diluted EPS is calculated by dividing net income by the weighted average number of common shares outstanding plus dilutive common stock equivalents ("CSEs"). CSEs consist of dilutive stock options granted through the Company's stock option plans for the six months ended June 30, 2019 and June 30, 2018.

The calculation of EPS for the three and six months ended June 30, 2019 and 2018 is as follows (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Net income (basic and diluted)	$ 381	$ 2,371	$ 807	$ 4,148
Weighted average shares outstanding	58,841	58,746	58,823	57,927
Net income per share – basic	$ 0.01	$ 0.04	$ 0.01	$ 0.07
Weighted average shares outstanding (including dilutive CSEs)	59,401	59,911	59,501	59,147
Net income per share – diluted	$ 0.01	$ 0.04	$ 0.01	$ 0.07

The following is a summary of securities that could potentially dilute basic earnings per common share in future periods. These securities were not included in the computation of diluted earnings per common share because the effect would have been anti-dilutive for the periods presented.

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Anti-dilutive securities				
Share based compensation awards	4,419	2,721	4,301	2,666

Recent Accounting Pronouncements

ASU 2014-09

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *"Revenue from Contracts with Customers (Topic 660): Summary and Amendments that Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs – Contracts with Customers (Subtopic 340-40)."* ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The guidance in this update supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the codification. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with The Company (Topic 606): Deferral of the Effective Date*. The guidance in this ASU is now effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company's revenue is comprised of net interest income and noninterest income. The scope of the guidance explicitly excludes interest income as well as many other revenues for financial assets and liabilities including revenue derived from loans, investment securities, and derivatives. This ASU was effective for the Company on January 1, 2018. The Company adopted this ASU on a modified retrospective approach. Since there was no net income impact upon adoption of the new guidance, a cumulative effect adjustment to opening retained earnings was not deemed necessary. The adoption of this ASU did not have a material impact to its financial condition, results of operations, and consolidated financial statements. Refer to Note 11: Revenue Recognition for further disclosure as to the impact of Topic 606.

ASU 2016-01

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall.* The guidance in this ASU among other things, (1) requires equity investments with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, (2) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (3) eliminates the requirement for public businesses entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, (4) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (5) requires an entity to present separately in other comprehensive income the portion of the change in fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (6) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements and (7) clarifies that an entity should evaluate the need for a valuation allowance on a

deferred tax asset related to available-for-sale securities. The guidance in this ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The guidance was effective for the Company on January 1, 2018 and was adopted using a modified retrospective approach. The adoption of ASU No. 2016-01 on January 1, 2018 did not have a material impact on the Company's Consolidated Financial Statements. In accordance with (4) above, the Company measured the fair value of its loan portfolio as of December 31, 2018 using an exit price notion (see Note 7 *Fair Value of Financial Instruments).*

ASU 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases.* From the Company's perspective, the new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement for lessees. From the landlord perspective, the new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease is treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor doesn't convey risks and rewards or control, an operating lease results. The new standard was effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

In July 2018, the FASB issued ASU 2018-11 "Leases (Topic 842): Targeted Improvements," which provided lessees the option to apply the new leasing standard to all open leases as of the adoption date. Prior to this ASU issuance, a modified retrospective transition approach was required.

In December 2018, the FASB issued ASU 2018-20 "Leases (Topic 842): Narrow-Scope Improvements for Lessors," which provided lessors a policy election to not evaluate whether certain sales taxes and other similar taxes are lessor costs or lessee costs. Additionally, the update requires certain lessors to exclude from variable payments lessor costs paid by lessees directly to third parties.

The Company adopted this ASU on January 1, 2019. The Company recognized an ROU asset of $34.2 million and total operating lease liability obligations of $35.1 million at January 1, 2019. Capital ratios remained in compliance with the regulatory definition of well capitalized. There were no material changes to the recognition of operating lease expense in the consolidated statements of income. The Company adopted certain practical expedients available under the new guidance, which did not require it to (1) reassess whether any expired or existing contracts contain leases, (2) reassess the lease classification for any expired or existing leases, (3) reassess initial direct costs for any existing leases, and (4) evaluate whether certain sales taxes and other similar taxes are lessor costs. The Company elected the use-of-hindsight practical expedient. Additionally, the Company elected to apply the new lease guidance at the adoption date, rather than at the beginning of the earliest period presented.

ASU 2016-13

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The Company is currently evaluating the impact of this ASU, continuing its implementation efforts and reviewing the loss modeling requirements consistent with lifetime expected loss estimates. Calculations of expected losses under the new guidance are currently being run parallel to the calculations under existing guidance to assess and evaluate the potential impact to the Company's financial statements. The Company expects that the new model will include different assumptions used in calculating credit losses, such as estimating losses over the estimated life of a financial asset and will consider expected future changes in macroeconomic conditions. The adoption of this ASU may result in an increase to the Company's allowance for loan losses which will depend upon the nature and characteristics of the Company's loan portfolio at the adoption date, as well as the macroeconomic conditions and forecasts at that date. For the Company, this update will be effective for interim and annual periods beginning after December 15, 2019.

ASU 2016-15

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230).* The ASU addresses classification of certain cash receipts and cash payments in the statement of cash flows. The new guidance was adopted on January 1, 2018, on a retrospective basis. The adoption of 2016-15 did not result any changes in classifications in the Consolidated Statement of Cash Flows.

ASU 2017-01

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805)*. The ASU clarifies the definition of a business in ASC 805. The FASB issued the ASU in response to stakeholder feedback that the definition of a business in ASC 805 is being applied too broadly. In addition, stakeholders said that analyzing transactions under the current definition is difficult and costly. Concerns about the definition of a business were among the primary issues raised in connection with the Financial Accounting Foundation's post-implementation review report on FASB Statement No. 141(R), Business Combinations (codified in ASC 805). The amendments in the ASU are intended to make application of the guidance more consistent and cost-efficient. The ASU is effective for public business entities in annual periods beginning after December 15, 2017, including interim periods therein. For all other entities, the ASU is effective in annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The ASU must be applied prospectively on or after the effective date, and no disclosures for a change in accounting principle are required at transition. Early adoption is permitted for transactions (i.e., acquisitions or dispositions) that occurred before the issuance date or effective date of the standard if the transactions were not reported in financial statements that have been issued or made available for issuance. Unless the Company enters into a business combination, the impact of the ASU will not have a material impact on the consolidated financial statements.

ASU 2017-04

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test For Goodwill Impairment.* The ASU simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill impairment test. Instead, if "the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit." For public business entities that are SEC filers, the ASU is effective for annual and any interim impairment tests for periods beginning after

December 15, 2019. The Company early adopted this ASU on July 1, 2018 using the simplified method. The adoption of ASU 2017-04 did not have a material impact on the consolidated financial statements.

ASU 2017-08

In March 2017, the FASB issued ASU 2017-08, *Premium Amortization on Purchased Callable Debt Securities,* which amends the amortization period for certain purchased callable debt securities held at a premium, shortening such period to the earliest call date. The ASU is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Earlier application is permitted for all entities, including adoption in an interim period. If an entity early adopts the ASU in an interim period, any adjustments must be reflected as of the beginning of the fiscal year that includes that interim period. The adoption of ASU 2017-08 did not have a material impact on the consolidated financial statements.

ASU 2017-09

In May 2017, the FASB issued ASU 2017-09, *Compensation – Stock Compensation: Scope of Modification Accounting,* which clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification in ASC 718. The ASU also provides that modification accounting is only required if the fair value, vesting conditions, or the classification of the award as equity or a liability changes as a result of the change in terms or conditions. The amendments in this ASU are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for (1) public business entities for reporting periods for which financial statements have not yet been issued and (2) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The ASU became effective January 1, 2018 on a prospective basis for awards modified on or after the adoption date. The adoption of ASU-2017-09 did not have a material impact on the consolidated financial statements.

ASU 2018-02

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows for reclassification from accumulated other comprehensive income (loss) to retained earnings for stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act described in the "Income Taxes" section below. The amount of the reclassification should include the effect of the change in the federal corporate income tax rate related to items remaining in accumulated other comprehensive income (loss). The ASU would require an entity to disclose whether it elects to reclassify stranded tax effects from accumulated other comprehensive income (loss) to retained earnings in the period of adoption and, more generally, a description of the accounting policy for releasing income tax effects from accumulated other comprehensive income (loss). The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption of the amendments in this update is permitted for periods for which financial statements have not yet been issued or made available for issuance, including in the period the Act was enacted. The Company adopted this ASU on January 1, 2018, by recording the reclassification adjustment to its beginning retained earnings in the amount of $1.6 million. The Company utilized the portfolio approach when releasing tax effects from AOCI for its investment securities.

ASU 2018-03

In February 2018, the FASB issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10).* The ASU was issued to clarify certain aspects of ASU 2016-01 such as treatment for discontinuations and adjustments for equity securities without a readily determinable market value, forward contracts and purchased options, presentation requirements for certain fair value option liabilities, fair value option liabilities denominated in a foreign currency, and transition guidance for equity securities without a readily determinable fair value. The Company adopted this ASU on January 1, 2018. The adoption of this ASU did not have a significant impact on the Company's financial condition, results of operations and consolidated financial statements.

ASU 2018-07

In June 2018, the FASB issued ASU 2018-07, *Compensation – Stock Compensation (Topic 718).* The ASU simplifies the accounting for share based payments granted to non-employees for goods and services. The ASU applies to all share based payment transactions in which a grantor acquires goods or services from non-employees to be used or consumed in a grantor's own operations by issuing share based payment awards. With the amended guidance from ASU 2018-07, non-employees share based payments are measured with an estimate of the fair value of the equity of the business is obligated to issue at the grant date (the date that the business and the stock award recipient agree to the terms of the award). Compensation would be recognized in the same period and in the same manner as if the entity had paid cash for goods and services instead of stock. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company adopted this ASU on January 1, 2019. The adoption of this ASU did not have a significant impact on the Company's financial condition, results of operations, and consolidated financial statements.

Note 3: Legal Proceedings

The Company and Republic are from time to time parties (plaintiff or defendant) to lawsuits in the normal course of business. While any litigation involves an element of uncertainty, management is of the opinion that the liability of the Company and Republic, if any, resulting from such actions will not have a material effect on the financial condition or results of operations of the Company and Republic.

Note 4: Segment Reporting

The Company has one reportable segment: community banking. The community banking segment primarily encompasses the commercial loan and deposit activities of Republic, as well as, residential mortgage and consumer loan products in the area surrounding its stores. Mortgage loans

in Delaware and Florida are primarily made to local customers that have second homes (vacation) in Delaware and Florida. We do not have loan production offices in those states.

Note 5: Investment Securities

A summary of the amortized cost and market value of securities available for sale and securities held to maturity at June 30, 2019 and December 31, 2018 is as follows:

	At June 30, 2019			
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Collateralized mortgage obligations	$ 233,262	$ 2,294	$ (919)	$ 234,637
Agency mortgage-backed securities	22,005	29	(102)	21,932
Municipal securities	15,053	406	-	15,459
Corporate bonds	69,499	8	(3,249)	66,258
Total securities available for sale	$ 339,819	$ 2,737	$ (4,270)	$ 338,286
U.S. Government agencies	$ 101,621	$ 832	$ (393)	$ 102,060
Collateralized mortgage obligations	471,514	8,191	(1,269)	478,436
Agency mortgage-backed securities	145,399	1,240	(1,339)	145,300
Total securities held to maturity	$ 718,534	$ 10,263	$ (3,001)	$ 725,796

	At December 31, 2018			
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Collateralized mortgage obligations	$ 197,812	$ 567	$ (2,120)	$ 196,259
Agency mortgage-backed securities	39,105	5	(611)	38,499
Municipal securities	20,807	64	(232)	20,639
Corporate bonds	62,583	87	(3,396)	59,274
Asset-backed securities	6,433	-	(90)	6,343
Total securities available for sale	$ 326,740	$ 723	$ (6,449)	$ 321,014
U.S. Government agencies	$ 107,390	$ -	$ (3,772)	$ 103,618
Collateralized mortgage obligations	500,690	570	(5,793)	495,467
Agency mortgage-backed securities	153,483	-	(5,245)	148,238
Total securities held to maturity	$ 761,563	$ 570	$ (14,810)	$ 747,323

The following table presents investment securities by stated maturity at June 30, 2019. Collateralized mortgage obligations and agency mortgage-backed securities have expected maturities that differ from contractual maturities because borrowers have the right to call or prepay with or without prepayment penalties and, therefore, these securities are classified separately with no specific maturity date.

	Available for Sale		Held to Maturity	
(dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in 1 year or less	$ 3,789	$ 3,798	$ -	$ -
After 1 year to 5 years	11,889	11,932	12,574	12,790
After 5 years to 10 years	64,388	61,462	89,047	89,270
After 10 years	4,486	4,525	-	-
Collateralized mortgage obligations	233,262	234,637	471,514	478,436
Agency mortgage-backed securities	22,005	21,932	145,399	145,300
Total	$ 339,819	$ 338,286	$ 718,534	$ 725,796

The Company's investment securities portfolio consists primarily of debt securities issued by U.S. government agencies, U.S. government-sponsored agencies, state governments, local municipalities and certain corporate entities. There were no private label mortgage-backed securities ("MBS") or collateralized mortgage obligations ("CMO") held in the investment securities portfolio as of June 30, 2019 and December 31, 2018. There were also no MBS or CMO securities that were rated "Alt-A" or "sub-prime" as of those dates.

The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. Net unrealized gains and losses in the available for sale portfolio are included in shareholders' equity as a component of accumulated other comprehensive income or loss, net of tax. Securities classified as held to maturity are carried at amortized cost. An unrealized loss exists when the current fair value of an individual security is less than the amortized cost basis.

The Company regularly evaluates investment securities that are in an unrealized loss position in order to determine if the decline in fair value is other than temporary. Factors considered in the evaluation include the current economic climate, the length of time and the extent to which the fair value has been below cost, the current interest rate environment and the rating of each security. An OTTI loss must be recognized for a debt security in an unrealized loss position if the Company intends to sell the security or it is more likely than not that it will be required to sell the security prior to recovery of the amortized cost basis. The amount of OTTI loss recognized is equal to the difference between the fair value and the amortized cost basis of the security that is attributed to credit deterioration. Accounting standards require the evaluation of the expected cash flows to be received to determine if a credit loss has occurred. In the event of a credit loss, that amount must be recognized against income in the current period. The portion of the unrealized loss related to other factors, such as liquidity conditions in the market or the current interest rate environment, is recorded in accumulated other comprehensive income (loss) for investment securities classified available for sale.

There were no impairment charges (credit losses) on a single trust preferred security held in the portfolio for the three and six months ended June 30, 2019 and June 30, 2018. The trust preferred security was sold in December 2018.

The following table presents a roll-forward of the balance of credit-related impairment losses on securities held at June 30, 2019 and 2018 for which a portion of OTTI was recognized in other comprehensive income:

(dollars in thousands)	**2019**	**2018**
Beginning Balance, January 1st	$ -	$ 274
Additional credit-related impairment loss on securities for which an other-than-temporary impairment was previously recognized	-	-
Ending Balance, June 30th	$ -	$ 274

The following tables show the fair value and gross unrealized losses associated with the investment portfolio, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position in the available for sale and held to maturity section:

	At June 30, 2019					
	Less than 12 months		12 months or more		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Collateralized mortgage obligations	$ 48,874	$ 609	$ 35,810	$ 310	$ 84,684	$ 919
Agency mortgage-backed securities	-	-	13,061	102	13,061	102
Corporate bonds	2,999	2	51,753	3,247	54,752	3,249
Total Available for Sale	$ 51,873	$ 611	$ 100,624	$ 3,659	$ 152,497	$ 4,270

	At June 30, 2019					
	Less than 12 months		12 months or more		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies	$ -	$ -	$ 37,533	$ 393	$ 37,533	$ 393
Collateralized mortgage obligations	30,149	97	91,719	1,172	121,868	1,269
Agency mortgage-backed securities	-	-	79,624	1,339	79,624	1,339
Total Held to Maturity	$ 30,149	$ 97	$ 208,876	$ 2,904	$ 239,025	$ 3,001

	At December 31, 2018					
	Less than 12 months		12 months or more		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Collateralized mortgage obligations	$ 58,883	$ 270	$ 83,377	$ 1,850	$ 142,260	$ 2,120
Agency mortgage-backed securities	1,134	10	16,768	601	17,902	611
Municipal securities	1,549	7	12,154	225	13,703	232
Corporate bonds	-	-	53,189	3,396	53,189	3,396
Asset backed securities	6,343	90	-	-	6,343	90
Total Available for Sale	$ 67,909	$ 377	$ 165,488	$ 6,072	$ 233,397	$ 6,449

	At December 31, 2018					
	Less than 12 months		12 months or more		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies	$ 5,351	$ 26	$ 98,267	$ 3,746	$ 103,618	$ 3,772
Collateralized mortgage obligations	44,574	475	173,467	5,318	218,041	5,793
Agency mortgage-backed securities	-	-	119,243	5,245	119,243	5,245
Total Held to Maturity	$ 49,925	$ 501	$ 390,977	$ 14,309	$ 440,902	$ 14,810

Unrealized losses on securities in the investment portfolio amounted to $7.3 million with a total fair value of $391.5 million as of June 30, 2019 compared to unrealized losses of $21.3 million with a total fair value of $674.3 million as of December 31, 2018. The Company believes the unrealized losses presented in the tables above are temporary in nature and primarily related to market interest rates or limited trading activity in particular type of security rather than the underlying credit quality of the issuers. The Company does not believe that these losses are other than temporary and does not currently intend to sell or believe it will be required to sell securities in an unrealized loss position prior to maturity or recovery of the amortized cost bases.

The Company held five U.S. Government agency securities, thirty-nine collateralized mortgage obligations and eighteen agency mortgage-backed securities that were in an unrealized loss position at June 30, 2019. Principal and interest payments of the underlying collateral for each of these securities are backed by U.S. Government sponsored agencies and carry minimal credit risk. Management found no evidence of OTTI on any of these securities and believes the unrealized losses are due to fluctuations in fair values resulting from changes in market interest rates and are considered temporary as of June 30, 2019.

All municipal securities held in the investment portfolio are reviewed on least a quarterly basis for impairment. Each bond carries an investment grade rating by either Moody's or Standard & Poor's. In addition, the Company periodically conducts its own independent review on each issuer to ensure the financial stability of the municipal entity. The largest geographic concentration was in Pennsylvania and New Jersey and consisted of either general obligation or revenue bonds backed by the taxing power of the issuing municipality. At June 30, 2019, the investment portfolio included no municipal securities that were in an unrealized loss position.

At June 30, 2019, the investment portfolio included seven corporate bonds that were in an unrealized loss position. Management believes the unrealized losses on these securities were also driven by changes in market interest rates and not a result of credit deterioration.

The unrealized loss on the trust preferred security at June 30, 2018 was primarily the result of the secondary market becoming inactive for such a security and was considered temporary at that time. During 2018, management received several inquiries regarding the availability of the remaining trust preferred CDO security and noted an increased level of trading in this type of security. As a result of the increased activity and the level of bids received, management elected to sell the remaining CDO security in December 2018.

Proceeds associated with the sale of securities available for sale during the three months ended June 30, 2019 were $18.2 million. The tax provision applicable to the net gains of $261,000 for the three months ended June 30, 2019 amounted to $61,000. Proceeds associated with the sale of securities available for sale during the six months ended June 30, 2019 were $43.2 million. Gross gains of $650,000 and gross losses of $67,000 were realized on these sales. The tax provision applicable to the net gains of $583,000 for the six months ended June 30, 2019 amounted to $135,000.

During the three months and six months ended June 30, 2018, the proceeds from the sale of investment securities were $5.7 million. A gross loss of $1,000 was realized on the sale of investment securities for the three and six months ended June 30, 2018.

Note 6: Loans Receivable and Allowance for Loan Losses

The following table sets forth the Company's gross loans by major category as of June 30, 2019 and December 31, 2018:

(dollars in thousands)	**June 30, 2019**	**December 31, 2018**
Commercial real estate	$ 553,644	$ 515,738
Construction and land development	111,474	121,042
Commercial and industrial	189,632	200,423
Owner occupied real estate	381,852	367,895
Consumer and other	97,970	91,152
Residential mortgage	173,963	140,364
Total loans receivable	1,508,535	1,436,614
Deferred costs (fees)	185	(16)
Allowance for loan losses	(8,056)	(8,615)
Net loans receivable	$ 1,500,664	$ 1,427,983

The Company disaggregates its loan portfolio into groups of loans with similar risk characteristics for purposes of estimating the allowance for loan losses. The Company's loan groups include commercial real estate, construction and land development, commercial and industrial, owner occupied real estate, consumer, and residential mortgages. The loan groups are also considered classes for purposes of monitoring and assessing credit quality based on certain risk characteristics.

The following tables provide the activity in and ending balances of the allowance for loan losses by loan portfolio class at and for the three months ended June 30, 2019 and 2018:

(dollars in thousands)	Commercial Real Estate	Construction and Land Development	Commercial and Industrial	Owner Occupied Real Estate	Consumer and Other	Residential Mortgage	Unallocated	Total
Three months ended June 30, 2019								
Allowance for loan losses:								
Beginning balance:	$ 2,672	$ 703	$ 1,037	$ 1,867	$ 536	$ 985	$ 100	$ 7,900
Charge-offs	-	-	(1)	-	-	-	-	(1)
Recoveries	-	-	153	-	4	-	-	157
Provisions (credits)	1	(72)	(314)	291	22	139	(67)	-
Ending balance	$ 2,673	$ 631	$ 875	$ 2,158	$ 562	$ 1,124	$ 33	$ 8,056
Three months ended June 30, 2018								
Allowance for loan losses:								
Beginning balance:	$ 1,903	$ 751	$ 1,261	$ 1,692	$ 460	$ 508	$ 75	$ 6,650
Charge-offs	-	-	-	-	(14)	-	-	(14)
Recoveries	33	-	76	20	1	-	-	130
Provisions (credits)	103	21	112	144	62	130	228	800
Ending balance	$ 2,039	$ 772	$ 1,449	$ 1,856	$ 509	$ 638	$ 303	$ 7,566

The following tables provide the activity in and ending balances of the allowance for loan losses by loan portfolio class at and for the six months ended June 30, 2019 and 2018:

(dollars in thousands)	Commercial Real Estate	Construction and Land Development	Commercial and Industrial	Owner Occupied Real Estate	Consumer and Other	Residential Mortgage	Unallocated	Total
Six months ended June 30, 2019								
Allowance for loan losses:								
Beginning balance:	$ 2,462	$ 777	$ 1,754	$ 2,033	$ 577	$ 894	$ 118	$ 8,615
Charge-offs	-	-	(930)	(75)	(13)	-	-	(1,018)
Recoveries	-	-	154	-	5	-	-	159
Provisions (credits)	211	(146)	(103)	200	(7)	230	(85)	300
Ending balance	$ 2,673	$ 631	$ 875	$ 2,158	$ 562	$ 1,124	$ 33	$ 8,056
Six months ended June 30, 2018								
Allowance for loan losses:								
Beginning balance:	$ 3,774	$ 725	$ 1,317	$ 1,737	$ 573	$ 392	$ 81	$ 8,599
Charge-offs	(1,535)	-	(151)	(465)	(212)	-	-	(2,363)
Recoveries	33	-	76	20	1	-	-	130
Provisions (credits)	(233)	47	207	564	147	246	222	1,200
Ending balance	$ 2,039	$ 772	$ 1,449	$ 1,856	$ 509	$ 638	$ 303	$ 7,566

The following tables provide a summary of the allowance for loan losses and balance of loans receivable by loan class and by impairment method as of June 30, 2019 and December 31, 2018:

(dollars in thousands)	Commercial Real Estate	Construction and Land Development	Commercial and Industrial	Owner Occupied Real Estate	Consumer and Other	Residential Mortgage	Unallocated	Total
June 30, 2019								
Allowance for loan losses:								
Individually evaluated for impairment	$ 122	$ -	$ 114	$ 332	$ -	$ -	$ -	$ 568
Collectively evaluated for impairment	2,551	631	761	1,826	562	1,124	33	7,488
Total allowance for loan losses	$ 2,673	$ 631	$ 875	$ 2,158	$ 562	$ 1,124	$ 33	$ 8,056
Loans receivable:								
Loans evaluated individually	$ 10,274	$ -	$ 2,000	$ 2,878	$ 993	$ 768	$ -	$ 16,913
Loans evaluated collectively	543,370	111,474	187,632	378,974	96,977	173,195	-	1,491,622
Total loans receivable	$ 553,644	$ 111,474	$ 189,632	$ 381,852	$ 97,970	$ 173,963	$ -	$1,508,535

(dollars in thousands)	Commercial Real Estate	Construction and Land Development	Commercial and Industrial	Owner Occupied Real Estate	Consumer and Other	Residential Mortgage	Unallocated	Total
December 31, 2018								
Allowance for loan losses:								
Individually evaluated for impairment	$ 295	$ -	$ 867	$ 217	$ 94	$ -	$ -	$ 1,473
Collectively evaluated for impairment	2,167	777	887	1,816	483	894	118	7,142
Total allowance for loan losses	$ 2,462	$ 777	$ 1,754	$ 2,033	$ 577	$ 894	$ 118	$ 8,615
Loans receivable:								
Loans evaluated individually	$ 10,947	$ -	$ 3,662	$ 2,560	$ 861	$ -	$ -	$ 18,030
Loans evaluated collectively	504,791	121,042	196,761	365,335	90,291	140,364	-	1,418,584
Total loans receivable	$ 515,738	$ 121,042	$ 200,423	$ 367,895	$ 91,152	$ 140,364	$ -	$1,436,614

A loan is considered impaired, when based on current information and events, it is probable that the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans, but also include internally classified accruing loans. The following table summarizes information with regard to impaired loans by loan portfolio class as of June 30, 2019 and December 31, 2018:

	June 30, 2019			December 31, 2018		
(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Commercial real estate	$ 6,260	$ 6,265	$ -	$ 6,332	$ 6,337	$ -
Construction and land development	-	-	-	-	-	-
Commercial and industrial	1,464	4,737	-	1,655	5,418	-
Owner occupied real estate	1,855	1,959	-	1,905	2,013	-
Consumer and other	993	1,266	-	710	1,082	-
Residential mortgage	768	768	-	-	-	-
Total	$ 11,340	$ 14,995	$ -	$ 10,602	$ 14,850	$ -
With an allowance recorded:						
Commercial real estate	$ 4,014	$ 4,536	$ 122	$ 4,615	$ 5,498	$ 295
Construction and land development	-	-	-	-	-	-
Commercial and industrial	536	599	114	2,007	2,195	867
Owner occupied real estate	1,023	1,071	332	655	704	217
Consumer and other	-	-	-	151	158	94
Residential mortgage	-	-	-	-	-	-
Total	$ 5,573	$ 6,206	$ 568	$ 7,428	$ 8,555	$ 1,473
Total:						
Commercial real estate	$ 10,274	$ 10,801	$ 122	$ 10,947	$ 11,835	$ 295
Construction and land development	-	-	-	-	-	-
Commercial and industrial	2,000	5,336	114	3,662	7,613	867
Owner occupied real estate	2,878	3,030	332	2,560	2,717	217
Consumer and other	993	1,266	-	861	1,240	94
Residential mortgage	768	768	-	-	-	-
Total	$ 16,913	$ 21,201	$ 568	$ 18,030	$ 23,405	$ 1,473

The following table presents additional information regarding the Company's impaired loans for the three months ended June 30, 2019 and June 30, 2018:

	Three Months Ended June 30,			
	2019		2018	
(dollars in thousands)	**Average Recorded Investment**	**Interest Income Recognized**	**Average Recorded Investment**	**Interest Income Recognized**
With no related allowance recorded:				
Commercial real estate	$ 6,278	$ 70	$ 13,828	$ 72
Construction and land development	-	-	-	-
Commercial and industrial	1,527	-	5,162	28
Owner occupied real estate	1,867	14	2,338	14
Consumer and other	917	6	639	1
Residential mortgage	512	1	-	-
Total	$ 11,101	$ 91	$ 21,967	$ 115
With an allowance recorded:				
Commercial real estate	$ 4,214	$ -	$ -	$ -
Construction and land development	-	-	-	-
Commercial and industrial	842	-	1,774	-
Owner occupied real estate	860	6	1,075	6
Consumer and other	26	-	152	-
Residential mortgage	-	-	-	-
Total	$ 5,942	$ 6	$ 3,001	$ 6
Total:				
Commercial real estate	$ 10,492	$ 70	$ 13,828	$ 72
Construction and land development	-	-	-	-
Commercial and industrial	2,369	-	6.936	28
Owner occupied real estate	2,727	20	3,413	20
Consumer and other	943	6	791	1
Residential mortgage	512	1	-	-
Total	$ 17,043	$ 97	$ 24,968	$ 121

The following table presents additional information regarding the Company's impaired loans for the six months ended June 30, 2019 and June 30, 2018:

	Six Months Ended June 30,			
	2019		2018	
(dollars in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:				
Commercial real estate	$ 6,296	$ 140	$ 12,307	$ 144
Construction and land development	-	-	-	-
Commercial and industrial	1,591	-	4,360	33
Owner occupied real estate	1,879	28	2,423	28
Consumer and other	841	8	644	2
Residential mortgage	256	1	-	-
Total	$ 10,863	$ 177	$ 19,734	$ 207
With an allowance recorded:				
Commercial real estate	$ 4,414	$ -	$ 2,050	$ -
Construction and land development	-	-	-	-
Commercial and industrial	1,148	-	1,765	3
Owner occupied real estate	697	12	1,118	12
Consumer and other	51	-	217	1
Residential mortgage	-	-	-	-
Total	$ 6,310	$ 12	$ 5,150	$ 16
Total:				
Commercial real estate	$ 10,710	$ 140	$ 14,357	$ 144
Construction and land development	-	-	-	-
Commercial and industrial	2,739	-	6,125	36
Owner occupied real estate	2,576	40	3,541	40
Consumer and other	892	8	861	3
Residential mortgage	256	1	-	-
Total	$ 17,173	$ 189	$ 24,884	$ 223

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the past due status as of June 30, 2019 and December 31, 2018:

(dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Loans Receivable > 90 Days and Accruing
At June 30, 2019							
Commercial real estate	$ -	$ 127	$ 4,030	$ 4,157	$ 549,487	$ 553,644	$ -
Construction and land development	-	-	-	-	111,474	111,474	-
Commercial and industrial	-	2	2,000	2,002	187,630	189,632	-
Owner occupied real estate	233	35	1,531	1,799	380,053	381,852	-
Consumer and other	888	39	993	1,920	96,050	97,970	-
Residential mortgage	-	-	768	768	173,195	173,963	-
Total	$ 1,121	$ 203	$ 9,322	$ 10,646	$ 1,497,889	$ 1,508,535	$ -

(dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Loans Receivable > 90 Days and Accruing
At December 31, 2018							
Commercial real estate	$ 339	$ 921	$ 4,631	$ 5,891	$ 509,847	$ 515,738	$ -
Construction and land development	-	-	-	-	121,042	121,042	-
Commercial and industrial	280	-	3,661	3,941	196,482	200,423	-
Owner occupied real estate	-	653	1,188	1,841	366,054	367,895	-
Consumer and other	214	-	861	1,075	90,077	91,152	-
Residential mortgage	302	-	-	302	140,062	140,364	-
Total	$ 1,135	$ 1,574	$ 10,341	$ 13,050	$ 1,423,564	$ 1,436,614	$ -

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Company's internal risk rating system as of June 30, 2019 and December 31, 2018:

(dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At June 30, 2019:					
Commercial real estate	$ 548,491	$ 1,123	$ 4,030	$ -	$ 553,644
Construction and land development	111,474	-	-	-	111,474
Commercial and industrial	187,631	1	1,720	280	189,632
Owner occupied real estate	377,152	1,823	2,877	-	381,852
Consumer and other	96,977	-	993	-	97,970
Residential mortgage	173,073	122	768	-	173,963
Total	$ 1,494,798	$ 3,069	$ 10,388	$ 280	$ 1,508,535

(dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
At December 31, 2018:					
Commercial real estate	$ 510,186	$ 921	$ 4,631	$ -	$ 515,738
Construction and land development	121,042	-	-	-	121,042
Commercial and industrial	196,751	10	3,382	280	200,423
Owner occupied real estate	364,032	1,303	2,560	-	367,895
Consumer and other	90,291	-	861	-	91,152
Residential mortgage	140,240	124	-	-	140,364
Total	$ 1,422,542	$ 2,358	$ 11,434	$ 280	$ 1,436,614

The following table shows non-accrual loans by class as of June 30, 2019 and December 31, 2018:

(dollars in thousands)	June 30, 2019	December 31, 2018
Commercial real estate	$ 4,030	$ 4,631
Construction and land development	-	-
Commercial and industrial	2,000	3,661
Owner occupied real estate	1,531	1,188
Consumer and other	993	861
Residential mortgage	768	-
Total	$ 9,322	$ 10,341

If these loans were performing under their original contractual rate, interest income on such loans would have increased approximately $121,000 and $233,000 for the three and six months ended June 30, 2019, respectively, and $184,000 and $363,000 for the three and six months ended June 30, 2018, respectively.

Troubled Debt Restructurings

A modification to the contractual terms of a loan which results in a concession to a borrower that is experiencing financial difficulty is classified as a troubled debt restructuring ("TDR"). The concessions made in a TDR are those that would not otherwise be considered for a borrower or collateral with similar risk characteristics. A TDR is typically the result of efforts to minimize potential losses that may be incurred during loan workouts, foreclosure, or repossession of collateral at a time when collateral values are declining. Concessions include a reduction in interest rate below current market rates, a material extension of time to the loan term or amortization period, partial forgiveness of the outstanding principal balance, acceptance of interest only payments for a period of time, or a combination of any of these conditions.

The following table summarizes information with regard to outstanding troubled debt restructurings at June 30, 2019 and December 31, 2018:

(dollars in thousands)	Number of Loans	Accrual Status	Non-Accrual Status	Total TDRs
June 30, 2019				
Commercial real estate	1	$ 6,245	$ -	$ 6,245
Construction and land development	-	-	-	-
Commercial and industrial	-	-	-	-
Owner occupied real estate	-	-	-	-
Consumer and other	-	-	-	-
Residential mortgage	-	-	-	-
Total	1	$ 6,245	$ -	$ 6,245
December 31, 2018				
Commercial real estate	1	$ 6,316	$ -	$ 6,316
Construction and land development	-	-	-	-
Commercial and industrial	3	-	1,224	1,224
Owner occupied real estate	1	-	242	242
Consumer and other	-	-	-	-
Residential mortgage	-	-	-	-
Total	5	$ 6,316	$ 1,466	$ 7,782

All TDRs are considered impaired and are therefore individually evaluated for impairment in the calculation of the allowance for loan losses. Some TDRs may not ultimately result in the full collection of principal and interest as restructured and could lead to potential incremental losses. These potential incremental losses would be factored into our estimate of the allowance for loan losses. The level of any subsequent defaults will likely be affected by future economic conditions.

There were no loan modifications made during the three and six months ended June 30, 2019 that met the criteria of a TDR.

After a loan is determined to be a TDR, the Company continues to track its performance under the most recent restructured terms. There were no TDRs that subsequently defaulted during the three and six months ended June 30, 2019. There were three TDRs that subsequently defaulted during the year ended December 31, 2018.

There were no residential mortgages in the process of foreclosure as of June 30, 2019 and December 31, 2018. There was no other real estate owned relating to residential real estate at June 30, 2019 and December 31, 2018.

Note 7: Fair Value of Financial Instruments

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

The Company follows the guidance issued under ASC 820, *Fair Value Measurement,* which defines fair value, establishes a framework for measuring fair value under GAAP, and identifies required disclosures on fair value measurements.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at June 30, 2019 and December 31, 2018 were as follows:

(dollars in thousands)	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
June 30, 2019				
Assets:				
Collateralized mortgage obligations	$ 234,637	$ -	$ 234,637	$ -
Agency mortgage-backed securities	21,932	-	21,932	-
Municipal securities	15,459	-	15,459	-
Corporate bonds	66,258	-	63,259	2,999
Securities Available for Sale	$ 338,286	$ -	$ 335,287	$ 2,999
Mortgage Loans Held for Sale	$ 21,346	$ -	$ 21,346	$ -
SBA Servicing Assets	4,593	-	-	4,593
Interest Rate Lock Commitments	707	-	707	-
Best Efforts Forward Loan Sales Commitments	17	-	17	-
Mandatory Forward Loan Sales Commitments	-	-	-	-
Liabilities:				
Interest Rate Lock Commitments	-	-	-	-
Best Efforts Forward Loan Sales Commitments	207	-	207	-
Mandatory Forward Loan Sales Commitments	227	-	227	-
December 31, 2018				
Assets:				
Collateralized mortgage obligations	$ 196,259	$ -	$ 196,259	$ -
Agency mortgage-backed securities	38,499	-	38,499	-
Municipal securities	20,639	-	20,639	-
Corporate bonds	59,274	-	56,205	3,069
Asset-backed securities	6,343	-	6,343	-
Securities Available for Sale	$ 321,014	$ -	$ 317,945	$ 3,069
Mortgage Loans Held for Sale	$ 20,887	$ -	$ 20,887	$ -
SBA Servicing Assets	4,785	-	-	4,785
Interest Rate Lock Commitments	410	-	410	-
Best Efforts Forward Loan Sales Commitments	5	-	5	-
Mandatory Forward Loan Sales Commitments	10	-	10	-
Liabilities:				

Interest Rate Lock Commitments	-	-	-	-
Best Efforts Forward Loan Sales Commitments	138	-	138	-
Mandatory Forward Loan Sales Commitments	230	-	230	-

The following tables present an analysis of the activity in the SBA servicing assets for the three and six months ended June 30, 2019 and 2018:

	Three Months Ended June 30,	
(dollars in thousands)	**2019**	**2018**
Beginning balance, April 1st	$ 4,631	$ 5,059
Additions	342	247
Fair value adjustments	(380)	(329)
Ending balance, June 30th	$ 4,593	$ 4,977

	Six Months Ended June 30,	
(dollars in thousands)	**2019**	**2018**
Beginning balance, January 1st	$ 4,785	$ 5,243
Additions	553	567
Fair value adjustments	(745)	(833)
Ending balance, June 30th	$ 4,593	$ 4,977

Fair value adjustments are recorded as loan and servicing fees on the statement of income. Servicing fee income, not including fair value adjustments, totaled $479,000 and $493,000 for the three months ended June 30, 2019 and 2018, respectively. Servicing fee income, not including fair value adjustments, totaled $937,000 and $986,000 for the six months ended June 30, 2019 and 2018, respectively. Total loans in the amount of $205.8 million at June 30, 2019 and $204.4 million at December 31, 2018 were serviced for others.

The following table presents a reconciliation of the securities available for sale measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2019 and 2018:

	Three Months Ended June 30, 2019		Three Months Ended June 30, 2018	
Level 3 Investments Only *(dollars in thousands)*	**Trust Preferred Securities**	**Corporate Bonds**	**Trust Preferred Securities**	**Corporate Bonds**
Balance, April 1st	$ -	$ 3,034	$ 561	$ 3,090
Unrealized gains (losses)	-	(35)	(14)	(7)
Proceeds from sales	-	-	-	-
Realized losses	-	-	-	-
Balance, June 30th	$ -	$ 2,999	$ 547	$ 3,083

	Six Months Ended June 30, 2019		Six Months Ended June 30, 2018	
Level 3 Investments Only *(dollars in thousands)*	**Trust Preferred Securities**	**Corporate Bonds**	**Trust Preferred Securities**	**Corporate Bonds**
Balance, January 1st	$ -	$ 3,069	$ 489	$ 3,086
Unrealized gains (losses)	-	(70)	58	(3)
Proceeds from sales	-	-	-	-
Realized losses	-	-	-	-
Balance, June 30th	$ -	$ 2,999	$ 547	$ 3,083

For assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at June 30, 2019 and December 31, 2018 were as follows:

(dollars in thousands)	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
June 30, 2019				
Impaired loans	$ 5,005	$ -	$ -	$ 5,005
Other real estate owned	5,480	-	-	5,480
December 31, 2018				
Impaired loans	$ 5,955	$ -	$ -	$ 5,955
Other real estate owned	1,114	-	-	1,114

The table below presents additional quantitative information about level 3 assets measured at fair value on a nonrecurring basis (dollars in thousands):

	Quantitative Information about Level 3 Fair Value Measurements			
Asset Description	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Range (Weighted Average)**
June 30, 2019				
Corporate bonds	$ 2,999	Discounted Cash Flows	Discount Rate	(8.00%)
SBA servicing assets	$ 4,593	Discounted Cash Flows	Conditional Prepayment Rate	(12.83%)
			Discount Rate	(11.50%)
Impaired loans	$ 5,005	Appraised Value of Collateral (1)	Liquidation expenses (2)	11% - 13% (12%) (3)
		Appraised Value of Collateral (1)	Liquidation expenses (2)	7% -144% (14%) (3)
Other real estate owned	$ 5,480			
		Sales Price	Liquidation expenses (2)	(7%) (3)
December 31, 2018				
Corporate bonds	$ 3,069	Discounted Cash Flows	Discount Rate	(8.24%)
SBA servicing assets	$ 4,785	Discounted Cash Flows	Conditional Prepayment Rate	(10.31%)
			Discount Rate	(11.50%)
Impaired loans	$ 5,955	Appraised Value of Collateral (1)	Liquidation expenses (2)	11% - 24% (13%) (3)
Other real estate owned	$ 1,114	Appraised Value of Collateral (1)	Liquidation expenses (2)	(7%) (3)

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which include Level 3 inputs that are not identifiable.
(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses.
(3) The range and weighted average of qualitative factors such as economic conditions and estimated liquidation expenses are presented as a percent of the appraised value.

The significant unobservable inputs for impaired loans and other real estate owned are the appraised value or an agreed upon sales price. These values are adjusted for estimated costs to sell which are incremental direct costs to transact a sale such as broker commissions, legal fees, closing costs and title transfer fees. The costs must be considered essential to the sale and would not have been incurred if the decision to sell had not been made. The costs to sell are based on costs associated with the Company's actual sales of other real estate owned which are assessed annually.

Fair Value Assumptions

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Company's financial instruments at June 30, 2019 and December 31, 2018.

Investment Securities

The fair value of securities available for sale (carried at fair value) and held to maturity (carried at amortized cost) are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices. For certain securities, which are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments, are generally based on available market evidence (Level 3). In the absence of such evidence, management's best estimate is used. Management's best estimate consists of both internal and external support on certain Level 3 investments. Internal cash flow models using a present value formula that includes assumptions market participants would use along with indicative exit pricing obtained from broker/dealers (where available) were used to support fair values of certain Level 3 investments.

The types of instruments valued based on matrix pricing in active markets include all of the Company's U.S. government and agency securities, corporate bonds, asset backed securities, and municipal obligations held in the investment securities portfolio. Such instruments are generally classified within Level 2 of the fair value hierarchy. As required by ASC 820-10, the Company does not adjust the matrix pricing for such instruments.

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions, and may be adjusted to reflect illiquidity and/or non-transferability, with such adjustment generally based on available market evidence. In the absence of such evidence, management's best estimate is used. Subsequent to inception, management only changes Level 3 inputs and assumptions when corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt markets, and changes in financial ratios or cash flows. Republic has one Level 3 investment classified as available for sale which is a single corporate bond.

The corporate bond included in Level 3 was transferred from Level 2 in 2010 and is not actively traded. Impairment would depend on the repayment ability of the underlying issuer, which is assessed through a detailed quarterly review of the issuer's financial statements. The issuer is a "well capitalized" financial institution as defined by federal banking regulations and has demonstrated the ability to raise additional capital, when necessary, through the public capital markets. The fair value of this corporate bond is estimated by obtaining a price of a comparable floating rate debt instrument through Bloomberg.

Mortgage Loans Held for Sale (Carried at Fair Value)

The fair value of mortgage loans held for sale is determined by obtaining prices at which they could be sold in the principal market at the measurement date and are classified within Level 2 of the fair value hierarchy. Republic elected to adopt the fair value option for its mortgage loans held for sale portfolio in order to more accurately reflect their economic value. Interest income on loans held for sale, which totaled $126,000 and $256,000 for three and six months ended June 30, 2019, respectively, and $231,000 and $525,000 for the three and six months ended June 30, 2018, respectively, are included in interest and fees in the statements of income.

The following table reflects the difference between the carrying amount of mortgage loans held for sale, measured at fair value and the aggregate unpaid principal amount that Republic is contractually entitled to receive at maturity as of June 30, 2019 and December 31, 2018.

(dollars in thousands)	**June 30, 2019**	**December 31, 2018**
Carrying Amount	$ 21,346	$ 20,887
Aggregate Unpaid Principal Balance	$ 20,579	$ 20,071
Excess Carrying Amount Over Aggregate Unpaid Principal Balance	$ 767	$ 816

Changes in the excess carrying amount over aggregate unpaid principal balance are recorded in the statement of income in mortgage banking income. Republic did not have any mortgage loans held for sale recorded at fair value that were 90 or more days past due and on non-accrual at June 30, 2019 and December 31, 2018.

Interest Rate Lock Commitments ("IRLC")

The Company determines the value of IRLC's by comparing the market price to the price locked in with the customer, adding fees or points to be collected at closing, subtracting commissions to be paid at closing, and subtracting estimated remaining loan origination costs to the bank based on the processing status of the loan, The Company also considers pull-through as it determines the fair value of IRLC'S Factors that affect pull-through rates include the origination channel, current mortgage interest rates in the market versus the interest rate incorporated in the IRLC, the purpose of the mortgage (purchase versus financing), the stage of completion of the underlying application and underwriting process, and the time remaining until the IRLC expires. IRLCs are classified within Level 2 of the valuation hierarchy.

Best Efforts Forward Loan Sales Commitments

Best efforts forward loan sales commitments are classified within Level 2 of the valuation hierarchy. Best efforts forward loan sales commitments fix the forward sales price that will be realized upon the sale of mortgage loans into the secondary market. Best efforts forward loan sales commitments are entered into for loans at the time the borrower commitment is made. These best efforts forward loan sales commitments are valued using the committed price to the counterparty against the current market price of the interest rate lock commitment or mortgage loan held for sale.

Mandatory Forward Loan Sales Commitments

Fair values for mandatory forward loan sales commitments are based on fair values of the underlying mortgage loans and the probability of such commitments being exercised. Due to the observable inputs used by Republic, best efforts mandatory loan sales commitments are classified within Level 2 of the valuation hierarchy.

Impaired Loans (Carried at Lower of Cost or Fair Value)

Impaired loans are those that the Company has measured impairment based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. The fair value consists of the loan balances less any valuation allowance. The valuation allowance amount is calculated as the difference between the recorded investment in a loan and the present value of expected future cash flows or it is calculated based on discounted collateral values if the loans are collateral dependent.

Other Real Estate Owned (Carried at Lower of Cost or Fair Value)

These assets are carried at the lower of cost or fair value. Fair value is determined through valuations periodically performed by third-party appraisers, and the real estate is carried at the lower of its carrying amount or fair value less estimated costs to sell. Any declines in the fair value of the real estate properties below the initial cost basis are recorded through a valuation expense. At June 30, 2019 and December 31, 2018, these assets are carried at current fair value and classified within Level 3 of the fair value hierarchy.

SBA Servicing Asset (Carried at Fair Value)

The SBA servicing asset is initially recorded when loans are sold and the servicing rights are retained and recorded on the balance sheet. An updated fair value is obtained from an independent third party on a quarterly basis and adjustments are presented as loan and servicing fees on the statement of income. The valuation begins with the projection of future cash flows for each asset based on their unique characteristics, the Company's market-based assumptions for prepayment speeds and estimated losses and recoveries. The present value of the future cash flows are then calculated utilizing the Company's market-based discount ratio assumptions. In all cases, the Company models expected payments for every loan for each quarterly period in order to create the most detailed cash flow stream possible.

The Company uses assumptions and estimates in determining the impairment of the SBA servicing asset. These assumptions include prepayment speeds and discount rates commensurate with the risks involved and comparable to assumptions used by participants to value and bid serving rights available for sale in the market. At June 30, 2019 and December 31, 2018, the sensitivity of the current fair value of the SBA loan servicing rights to immediate 10% and 20% adverse changes in key assumptions are included in the accompanying table.

(dollars in thousands)	June 30, 2019	December 31, 2018
SBA Servicing Asset		
Fair Value of SBA Servicing Asset	$ 4,593	$ 4,785
Composition of SBA Loans Serviced for Others		
Fixed-rate SBA loans	2%	2%
Adjustable-rate SBA loans	98%	98%
Total	100%	100%
Weighted Average Remaining Term (in years)	20.6	20.4
Prepayment Speed	12.83%	10.31%
Effect on fair value of a 10% increase	$ (172)	$ (170)
Effect on fair value of a 20% increase	(333)	(330)
Weighted Average Discount Rate	11.50%	11.50%
Effect on fair value of a 10% increase	$ (170)	$ (186)
Effect on fair value of a 20% increase	(329)	(359)

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. As indicated, changes in value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in value may not be linear. Also in this table, the effect of an adverse variation in a particular assumption on the value of the SBA servicing rights is calculated without changing any other assumption. While in reality, changes in one factor may magnify or counteract the effect of the change.

Off-Balance Sheet Financial Instruments (Disclosed at notional amounts)

Fair values for the Company's off-balance sheet financial instruments (lending commitments and letters of credit) are based on fees currently charged in the market to enter into similar agreements, taking into account, the remaining terms of the agreements and the counterparties' credit standing.

The estimated fair values of the Company's financial instruments at June 30, 2019 were as follows.

			Fair Value Measurements at June 30, 2019		
(dollars in thousands)	**Carrying Amount**	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Balance Sheet Data					
Financial assets:					
Cash and cash equivalents	$ 129,514	$ 129,514	$ 129,514	$ -	$ -
Investment securities available for sale	338,286	338,286	-	335,287	2,999
Investment securities held to maturity	718,534	725,796	-	725,796	-
Restricted stock	5,130	5,130	-	5,130	-
Loans held for sale	23,412	23,412	-	21,346	2,066
Loans receivable, net	1,500,664	1,472,460	-	-	1,472,460
SBA servicing assets	4,593	4,593	-	-	4,593
Accrued interest receivable	9,270	9,270	-	9,270	-
Interest rate lock commitments	707	707	-	707	-
Best efforts forward loan sales commitments	17	17	-	17	-
Mandatory forward loan sales commitments	-	-	-	-	-
Financial liabilities:					
Deposits					
Demand, savings and money market	$ 2,335,896	$ 2,335,896	$ -	$ 2,335,896	$ -
Time	192,081	192,055	-	192,055	-
Subordinated debt	11,262	8,368	-	-	8,368
Accrued interest payable	1,134	1,134	-	1,134	-
Interest rate lock commitments	-	-	-	-	-
Best efforts forward loan sales commitments	207	207	-	207	-
Mandatory forward loan sales commitments	227	227	-	227	-
Off-Balance Sheet Data					
Commitments to extend credit	-	-	-	-	-
Standby letters-of-credit	-	-	-	-	-

The estimated fair values of the Company's financial instruments at December 31, 2018 were as follows:

	Fair Value Measurements at December 31, 2018				
(dollars in thousands)	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Balance Sheet Data					
Financial assets:					
Cash and cash equivalents	$ 72,473	$ 72,473	$ 72,473	$ -	$ -
Investment securities available for sale	321,014	321,014	-	317,945	3,069
Investment securities held to maturity	761,563	747,323	-	747,323	-
Restricted stock	5,754	5,754	-	5,754	-
Loans held for sale	26,291	26,291	-	20,887	5,404
Loans receivable, net	1,427,983	1,410,945	-	-	1,410,945
SBA servicing assets	4,785	4,785	-	-	4,785
Accrued interest receivable	9,025	9,025	-	9,025	-
Interest rate lock commitments	410	410	-	410	-
Best efforts forward loan sales commitments	5	5	-	5	-
Mandatory forward loan sales commitments	10	10	-	10	-
Financial liabilities:					
Deposits					
Demand, savings and money market	$ 2,238,610	$ 2,238,610	$ -	$ 2,238,610	$ -
Time	154,257	152,989	-	152,989	-
Subordinated debt	11,259	8,279	-	-	8,279
Accrued interest payable	558	558	-	558	-
Interest rate lock commitments	-	-	-	-	-
Best efforts forward loan sales commitments	138	138	-	138	-
Mandatory forward loan sales commitments	230	230	-	230	-
Off-Balance Sheet Data					
Commitments to extend credit	-	-	-	-	-
Standby letters-of-credit	-	-	-	-	-

Note 8: Changes in Accumulated Other Comprehensive Income (Loss) By Component (1)

The following table presents the changes in accumulated other comprehensive loss by component for the six months ended June 30, 2019 and 2018, and the year ended December 31, 2018.

(dollars in thousands)	Unrealized Gains (Losses) on Available-For-Sale Securities	Unrealized Holding Losses on Securities Transferred From Available-For-Sale To Held-To-Maturity	Total
Balance January 1, 2019	$ (4,736)	$ (7,191)	$ (11,927)
Unrealized gain on securities	3,672	-	3,672
Amounts reclassified from accumulated other comprehensive income to net income (2)	(448)	495	47
Net current-period other comprehensive income	3,224	495	3,719
Total change in accumulated other comprehensive income	3,224	495	3,719
Balance June 30, 2019	$ (1,512)	$ (6,696)	$ (8,208)
Balance January 1, 2018	$ (7,150)	$ (359)	$ (7,509)
Reclassification due to the adoption of ASU 2018-02	(1,562)	(78)	(1,640)
Unrealized loss on securities	(7,036)	-	(7,036)
Amounts reclassified from accumulated other comprehensive income to net income (2)	1	54	55
Net current-period other comprehensive income (loss)	(7,035)	54	(6,981)
Balance June 30, 2018	$ (15,747)	$ (383)	$ (16,130)
Balance January 1, 2018	$ (7,150)	$ (359)	$ (7,509)
Reclassification due to the adoption of ASU 2018-02	(1,562)	(78)	(1,640)
Unrealized gain/(loss) on securities	3,927	-	3,927
Net unrealized holding losses on securities transferred from available-for-sale to held-to-maturity	-	(6,855)	(6,855)
Amounts reclassified from accumulated other comprehensive income to net income (2)	49	101	150
Net current-period other comprehensive income (loss)	3,976	(6,754)	(2,778)
Total change in accumulated other comprehensive income (loss)	2,414	(6,832)	(4,418)
Balance December 31, 2018	$ (4,736)	$ (7,191)	$ (11,927)

(1) All amounts are net of tax. Amounts in parentheses indicate reductions to other comprehensive income.

(2) Reclassification amounts are reported as gains on sales of investment securities, impairment losses, and amortization of net unrealized losses on the Consolidated Statement of Income.

Note 9: Goodwill and Other Intangibles

The Company completed an annual impairment test for goodwill as of July 31, 2018. Future impairment testing will be conducted each year as of July 31, unless a triggering event occurs in the interim that would suggest impairment, in which case it would be tested as of the date of the triggering event. During the six months ended June 30, 2019 and 2018, there was no goodwill impairment recorded. There can be no assurance that future impairment assessments or tests will not result in a charge to earnings.

The Company's goodwill and intangible assets related to the acquisition of Oak Mortgage in July 2016 are detailed below:

(dollars in thousands)	**Three Months Ended June 30,**	
	2019	**2018**
Balance, April 1st	$ 5,011	$ 5,011
Additions/Adjustments	-	-
Amortization	-	-
Balance, June 30th	$ 5,011	$ 5,011
Amortization Period (in years)	Indefinite	Indefinite

(dollars in thousands)	**Six Months Ended June 30,**	
	2019	**2018**
Balance, January 1st	$ 5,011	$ 5,011
Additions/Adjustments	-	-
Amortization	-	-
Balance, June 30th	$ 5,011	$ 5,011
Amortization Period (in years)	Indefinite	Indefinite

Note 10: Derivatives and Risk Management Activities

Republic did not have any derivative instruments designated as hedging instruments, or subject to master netting and collateral agreements for the six months ended June 30, 2019 and the six months ended June 30, 2018. The following table summarizes the amounts recorded in Republic's statement of financial condition for derivatives not designated as hedging instruments as of June 30, 2019 and December 31, 2018 (in thousands):

June 30, 2019	**Balance Sheet Presentation**	**Fair Value**	**Notional Amount**
Asset derivatives:			
IRLC's	Other Assets	$ 707	$ 37,877
Best efforts forward loan sales commitments	Other Assets	17	5,070
Mandatory forward loan sales commitments	Other Assets	-	-
Liability derivatives:			
IRLC's	Other Liabilities	$ -	$ -
Best efforts forward loan sales commitments	Other Liabilities	207	32,807
Mandatory forward loan sales commitments	Other Liabilities	227	20,314

December 31, 2018	**Balance Sheet Presentation**	**Fair Value**	**Notional Amount**
Asset derivatives:			
IRLC's	Other Assets	$ 410	$ 16,966
Best efforts forward loan sales commitments	Other Assets	5	1,639
Mandatory forward loan sales commitments	Other Assets	10	865
Liability derivatives:			
IRLC's	Other Liabilities	$ -	$ -
Best efforts forward loan sales commitments	Other Liabilities	138	15,327
Mandatory forward loan sales commitments	Other Liabilities	230	18,980

The following tables summarize the amounts recorded in Republic's statement of income for derivative instruments not designated as hedging instruments for the three and six months ended June 30, 2019 and 2018 (in thousands):

	Income Statement Presentation	Three Months Ended June 30, 2019 Gain/(Loss)	Six Months Ended June 30, 2019 Gain/(Loss)
Asset derivatives:			
IRLC's	Mortgage banking income	$ (66)	$ 297
Best efforts forward loan sales commitments	Mortgage banking income	15	12
Mandatory forward loan sales commitments	Mortgage banking income	-	(10)
Liability derivatives:			
IRLC's	Mortgage banking income	$ -	$ -
Best efforts forward loan sales commitments	Mortgage banking income	85	(69)
Mandatory forward loan sales commitments	Mortgage banking income	(39)	3

	Income Statement Presentation	Three Months Ended June 30, 2018 Gain/(Loss)	Six Months Ended June 30, 2018 Gain/(Loss)
Asset derivatives:			
IRLC's	Mortgage banking income	$ 80	$ 351
Best efforts forward loan sales commitments	Mortgage banking income	(5)	(5)
Mandatory forward loan sales commitments	Mortgage banking income	3	(13)
Liability derivatives:			
IRLC's	Mortgage banking income	$ (1)	$ (1)
Best efforts forward loan sales commitments	Mortgage banking income	17	(118)
Mandatory forward loan sales commitments	Mortgage banking income	(152)	(105)

The fair value of Republic's IRLCs, best efforts forward loan sales commitments, and mandatory forward loan sales commitments are based upon the estimated value of the underlying mortgage loan (determined consistent with "Loans Held for Sale"), adjusted for (1) estimated costs to complete and originate the loan, and (2) the estimated percentage of IRLCs that will result in a closed mortgage loan. The valuation of the IRLCs issued by Republic includes the value of the servicing released premium. Republic sells loans servicing released, and the servicing released premium is included in the market price.

Note 11: Revenue Recognition

On January 1, 2018, the Company adopted ASU 2014-09 "*Revenue from Contracts with Customers*" *(Topic 606)* and all subsequent ASUs that modified Topic 606. As stated in Note 2 *Summary of Significant Accounting Policies,* the implementation of the new standard did not have a material impact on the measurement of recognition of revenue. Management determined that a cumulative effect adjustment to opening retained earnings was not deemed necessary. Results for reporting periods beginning January 1, 2018 are presented under Topic 606, while prior period amounts were not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and investments. In addition, certain non-interest income streams such as gains on sales of residential mortgage and SBA loans, income associated with servicing assets, and loan fees, including residential mortgage originations to be sold and prepayment and late fees charged across all loan categories are also not in scope of the new guidance. Topic 606 is applicable to non-interest revenue streams such as service charges on deposit accounts. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Non-interest revenue streams in-scope of Topic 606 are discussed below.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of account analysis fees (i.e., net fees earned on analyzed business and public checking accounts), ATM fees, NSF fees, and other deposit related fees.

The Company's performance obligation for account analysis fees and monthly services fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided, which is typically one month. Revenue is recognized at month end after the completion of the service period and payment for these service charges on deposit accounts is primarily received through a direct charge to customers' accounts.

ATM fees, NSF fees, and other deposit related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied, and the related revenue recognized, at a point in time. Payment for these service charges are received immediately through a direct charge to customers' accounts.

For the Company, there are no other material revenue streams within the scope of Topic 606.

The following tables present non-interest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the three and six months ended June 30, 2019 and 2018.

(dollars in thousands)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Non-interest income		
In-scope of Topic 606		
Service charges on deposit accounts	$ 1,848	$ 1,326
Other non-interest income	50	43
Non-interest income (in-scope of Topic 606)	1,898	1,369
Non-interest income (out-of-scope of Topic 606)	5,128	4,399
Total non-interest income	$ 7,026	$ 5,768

(dollars in thousands)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Non-interest income		
In-scope of Topic 606		
Service charges on deposit accounts	$ 3,460	$ 2,501
Other non-interest income	129	78
Non-interest income (in-scope of Topic 606)	3,589	2,579
Non-interest income (out-of-scope of Topic 606)	8,382	7,724
Total non-interest income	$ 11,971	$ 10,303

Contract Balances

A contract assets balance occurs when an entity performs a service for a customer before the customer pays consideration (resulting in a contract receivable) or before payment is due (resulting in a contract asset). A contract liability balance is an entity's obligation to transfer a service to a customer for which the entity has already received payment (or payment is due) from the customer. The Company's non-interest revenue streams are largely based on transaction activity, or standard month-end revenue accruals. Consideration is often received immediately or shortly after the Company satisfies its performance obligation and revenue is recognized. The Company does not typically enter into long-term contracts with customers, and therefore, does not experience significant contract balances. As of June 30, 2019 and December 31, 2018, the Company did not have any significant contract balances.

Contract Acquisition Costs

In connection with the adoption of Topic 606, an entity is required to capitalize, and subsequently amortize as an expense, certain incremental costs of obtaining a contract with a customer if these costs are expected to be recovered. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, sales commission). The company utilizes the practical expedient which allows entities to immediately expense contract acquisition costs when the assets that would have resulted from capitalizing these costs would have been amortized in one year or less. Upon adoption of Topic 606, the Company did not capitalize any contract acquisition cost.

Note 12: Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). The FASB issued this ASU to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet by lessees for those leases classified as operating leases under current U.S. GAAP and disclosing key information about leasing arrangements. The new standard was adopted by the Company on January 1, 2019. ASU 2016-02 provides for a modified retrospective transition approach requiring lessees to recognize and measure leases on the balance sheet at the beginning of either the earliest period presented or as of the beginning of the period of adoption. The Company elected to apply ASU 2016-02 as of the beginning of the period of adoption (January 1, 2019) and will not restate comparative periods. Adoption of ASU 2016-02 resulted in the recognition of total operating lease liability obligations totaling $35.1 million and the recognition of operating lease right-of-use assets totaling $34.2 million at the date of adoption. The initial balance sheet gross up upon adoption was related to operating leases on land and buildings for twenty-three lease agreements. The Company has no finance leases or material subleases for which it is the lessor of property or equipment. The Company has elected to apply the package of practical expedients allowed by the new standard under which the Company need not reassess whether any expired or existing contracts are leases or contain leases, the Company need not reassess the lease classification for any expired or existing lease, and the Company need not reassess initial direct costs for any existing leases.

At January 1, 2019, the Company had thirty-four operating leases for real property, which includes operating leases for fifteen branch stores, eight offices that are used for general office space, and eleven operating leases for equipment. All of the real property operating leases include one of more options to extend the lease term. Five of the operating leases for branch stores are a lease for the land under the building and the Company owns the leasehold improvements.

At June 30, 2019, the Company had thirty-six operating lease agreements, which include operating leases for seventeen branch stores, eight offices that are used for general office space, and eleven operating leases for equipment. All of the real property operating leases include one of more options to extend the lease term. Five of the operating leases for branch stores are a lease for the land under the building and the Company owns the leasehold improvements. The thirty-six operating leases have maturity dates ranging from December 2019 to December 2058 which includes options for multiple five and ten year extensions which the Company is reasonably certain to exercise. The weighted average remaining operating lease term for these leases is 19.2 years as of June 30, 2019.

The discount rate used in determining the operating lease liability obligation for each individual lease was the assumed incremental borrowing rate for the Company that corresponded with the remaining lease term as of January 1, 2019 for leases that existed at adoption and as of the lease commencement date for leases subsequently entered in to. The weighted average operating lease discount rate was 3.58% as of June 30, 2019.

The following table presents operating lease costs net of sublease income for the three and six months ended June 30, 2019.

(dollars in thousands)	**Three Months Ended June 30, 2019**	**Six Months Ended June 30, 2019**
Operating lease cost	$ 1,664	$ 3,030
Sublease income	(80)	(161)
Total lease cost	$ 1,584	$ 2,869

The following table presents a maturity analysis of total operating lease liability obligations and reconciliation of the undiscounted cash flows to total operating lease liability obligations at June 30, 2019.

(dollars in thousands)	**June 30, 2019**
Operating lease payments due:	
Within one year	$ 6,644
One to three years	12,143
Three to five years	10,212
More than five years	73,262
Total undiscounted cash flows	102,261
Discount on cash flows	(31,724)
Total operating lease liability obligations	$ 70,537

The following table presents cash and non-cash activities for the three and six months ended June 30, 2019.

(dollars in thousands)	**Three Months Ended June 30, 2019**	**Six Months Ended June 30, 2019**
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 1,046	$ 2,049
Non-cash investing and financing activities		

Additions to Operating leases – right of use asset				
New operating lease liability obligation	$	13,971	$	72,356

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of our financial condition, changes in financial condition, and results of operations in the accompanying consolidated financial statements. This discussion should be read in conjunction with the accompanying notes to the consolidated financial statements.

We may from time to time make written or oral "forward-looking statements", including statements contained in this quarterly report. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. For example, risks and uncertainties can arise with changes in: general economic conditions, including turmoil in the financial markets and related efforts of government agencies to stabilize the financial system; the adequacy of our allowance for loan losses and our methodology for determining such allowance; adverse changes in our loan portfolio and credit risk-related losses and expenses; concentrations within our loan portfolio, including our exposure to commercial real estate loans, and to our primary service area; changes in interest rates; our ability to identify, negotiate, secure and develop new store locations and renew, modify, or terminate leases or dispose of properties for existing store locations effectively; business conditions in the financial services industry, including competitive pressure among financial services companies, new service and product offerings by competitors, price pressures and similar items; deposit flows; loan demand; the regulatory environment, including evolving banking industry standards, changes in legislation or regulation; our securities portfolio and the valuation of our securities; accounting principles, policies and guidelines as well as estimates and assumptions used in the preparation of our financial statements; rapidly changing technology; litigation liabilities, including costs, expenses, settlements and judgments; and other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services. You should carefully review the risk factors described in the Annual Report on Form 10-K for the year ended December 31, 2018 and other documents we file from time to time with the Securities and Exchange Commission. The words "would be," "could be," "should be," "probability," "risk," "target," "objective," "may," "will," "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect" and similar expressions or variations on such expressions are intended to identify forward-looking statements. All such statements are made in good faith by us pursuant to the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. We do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of us, except as may be required by applicable law or regulations.

Financial Condition

Assets

Total assets increased by $187.8 million to $2.94 billion at June 30, 2019, compared to $2.75 billion at December 31, 2018.

Cash and Cash Equivalents

Cash and due from banks and interest bearing deposits comprise this category, which consists of our most liquid assets. The aggregate amount of these two categories increased by $57.0 million to $129.5 million at June 30, 2019, from $72.5 million at December 31, 2018 primarily as a result of an increase in deposit balances.

Loans Held for Sale

Loans held for sale are comprised of loans guaranteed by the U.S. Small Business Administration ("SBA") which we usually originate with the intention of selling in the future and residential mortgage loans originated which we also intend to sell in the future. Total SBA loans held for sale were $2.1 million at June 30, 2019 as compared to $5.4 million at December 31, 2018. Residential mortgage loans held for sale were $21.3 million at June 30, 2019 compared to $20.9 million at December 31, 2018. Loans held for sale, as a percentage of total Company assets, were less than 1% at June 30, 2019.

Loans Receivable

The loan portfolio represents our largest asset category and is our most significant source of interest income. Our lending strategy is focused on small and medium sized businesses and professionals that seek highly personalized banking services. The loan portfolio consists of secured and unsecured commercial loans including commercial real estate, construction loans, residential mortgages, home improvement loans, home equity loans and lines of credit, overdraft lines of credit, and others. Commercial loans typically range between $250,000 and $5,000,000 but customers may borrow significantly larger amounts up to our legal lending limit to a customer, which was approximately $34.4 million at June 30, 2019. Loans made to one individual customer, even if secured by different collateral, are aggregated for purposes of the lending limit.

Loans increased $72.7 million, or 5%, to $1.5 billion at June 30, 2019, versus $1.4 billion at December 31, 2018. This growth was the result of an increase in loan demand across our commercial real estate, residential mortgage, owner occupied real estate, and consumer and other categories driven by the successful execution of our relationship banking strategy which focuses on delivering high levels of customer service.

Investment Securities

Investment securities considered available-for-sale are investments that may be sold in response to changing market and interest rate conditions, and for liquidity and other purposes. Our investment securities classified as available-for-sale consist primarily of U.S. Government agency collateralized mortgage obligations ("CMO"), agency mortgage-backed securities ("MBS"), municipal securities, and corporate bonds. Available-for-sale securities totaled $338.3 million at June 30, 2019, compared to $321.0 million at December 31, 2018. The increase was primarily due to the purchase of securities totaling $78.8 million partially offset by proceeds from the sale of securities totaling $42.7 million and paydowns of securities totaling $22.5 million during the first six months of 2019. At June 30, 2019, the portfolio had a net unrealized loss of $1.5 million compared to a net unrealized loss of $5.7 million at December 31, 2018. The change in value of the investment portfolio was driven by a decrease in market interest rates which drove an increase in value of the securities classified as available-for-sale in our portfolio during the first six months of 2019.

Investment securities held-to-maturity are investments for which there is the intent and ability to hold the investment to maturity. These investments are carried at amortized cost. The held-to-maturity portfolio consists primarily of U.S. Government agency Small Business Investment Company bonds ("SBIC") and Small Business Administration ("SBA") bonds, CMOs and MBSs. The fair value of securities held-to-maturity totaled $725.8 million and $747.3 million at June 30, 2019 and December 31, 2018, respectively. The decrease was primarily due to paydowns of securities totaling $42.9 million partially offset by an increase of $21.5 million in the value of securities held in the portfolio during the first six months of 2019. The change in value of the investment portfolio was driven by a decrease in market interest rates which drove an increase in value of the securities classified as held-to-maturity in our portfolio during the first six months of 2019.

Restricted Stock

Restricted stock, which represents a required investment in the capital stock of correspondent banks related to available credit facilities, is carried at cost as of June 30, 2019 and December 31, 2018. As of those dates, restricted stock consisted of investments in the capital stock of the Federal Home Loan Bank of Pittsburgh ("FHLB") and Atlantic Community Bankers Bank ("ACBB").

At June 30, 2019 and December 31, 2018, the investment in FHLB of Pittsburgh capital stock totaled $5.0 million and $5.6 million, respectively. The decrease was due to a lower required investment in FHLB stock during the first six months of 2019. At both June 30, 2019 and December 31, 2018, ACBB capital stock totaled $143,000. Both the FHLB and ACBB issued dividend payments during the second quarter of 2019.

Premises and Equipment

The balance of premises and equipment increased to $105.3 million at June 30, 2019 from $87.7 million at December 31, 2018. The increase was primarily due to premises and equipment expenditures of $20.6 million less depreciation and amortization expenses of $3.0 million during the first six months of 2019. A new store was opened in Feasterville, PA during the second quarter of 2019 bringing the total store count to twenty-seven as of June 30, 2019. There are also multiple sites in various stages of development for future store locations.

Expansion into New York City began in 2019. Our first store located at 14th Street & 5th Avenue in Manhattan opened in July 2019. Construction has also started on a second store location at 51st Street & 3rd Avenue in Manhattan.

Other Real Estate Owned

The balance of other real estate owned was $6.4 million at June 30, 2019 and $6.2 million at December 31, 2018. The increase was primarily due to an addition of $600,000 partially offset by sales and writedowns totaling $417,000.

Operating Leases – Right of Use Asset

Accounting Standards Codification Topic 842, also known as ASC 842 and ASU 2016-02, is the new lease accounting standard published by the Financial Accounting Standards Board (FASB). ASC 842 represents a significant modification to the accounting treatment for leases, with the most significant change being that most leases, including operating leases, will now be capitalized on the balance sheet. Under the previous guidance (ASC 840), FASB permitted operating leases to be reported only in the footnotes of corporate financial statements. Under ASC 842, the only leases that are exempt from the capitalization requirement are short-term leases less than or equal to twelve months in length.

The right-of-use asset is valued as the initial amount of the lease liability obligation adjusted for any initial direct costs, prepaid or accrued rent, and any lease incentives. At June 30, 2019, the balance of the operating lease right-of-use asset was $67.1 million.

Goodwill

Goodwill is reviewed for impairment annually as of July 31 and between annual tests when events and circumstances indicate that impairment may have occurred. Impairment is a condition that exists when the carrying amount of goodwill exceeds its implied fair value.

We early adopted Accounting Standards Update ("ASU") 2017-04, *Simplifying the Test for Goodwill Impairment* during our annual goodwill impairment review in 2018. The new rules under this guidance provide that the goodwill impairment charge will be the amount by which the reporting unit's carrying amount exceeds its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. We applied a qualitative assessment for the reporting unit to determine if the one-step quantitative impairment test is necessary.

As part of our qualitative assessment, we reviewed regional and national trends in current and expected economic conditions, examining indicators such as GDP growth, interest rates and unemployment rates. We also considered our own historical performance, expectations of future performance and other trends specific to the banking industry as well as an initial valuation of the Oak Mortgage business performed by an independent third party. Based on our qualitative assessment, we determined that there was no evidence of impairment on the balance of goodwill. As of June 30, 2019 and December 31, 2018, goodwill totaled $5.0 million.

Deposits

Deposits, which include non-interest and interest-bearing demand deposits, money market, savings and time deposits, are Republic's major source of funding. Deposits are generally solicited from our market area through the offering of a variety of products to attract and retain customers, with a primary focus on multi-product relationships.

Total deposits increased by $135.1 million to $2.5 billion at June 30, 2019 from $2.4 billion at December 31, 2018. The increase was the result of significant growth in all deposit categories, led by strong growth in demand deposit balances. We constantly focus our efforts on the growth of deposit balances through the successful execution of our relationship banking model which is based upon a high level of customer service and satisfaction. This strategy has also allowed us to build a stable core-deposit base and nearly eliminate our dependence upon the more volatile sources of funding found in brokered and wholesale deposits.

We are also in the midst of an aggressive expansion plan which we refer to as "The Power of Red is Back". During 2018, we opened new stores in Gloucester Township, Evesboro, and Somers Point in NJ and Fairless Hills in PA. As of June 30, 2019, we have opened stores in Lumberton, NJ and Feasterville, PA. We have several more in various stages of construction and development including sites in New York City. Our first store in New York City opened at 14th Street & 5th Avenue in Manhattan in July 2019. Construction has begun on a second store location at 51st Street & 3rd Avenue in Manhattan.

Short-term Borrowings

As of June 30, 2019, we had short-term borrowings with the FHLB of $69.0 million compared to $91.4 million at December 31, 2018.

Operating Lease Liability Obligation

Accounting Standards Codification Topic 842, also known as ASC 842 and ASU 2016-02, is the new lease accounting standard published by the Financial Accounting Standards Board (FASB). ASC 842 represents a significant modification to the accounting treatment for leases, with the most significant change being that most leases, including operating leases, will now be capitalized on the balance sheet. Under the previous guidance (ASC 840), FASB permitted operating leases to be reported only in the footnotes of corporate financial statements. Under ASC 842, the only leases that are exempt from the capitalization requirement are short-term leases less than or equal to twelve months in length.

The operating lease liability obligation is calculated as the present value of the lease payments, using the discount rate specified in the lease, or if that is not available, our incremental borrowing rate. At June 30, 2019, the balance of the operating lease liability obligation was $70.5 million.

Shareholders' Equity

Total shareholders' equity increased $6.2 million to $251.4 million at June 30, 2019 compared to $245.2 million at December 31, 2018. The increase during the first six months of 2019 was primarily due to a $3.7 million decrease in accumulated other comprehensive losses associated with an increase in the market value of the investment securities portfolio, net income of $807,000, and stock option exercises of $261,000. The shift in market value of the securities portfolio was primarily driven by a decrease in market interest rates which drove an increase in the market value of the securities held in our portfolio.

Results of Operations

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

We reported net income of $381,000, or $0.01 per diluted share, for the three months ended June 30, 2019, compared to net income of $2.4 million, or $0.04 per diluted share, for the three months ended June 30, 2018. The decrease in net income of $2.0 million was related to increases in interest expense and non-interest expense partially offset by increases in interest income and non-interest income.

Net interest income was $19.4 million for the three month period ended June 30, 2019 compared to $18.7 million for the three months ended June 30, 2018. Interest income increased $3.9 million, or 17.6%, due to an increase in the average balance on loans receivable balances. Interest expense increased $3.2 million, or 87.7%, primarily due to an increase in deposit balances and the average rate paid on deposit balances. The net interest margin decreased by 25 basis points to 2.94% during the second quarter of 2019 compared to 3.19% during the second quarter of 2018. Compression in the net interest margin was driven by flattening of the yield curve resulting in a more rapid increase in our cost of funds compared to the yield on interest earning assets.

We recorded no provision for loan losses for the three months ended June 30, 2019 compared to a provision for loan losses in the amount of $800,000 for the three months ended June 30, 2018. This decrease was primarily due to a decrease in the allowance required for loans individually evaluated for impairment which was partially offset by an increase in the allowance required for loans collectively evaluated for impairment.

Non-interest income increased by $1.3 million to $7.0 million during the three months ended June 30, 2019 compared to $5.8 million during the three months ended June 30, 2018. The increase during the three months ended June 30, 2019 was primarily due to increases in service fees on deposit accounts, loan and servicing fees, gain on the sale of SBA loans, and gain on the sale of investment securities.

Non-interest expenses increased $5.2 million to $25.9 million during the three months ended June 30, 2019 compared to $20.7 million during the three months ended June 30, 2018. This increase was primarily driven by higher salaries, employee benefits, and occupancy and equipment expenses associated with the addition of new stores related to our expansion strategy which we refer to as “The Power of Red is Back”. Annual merit increases contributed to the increase in salaries and employee benefit costs. We have also started to incur costs related to our planned expansion into New York City as we began to hire a management and lending team and commence rent payments for the build out of our future store locations. Our first store in New York City has opened at 14th Street & 5th Avenue in Manhattan in July 2019. Construction has also begun on a second store location at 51st Street & 3rd Avenue in Manhattan.

We recorded a provision for income taxes in the amount of $105,000 during the three months ended June 30, 2019 compared to $530,000 provision for income taxes during the three months ended June 30, 2018.

Return on average assets and average equity from continuing operations was 0.05% and 0.61%, respectively, during the three months ended June 30, 2019 compared to 0.38% and 4.07%, respectively, for the three months ended June 30, 2018.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

We reported net income of $807,000, or $0.01 per diluted share, for the six months ended June 30, 2019 compared to net income of $4.1 million, or $0.07 per diluted share, for the six months ended June 30, 2018.

Net interest income for the six months ended June 30, 2019 was $38.5 million as compared to $36.8 million for the six months ended June 30, 2018. Interest income increased $8.5 million, or 19.8%, due to an increase in the average balance on loan receivable balances. Interest expense increased $6.8 million, or 105.6%, primarily due to an increase in the average rate and volume on deposit balances. The net interest margin decreased by 24 basis points to 2.97% during six months ended June 30, 2019 compared to 3.21% during the six months ended June 30, 2018. Compression in the net interest margin was driven by flattening of the yield curve resulting in a more rapid increase in our cost of funds compared to the yield on interest earning assets.

We recorded a provision for loan losses of $300,000 for the six months ended June 30, 2019 compared to a provision for loan losses of $1.2 million for the six months ended June 30, 2018. This decrease was primarily due to a decrease in the allowance required for loans individually evaluated for impairment which was partially offset by an increase in the allowance required for loans collectively for impairment.

Non-interest income increased $1.7 million to $12.0 million during the six months ended June 30, 2019 compared to $10.3 million during the six months ended June 30, 2018. The increase during the six months ended June 30, 2019 was primarily due to increases in service fees on deposit accounts, gain on the sales of investment securities, and loan and servicing fees.

Non-interest expenses increased $8.3 million to $49.2 million during the six months ended June 30, 2019 as compared to $40.8 million during the six months ended June 30, 2018. This increase was primarily driven by higher salaries, employee benefits, and occupancy and equipment expenses associated with the addition of new stores related to our expansion strategy which we refer to as “The Power of Red is Back”. Annual merit increases also contributed to the increase in salaries and employee benefit costs. We have started to incur costs related to our planned expansion into New York City as we began to hire a management and lending team and commence rent payments for the build out of our future store locations. Our first store in New York City opened at 14th Street & 5th Avenue in Manhattan in July 2019. Construction has begun on a second store location at 51st Street & 3rd Avenue in Manhattan.

We recorded a provision for income taxes in the amount of $197,000 during the six months ended June 30, 2019 compared to a $902,000 provision for income taxes during the six months ended June 30, 2018.

Return on average assets and average equity from continuing operations were 0.06% and 0.66%, respectively, during the six months ended June 30, 2019 compared to 0.34% and 3.64%, respectively, for the six months ended June 30, 2018.

Analysis of Net Interest Income

Historically, our earnings have depended primarily upon Republic's net interest income, which is the difference between interest earned on interest-earning assets and interest paid on interest-bearing liabilities. Net interest income is affected by changes in the mix of the volume and rates of interest-earning assets and interest-bearing liabilities. The following table provides an analysis of net interest income on an annualized basis, setting forth for the periods average assets, liabilities, and shareholders' equity, interest income earned on interest-earning assets and interest expense on interest-bearing liabilities, average yields earned on interest-earning assets and average rates on interest-bearing liabilities, and Republic's net interest margin (net interest income as a percentage of average total interest-earning assets). Averages are computed based on daily balances. Non-accrual loans are included in average loans receivable. Yields are adjusted for tax equivalency, a non-GAAP measure, using a rate of 23% in 2019 and 21% in 2018.

Average Balances and Net Interest Income

	For the three months ended June 30, 2019			For the three months ended June 30, 2018		
(dollars in thousands)	Average Balance	Interest	Yield/ Rate[(1)]	Average Balance	Interest	Yield/ Rate[(1)]
Interest-earning assets:						
Federal funds sold and other interest-earning assets	$ 85,920	$ 518	2.42%	$ 13,412	$ 63	1.88%
Investment securities and restricted stock [(2)]	1,067,185	7,184	2.69%	1,048,291	6,838	2.61%
Loans receivable [(2)]	1,509,177	18,681	4.96%	1,304,244	15,557	4.78%
Total interest-earning assets	2,662,282	26,383	3.97%	2,365,947	22,458	3.81%
Other assets	217,685			129,077		
Total assets	$ 2,879,967			$ 2,495,024		
Interest-earning liabilities:						
Demand – non-interest bearing	$ 525,336			$ 481,548		
Demand – interest bearing	1,144,783	4,206	1.47%	844,405	1,549	0.74%
Money market & savings	697,279	1,628	0.94%	699,136	1,174	0.67%
Time deposits	176,750	861	1.95%	125,607	366	1.17%
Total deposits	2,544,148	6,695	1.06%	2,150,696	3,089	0.58%
Total interest-bearing deposits	2,018,812	6,695	1.33%	1,669,148	3,089	0.74%
Other borrowings	19,864	179	3.61%	101,829	573	2.26%
Total interest-bearing liabilities	2,038,676	6,874	1.35%	1,770,977	3,662	0.83%
Total deposits and other borrowings	2,564,012	6,874	1.08%	2,252,525	3,662	0.65%
Non-interest bearing other liabilities	66,780			8,952		
Shareholders' equity	249,175			233,547		
Total liabilities and shareholders' equity	$ 2,879,967			$ 2,495,024		
Net interest income [(2)]		$ 19,509			$ 18,796	
Net interest spread			2.62%			2.98%
Net interest margin [(2)]			2.94%			3.19%

[(1)]Yields on investments are calculated based on amortized cost.

[(2)]Net interest income and net interest margin are presented on a tax equivalent basis, a Non-GAAP measure. Net interest income has been increased over the financial statement amount by $138 and $134 for the three months ended June 30, 2019 and 2018, respectively, to adjust for tax equivalency. The tax equivalent net interest margin is calculated by dividing tax equivalent net interest income by average total interest earning assets.

Average Balances and Net Interest Income

(dollars in thousands)	For the six months ended June 30, 2019			For the six months ended June 30, 2018		
	Average Balance	Interest	Yield/ Rate(1)	Average Balance	Interest	Yield/ Rate(1)
Interest-earning assets:						
Federal funds sold and other interest-earning assets	$ 70,729	$ 854	2.43%	$ 26,844	$ 235	1.77%
Investment securities and restricted stock (2)	1,076,496	14,604	2.71%	1,032,038	13,325	2.58%
Loans receivable (2)	1,489,020	36,592	4.96%	1,269,875	29,922	4.75%
Total interest-earning assets	2,636,245	52,050	3.98%	2,328,757	43,482	3.77%
Other assets	204,344			128,045		
Total assets	$ 2,840,589			$ 2,456,802		
Interest-earning liabilities:						
Demand – non-interest bearing	$ 518,790			$ 456,530		
Demand – interest bearing	1,129,356	8,144	1.45%	868,832	2,806	0.65%
Money market & savings	686,453	3,080	0.90%	693,508	2,146	0.62%
Time deposits	165,354	1,485	1.81%	127,740	735	1.16%
Total deposits	2,499,953	12,709	1.03%	2,146,610	5,687	0.53%
Total interest-bearing deposits	1,981,163	12,709	1.29%	1,690,080	5,687	0.68%
Other borrowings	33,341	544	3.29%	71,360	758	2.14%
Total interest-bearing liabilities	2,014,504	13,253	1.33%	1,761,440	6,445	0.74%
Total deposits and other borrowings	2,533,294	13,253	1.05%	2,217,970	6,445	0.59%
Non-interest bearing other liabilities	59,505			9,171		
Shareholders’ equity	247,790			229,661		
Total liabilities and shareholders’ equity	$ 2,840,589			$ 2,456,802		
Net interest income (2)		$ 38,797			$ 37,037	
Net interest spread			2.65%			3.03%
Net interest margin (2)			2.97%			3.21%

(1)Yields on investments are calculated based on amortized cost.

(2)Net interest income and net interest margin are presented on a tax equivalent basis, a Non-GAAP measure. Net interest income has been increased over the financial statement amount by $286 and $259 for the six months ended June 30, 2019 and 2018, respectively, to adjust for tax equivalency. The tax equivalent net interest margin is calculated by dividing tax equivalent net interest income by average total interest earning assets.

Rate/Volume Analysis of Changes in Net Interest Income

Net interest income may also be analyzed by segregating the volume and rate components of interest income and interest expense. The following table sets forth an analysis of volume and rate changes in net interest income for the three and six months ended June 30, 2019, as compared to the three and six months ended June 30, 2018. For purposes of this table, changes in interest income and expense are allocated to volume and rate categories based upon the respective changes in average balances and average rates.

	For the three months ended June 30, 2019 vs. 2018			For the six months ended June 30, 2019 vs. 2018		
	Changes due to:			Changes due to:		
(dollars in thousands)	Average Volume	Average Rate	Total Change	Average Volume	Average Rate	Total Change
Interest earned:						
Federal funds sold and other interest-earning assets	$ 439	$ 16	$ 455	$ 530	$ 89	$ 619
Securities	123	223	346	603	676	1,279
Loans	2,417	707	3,124	5,177	1,493	6,670
Total interest-earning assets	2,979	946	3,925	6,310	2,258	8,568
Interest expense:						
Deposits						
Interest-bearing demand deposits	1,100	1,557	2,657	1,879	3,459	5,338
Money market and savings	(22)	476	454	(51)	985	934
Time deposits	241	254	495	338	412	750
Total deposit interest expense	1,319	2,287	3,606	2,166	4,856	7,022
Other borrowings	(552)	158	(394)	(552)	338	(214)
Total interest expense	767	2,445	3,212	1,614	5,194	6,808
Net interest income	$ 2,212	$ (1,499)	$ 713	$ 4,696	$ (2,936)	$ 1,760

Net Interest Income and Net Interest Margin

Net interest income, on a fully tax-equivalent basis, a non-GAAP measure, for the three months ended June 30, 2019 increased $713,000, or 3.8%, over the same period in 2018. Interest income on interest-earning assets totaled $26.4 million for the three months ended June 30, 2019, an increase of $3.9 million, compared to $22.5 million for the three months ended June 30, 2018. The increase in interest income earned was primarily the result of an increase in the average loans receivable balances. Total interest expense for the three months ended June 30, 2019 increased by $3.2 million, or 87.7%, to $6.9 million from $3.7 million for the same period in 2018. Interest expense on deposits increased by $3.6 million, or 116.7%, for the three months ended June 30, 2019 versus the same period in 2018 due to higher rates and increases in average deposit balances. Interest expense on other borrowings decreased by $394,000 for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 due primarily to a decrease in the average overnight borrowings balances. The flattening of the yield curve has resulted in a more rapid increase in the cost of interest bearing liabilities when compared to the yield on interest earning assets. The Federal Reserve increased the Fed Funds borrowing rate by 25 basis points on three separate occasions during 2018 which has impacted rates on the short end of the yield curve which typically impacts deposit rates.

Net interest income, on a fully tax-equivalent basis, a non-GAAP measure, for the six months ended June 30, 2019 increased $1.8 million, or 4.8%, over the same period in 2018. Interest income on interest-earning assets totaled $52.1 million for the six months ended June 30, 2019, an increase of $8.6 million, compared to $43.5 million for the six months ended June 30, 2018. The increase in interest income earned was primarily the result of an increase in average loans receivable balances. Total interest expense for the six months ended June 30, 2019 increased by $6.8 million, or 105.6%, to $13.3 million from $6.4 million for the same period in 2018. Interest expense on deposits increased by $7.0 million, or 123.5%, for the six months ended June 30, 2019 versus the same period in 2018. Interest expense on other borrowings decreased by $214,000 for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018 due primarily to a decrease in the average overnight borrowings balances. The flattening of the yield curve has resulted in a more rapid increase in the cost of interest bearing liabilities when compared to the yield on interest earning assets.

Changes in net interest income are frequently measured by two statistics: net interest rate spread and net interest margin. Net interest rate spread is the difference between the average rate earned on interest-earning assets and the average rate incurred on interest-bearing liabilities. Our net interest rate spread on a fully tax-equivalent basis was 2.62% during the three months ended June 30, 2019 compared to 2.98% during the three months ended June 30, 2018 and was 2.65% during the six months ended June 30, 2019 compared to 3.03% during six months ended June 30, 2018. Net interest margin represents the difference between interest income, including net loan fees earned, and interest expense, reflected as a percentage of average interest-earning assets. For the three months ended June 30, 2019 and June 30, 2018, the fully tax-equivalent net interest margin was 2.94% and 3.19%, respectively. The net interest margin for the three months ended June 30, 2019 decreased primarily due to a rate increase of 43 basis points in total deposits and other borrowings compared to an increase of 16 basis points in the yield on total interest earning assets. For the six months ended June 30, 2019 and June 30, 2018, the fully tax-equivalent net interest margin was 2.97% and 3.21%, respectively. The net interest margin for the six months ended June 30, 2019 decreased primarily due to a rate increase of 46 basis points in total deposits and other borrowings offset by an increase of 21 basis points in the yield on total interest earning assets.

Provision for Loan Losses

We recorded no provision for loan losses for the three months ended June 30, 2019 as compared to $800,000 for the three months ended June 30, 2018. We recorded a $300,000 provision for loan losses for the six months ended June 30, 2019 as compared to $1.2 million for the six months ended June 30, 2018. During the three and six months ended June 30, 2019, the decrease in the provision for loan losses was primarily due to a decrease in the allowance required for loans individually evaluated for impairment partially offset by an increase in the allowance required for loans collectively evaluated for impairment.

Non-Interest Income

Total non-interest income for the three months ended June 30, 2019 increased $1.3 million, or 21.8%, compared to the three months ended June 30, 2018. Service fees on deposit accounts totaled $1.8 million for the three months ended June 30, 2019 which represents an increase of $522,000 over the same period in 2018. This increase was due to the growth in the number of customer accounts and transaction volume. Loan and servicing fees totaled $689,000 for the three months ended June 30, 2019 which represents an increase of $317,000 from the same period in 2018. Gains on the sale of SBA loans totaled $1.1 million for the three months ended June 30, 2019 versus $846,000 for the same period in 2018. The increase was primarily due to an increase in the volume of loans sold in the three months ended June 30, 2019. We recognized gains of $583,000 on the sale of investment securities during the three months ended June 30, 2019 compared to losses of $1,000 during the same period in 2018. Mortgage banking income totaled $3.0 million during the three months ended June 30, 2019 compared to $3.2 million during the three months ended June 30, 2018.

Total non-interest income for the six months ended June 30, 2019 increased $1.7 million, or 16.2%, compared to the six months ended June 30, 2018. Service fees on deposit accounts totaled $3.5 million for the six months ended June 30, 2019 which represents an increase of $959,000 over the same period in 2018. This increase was due to the growth in the number of customer accounts and transaction volume. We recognized gains of $583,000 on the sale of investment securities during the six months ended June 30, 2019 compared to losses of $1,000 during the same period in 2018. Loan and servicing fees totaled $899,000 for the six months ended June 30, 2019 which represents an increase of $380,000 from the same period in 2018. Mortgage banking income totaled $5.3 million during the six months ended June 30, 2019 compared to $5.4 million during the six months ended June 30, 2018. Gains on the sale of SBA loans totaled $1.6 million for the six months ended June 30, 2019 versus $1.8 million for the same period in 2018. The decrease of $189,000 in gains on the sale of SBA loans was driven by a decrease in SBA loans sold during the six months ended June 30, 2019.

Non-Interest Expenses

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

Non-interest expenses increased $5.2 million, or 25.0%, to $25.9 million for the three months ended June 30, 2019 compared to $20.7 million for the three months ended June 30, 2018. An explanation of changes in non-interest expenses for certain categories is presented in the following paragraphs.

Salaries and employee benefits increased by $2.8 million, or 25.9%, for the three months ended June 30, 2019 compared to the same period in 2018 which was primarily driven by annual merit increases along with increased staffing levels related to our growth strategy of adding and relocating stores, which we refer to as "The Power of Red is Back". There were twenty-seven stores open as of June 30, 2019 compared to twenty-three stores at June 30, 2018. During the second quarter of 2019, we continued to hire team members for our expansion into the New York market. Our first store in New York City opened in July 2019.

Occupancy expense, including depreciation and amortization expenses, increased by $949,000, or 28.3%, for the three months ended June 30, 2019 compared to the same period last year, also as a result of our continuing growth and expansion strategy.

Other real estate expenses totaled $517,000 during the three months ended June 30, 2019, an increase of $325,000, or 169.3%, compared to the same period in 2018.

All other non-interest expenses increased by $1.1 million, or 17.2%, for the three months ended June 30, 2019 compared to the same period last year. Increases in data processing, advertising, professional fees, and automated teller machine expenses, and other expenses resulting from our expansion strategy also contributed to the growth in other operating expenses.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

Non-interest expenses increased $8.3 million, or 20.4%, to $49.2 million for the six months ended June 30, 2019 compared to $40.8 million for the six months end June 30, 2018. An explanation of changes in non-interest expenses for certain categories is presented in the following paragraphs.

Salaries and employee benefits increased by $4.5 million, or 21.1%, for the six months ended June 30, 2019 compared to the same period in 2018 which was primarily driven by annual merit increases along with increased staffing levels related to our growth strategy of adding and relocating stores, which we refer to as "The Power of Red is Back". There were twenty-seven stores open as of June 30, 2019 compared to twenty-three stores at June 30, 2018. During the first six months of 2019, we continued to hire team members for our expansion into the New York market. Our first store in New York City opened in July 2019.

Occupancy expense, including depreciation and amortization expenses, increased by $1.5 million, or 21.9%, for the six months ended June 30, 2019 compared to the same period last year, also as a result of our continuing growth and expansion strategy.

Other real estate expenses totaled $854,000 during the six months ended June 30, 2019, an increase of $351,000, or 69.8%, compared to the same period in 2018 driven by expenses incurred on a single OREO property.

All other non-interest expenses increased by $2.0 million, or 16.4%, for the six months ended June 30, 2019 compared to the same period last year. Increases in data processing, professional fees, appraisal and other loan expenses, advertising, automated teller machine expenses, and other expenses resulting from our expansion strategy also contributed to the growth in other operating expenses.

One key measure that management utilizes to monitor progress in controlling overhead expenses is the ratio of annualized net non-interest expenses to average assets, a non-GAAP measure. For the purposes of this calculation, net non-interest expenses equal non-interest expenses less non-interest income. For the three months ended June 30, 2019, this ratio was 2.63% compared to 2.41% for the three months ended June 30, 2018. For the six months ended June 30, 2019, the ratio was 2.64% compared to 2.51% for the six months ended June 30, 2018, respectively. The increase in this ratio was mainly due to our growth strategy of adding and relocating stores.

Another productivity measure utilized by management is the operating efficiency ratio, a non-GAAP measure. This ratio expresses the relationship of non-interest expenses to net interest income plus non-interest income. For the three months ended June 30, 2019, the operating efficiency ratio was 98.2% compared to 84.9% for the three months ended June 30, 2018. The efficiency ratio was 97.4% for the six months ended June 30, 2019 compared to 86.7% for the six months ended June 30, 2018. The increase for the three and six months ended June 30, 2019 versus June 30, 2018 was due to non-interest expenses increasing at a faster rate than net interest income and non-interest income.

Provision for Income Taxes

We recorded a provision for income taxes in the amount of $105,000 for the three months ended June 30, 2019, compared to a $530,000 provision for income taxes for the three months ended June 30, 2018. For the six months ended June 30, 2019, we recorded a provision for income taxes of $197,000 compared to a provision for income taxes of $902,000 for the six months ended June 30, 2018. The effective tax rates for the three months ended June 30, 2019 and 2018 were 22% and 18%, respectively. For the six months ended June 30, 2019 and 2018, the effective tax rates were 20% and 18%, respectively.

We evaluate the carrying amount of our deferred tax assets on a quarterly basis or more frequently, if necessary, in accordance with the guidance provided in FASB Accounting Standards Codification Topic 740 (ASC 740), in particular, applying the criteria set forth therein to determine whether it is more likely than not (i.e. a likelihood of more than 50%) that some portion, or all, of the deferred tax asset will not be realized within its life cycle, based on the weight of available evidence. If management makes a determination based on the available evidence that it is more likely than not that some portion or all of the deferred tax assets will not be realized in future periods, a valuation allowance is calculated and recorded. These determinations are inherently subjective and dependent upon estimates and judgments concerning management's evaluation of both positive and negative evidence.

In conducting the deferred tax asset analysis, we believe it is important to consider the unique characteristics of an industry or business. In particular, characteristics such as business model, level of capital and reserves held by a financial institution and the ability to absorb potential losses are important distinctions to be considered for bank holding companies like us. In addition, it is also important to consider that net operating loss carryforwards ("NOLs") calculated for federal income tax purposes can generally be carried back two years and carried forward for a period of twenty years. In order to realize our deferred tax assets, we must generate sufficient taxable income in such future years.

In assessing the need for a valuation allowance, we carefully weighed both positive and negative evidence currently available. Judgment is required when considering the relative impact of such evidence. The weight given to the potential effect of positive and negative evidence must be commensurate with the extent to which it can be objectively verified.

The ongoing success of the our growth and expansion strategy, along with the successful integration of the mortgage company and the limited exposure remaining with current asset quality issues, put us in a position to rely on projections of future taxable income when evaluating the need for a valuation allowance against deferred tax assets. Based on the guidance provided in ASC 740, we believed that the positive evidence considered at June 30, 2019 and December 31, 2018 outweighed the negative evidence and that it was more likely than not that all of our deferred tax assets would be realized within their life cycle. Therefore, a valuation allowance is not required.

The net deferred tax asset balance was $11.2 million as of June 30, 2019 and $12.3 million as of December 31, 2018. The deferred tax asset will continue to be analyzed on a quarterly basis for changes affecting realizability.

Net Income and Net Income per Common Share

Net income for the three months ended June 30, 2019 was $381,000, a decrease of $2.0 million, compared to $2.4 million recorded for the three months ended June 30, 2018. The decrease in net income of $2.0 million for the three months ended June 30, 2019 was related to an increase in interest expense and non-interest expense partially offset by an increase in interest income and non-interest income.

Net income for the six months ended June 30, 2019 was $807,000, a decrease of $3.3 million compared to $4.1 million recorded for the six months ended June 30, 2018. The decrease in net income of $3.3 million for the six months ended June 30, 2019 was related to an increase in interest expense and non-interest expense partially offset by an increase in interest income and non-interest income.

The changes in interest income and interest expense were primarily caused by a decline in the net interest margin during the first half of 2019. We have experienced a flat and at times an inverted yield curve which has caused the interest rates paid on deposit balances to increase more rapidly than rates on interest earning assets. In addition, non-interest expenses have grown as a result of the costs incurred to initiate our expansion into New York City.

For the three month periods ended June 30, 2019 and June 30, 2018, basic and fully-diluted net income per common share was $0.01 and $0.04. For the six month periods ended June 30, 2019 and June 30, 2018, basic and fully-diluted net income per common share was $0.01 and $0.07.

Return on Average Assets and Average Equity

Return on average assets (ROA) measures our net income in relation to our total average assets. The ROA for the three months ended June 30, 2019 was 0.05%, compared to 0.38% for the three months ended June 30, 2018. The ROA for the six months ended June 30, 2019 and 2018 was 0.06% and 0.34%, respectively. Return on average equity (ROE) indicates how effectively we can generate net income on the capital invested by our shareholders. ROE is calculated by dividing annualized net income by average stockholders' equity. The ROE was 0.61% for the three months ended June 30, 2019, compared to 4.07% for the three months ended June 30, 2018. The ROE for the six months ended June 30, 2019 and 2018 was 0.66% and 3.64%, respectively.

Commitments, Contingencies and Concentrations

Financial instruments with contract amounts representing potential credit risk were commitments to extend credit of approximately $300.1 million and $286.4 million, and standby letters of credit of approximately $15.4 million and $13.9 million, at June 30, 2019 and December 31, 2018, respectively. These financial instruments constitute off-balance sheet arrangements. Commitments often expire without being drawn upon. Substantially all of the $300.1 million of commitments to extend credit at June 30, 2019 were committed as variable rate credit facilities.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and many require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies but may include real estate, marketable securities, pledged deposits, equipment and accounts receivable.

Standby letters of credit are conditional commitments issued that guarantee the performance of a customer to a third party. The credit risk and collateral policy involved in issuing letters of credit is essentially the same as that involved in extending loan commitments. The amount of collateral obtained is based on management's credit evaluation of the customer. Collateral held varies but may include real estate, marketable securities, pledged deposits, equipment and accounts receivable. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees. The current amount of liability as of June 30, 2019 and December 31, 2018 for guarantees under standby letters of credit issued is not material.

Regulatory Matters

We are required to comply with certain "risk-based" capital adequacy guidelines issued by the bank regulatory agencies. The risk-based capital guidelines assign varying risk weights to the individual assets held by a bank. The guidelines also assign weights to the "credit-equivalent" amounts of certain off-balance sheet items, such as letters of credit and interest rate and currency swap contracts.

Under the capital rules, risk-based capital ratios are calculated by dividing common equity Tier 1, Tier 1, and total risk-based capital, respectively, by risk-weighted assets. Assets and off-balance sheet credit equivalents are assigned to one of several categories of risk-weights, based primarily on relative risk. Under applicable capital rules, Republic is required to maintain a minimum common equity Tier 1 capital ratio requirement of 4.5%, a minimum Tier 1 capital ratio requirement of 6%, a minimum total capital requirement of 8% and a minimum leverage ratio requirement of 4%. Under the rules, in order to avoid limitations on capital distributions (including dividend payments and certain discretionary bonus payments to executive officers), a banking organization must hold a capital conservation buffer comprised of common equity tier 1 capital above its minimum risk-based capital requirements in an amount greater than 2.5% of total risk-weighted assets. The capital conservation buffer, which is composed of common equity tier 1 capital, began on January 1, 2016 at the 0.625% level and was phased in over a three year period (increasing by that amount on each January 1, until it reached 2.5% on January 1, 2019). Implementation of the deductions and other adjustments to common equity tier 1 capital began on January 1, 2015 and were phased-in over a three-year period.

The following table shows the required capital ratios with the conversation buffer over the phase-in period.

	Basel III Community Banks Minimum Capital Ratio Requirements			
	2016	2017	2018	2019
Common equity tier 1 capital (CET1)	5.125%	5.750%	6.375%	7.000%
Tier 1 capital (to risk-weighted assets)	6.625%	7.250%	7.875%	8.500%
Total capital (to risk-weighted assets)	8.625%	9.250%	9.875%	10.500%

The risk-based capital ratios measure the adequacy of a bank's capital against the riskiness of its assets and off-balance sheet activities. Failure to maintain adequate capital is a basis for "prompt corrective action" or other regulatory enforcement action. In assessing a bank's capital adequacy, regulators also consider other factors such as interest rate risk exposure; liquidity, funding and market risks; quality and level or earnings; concentrations of credit, quality of loans and investments; risks of any nontraditional activities; effectiveness of bank policies; and management's overall ability to monitor and control risks.

Management believes that the Company and Republic met, as of June 30, 2019 and December 31, 2018, all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis as if all such requirements were currently in effect. In the current year, the FDIC categorized Republic as well capitalized under the regulatory framework for prompt corrective action provisions of the Federal Deposit Insurance Act. There are no calculations or events since that notification which management believes would have changed Republic's category.

The Company and Republic's ability to maintain the required levels of capital is substantially dependent upon the success of their capital and business plans, the impact of future economic events on Republic's loan customers and Republic's ability to manage its interest rate risk, growth and other operating expenses.

The following table presents the capital regulatory ratios for both Republic and the Company as of June 30, 2019, and December 31, 2018 (dollars in thousands):

(dollars in thousands)	**Actual**		**Minimum Capital Adequacy**		**Minimum Capital Adequacy with Capital Buffer**		**To Be Well Capitalized Under Prompt Corrective Action Provisions**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
At June 30, 2019:								
Total risk-based capital								
Republic	$ 253,737	13.42%	$ 151,266	8.00%	$ 198,537	10.50%	$ 189,083	10.00%
Company	265,675	14.02%	151,636	8.00%	199,022	10.50%	-	-%
Tier 1 risk-based capital								
Republic	245,680	12.99%	113,450	6.00%	160,720	8.50%	151,266	8.00%
Company	257,618	13.59%	113,727	6.00%	161,113	8.50%	-	-%
CET 1 risk-based capital								
Republic	245,680	12.99%	85,087	4.50%	132,358	7.00%	122,904	6.50%
Company	246,618	13.01%	85,295	4.50%	132,681	7.00%	-	-%
Tier 1 leveraged capital								
Republic	247,076	8.57%	114,643	4.00%	114,643	4.00%	143,304	5.00%
Company	251,358	8.97%	114,838	4.00%	114,838	4.00%	-	-%
At December 31, 2018:								
Total risk-based capital								
Republic	$ 231,610	13.26%	$ 139,722	8.00%	$ 172,489	9.875%	$ 174,652	10.00%
Company	262,964	15.03%	140,009	8.00%	172,824	9.875%	-	-%
Tier 1 risk-based capital								
Republic	222,995	12.77%	104,791	6.00%	137,539	7.875%	139,722	8.00%
Company	254,349	14.53%	105,007	6.00%	137,821	7.875%	-	-%
CET 1 risk-based capital								
Republic	222,995	12.77%	78,594	4.50%	111,341	6.375%	113,524	6.50%
Company	243,349	13.90%	78,755	4.50%	111,570	6.375%	-	-%
Tier 1 leveraged capital								
Republic	222,995	8.21%	108,685	4.00%	108,685	4.00%	135,857	5.00%
Company	254,349	9.35%	108,800	4.00%	108,800	4.00%	-	-%

Dividend Policy

We have not paid any cash dividends on our common stock. We have no plans to pay cash dividends in 2019. Our ability to pay dividends depends primarily on receipt of dividends from our subsidiary, Republic. Dividend payments from Republic are subject to legal and regulatory limitations. The ability of Republic to pay dividends is also subject to profitability, financial condition, capital expenditures and other cash flow requirements.

Liquidity

A financial institution must maintain and manage liquidity to ensure it has the ability to meet its financial obligations. These obligations include the payment of deposits on demand or at their contractual maturity; the repayment of borrowings as they mature; the payment of lease obligations as they become due; the ability to fund new and existing loans and other funding commitments; and the ability to take advantage of new business opportunities. Liquidity needs can be met by either reducing assets or increasing liabilities. Our most liquid assets consist of cash, amounts due from banks and federal funds sold.

Regulatory authorities require us to maintain certain liquidity ratios in order for funds to be available to satisfy commitments to borrowers and the demands of depositors. In response to these requirements, we have formed an asset/liability committee (ALCO), comprised of certain members of Republic's Board of Directors and senior management to monitor such ratios. The ALCO committee is responsible for managing the liquidity position and interest sensitivity. That committee's primary objective is to maximize net interest income while configuring Republic's interest-sensitive assets and liabilities to manage interest rate risk and provide adequate liquidity for projected needs. The ALCO committee meets on a quarterly basis or more frequently if deemed necessary.

Our target and actual liquidity levels are determined by comparisons of the estimated repayment and marketability of interest-earning assets with projected future outflows of deposits and other liabilities. Our most liquid assets, comprised of cash and cash equivalents on the balance sheet, totaled $129.5 million at June 30, 2019, compared to $72.5 million at December 31, 2018. Loan maturities and repayments are another source of asset liquidity. At June 30, 2019, Republic estimated that more than $105.0 million of loans would mature or repay in the six-month period ending December 31, 2019. Additionally, a significant portion of our investment securities are available to satisfy liquidity requirements through sales on the open market or by pledging as collateral to access credit facilities. At June 30, 2019, we had outstanding commitments (including unused lines of credit and letters of credit) of $300.1 million. Certificates of deposit scheduled to mature in one year totaled $146.5 million at June 30, 2019. We anticipate that we will have sufficient funds available to meet all current commitments.

Daily funding requirements have historically been satisfied by generating core deposits and certificates of deposit with competitive rates, buying federal funds or utilizing the credit facilities of the FHLB. We have established a line of credit with the FHLB of Pittsburgh. Our maximum borrowing capacity with the FHLB was $771.7 million at June 30, 2019. At June 30, 2019 and December 31, 2018, we had no outstanding term borrowings with the FHLB. At June 30, 2019, we had outstanding overnight borrowings of $69.0 million with the FHLB and at December 31, 2018, we had outstanding overnight borrowings of $91.4 million with the FHLB. As of June 30, 2019 and December 31, 2018, FHLB had issued letters of credit, on Republic's behalf, totaling $100.0 million against our available credit line. We also established a contingency line of credit of $10.0 million with ACBB and a Fed Funds line of credit with Zions Bank in the amount of $15.0 million to assist in managing our liquidity position. We had no amounts outstanding against the ACBB line of credit or the Zions Fed Funds line at both June 30, 2019 and December 31, 2018.

Investment Securities Portfolio

At June 30, 2019, we identified certain investment securities that were being held for indefinite periods of time, including securities that will be used as part of our asset/liability management strategy and that may be sold in response to changes in interest rates, prepayments and similar factors. These securities are classified as available-for-sale and are intended to increase the flexibility of our asset/liability management. Our investment securities classified as available for sale consist primarily of CMOs, MBSs, municipal securities, and corporate bonds. Available for sale securities totaled $338.3 million and $321.0 million as of June 30, 2019 and December 31, 2018, respectively. At June 30, 2019, securities classified as available for sale had a net unrealized loss of $1.5 million and a net unrealized loss of $5.7 million at December 31, 2018.

Loan Portfolio

Our loan portfolio consists of secured and unsecured commercial loans including commercial real estate loans, construction and land development loans, commercial and industrial loans, owner occupied real estate loans, consumer and other loans, and residential mortgages. Commercial loans are primarily secured term loans made to small to medium-sized businesses and professionals for working capital, asset acquisition and other purposes. Commercial loans are originated as either fixed or variable rate loans with typical terms of 1 to 5 years. Republic's commercial loans typically range between $250,000 and $5.0 million, but customers may borrow significantly larger amounts up to Republic's legal lending limit of approximately $34.4 million at June 30, 2019. Individual customers may have several loans often secured by different collateral.

Credit Quality

Republic's written lending policies require specified underwriting, loan documentation and credit analysis standards to be met prior to funding, with independent credit department approval for the majority of new loan balances. A committee consisting of senior management and certain members of the Board of Directors oversees the loan approval process to monitor that proper standards are maintained, while approving the majority of commercial loans.

Loans, including impaired loans, are generally classified as non-accrual if they are past due as to maturity or payment of interest or principal for a period of more than 90 days, unless such loans are well-secured and in the process of collection. Loans that are on a current payment status or past due less than 90 days may also be classified as non-accrual if repayment in full of principal and/or interest is in doubt. Loans may be returned to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within an acceptable period of time, and there is a sustained period of repayment performance by the borrower, in accordance with the contractual terms.

While a loan is classified as non-accrual, any collections of interest and principal are generally applied as a reduction to principal outstanding. When the future collectability of the recorded loan balance is expected, interest income may be recognized on a cash basis. For non-accrual loans, which have been partially charged off, recognition of interest on a cash basis is limited to that which would have been recognized on the recorded loan balance at the contractual interest rate. Cash interest receipts in excess of that amount are recorded as recoveries to the allowance for loan losses until prior charge-offs have been fully recovered.

The following table shows information concerning loan delinquency and non-performing assets as of the dates indicated (dollars in thousands):

	June 30, 2019	December 31, 2018
Loans accruing, but past due 90 days or more	$ -	$ -
Non-accrual loans	9,322	10,341
Total non-performing loans	9,322	10,341
Other real estate owned	6,406	6,223
Total non-performing assets	$ 15,728	$ 16,564
Non-performing loans as a percentage of total loans, net of unearned income	0.62%	0.72%
Non-performing assets as a percentage of total assets	0.53%	0.60%

Non-performing asset balances decreased by $836,000 to $15.7 million as of June 30, 2019 from $16.6 million at December 31, 2018. Non-accrual loans decreased $1.0 million to $9.3 million at June 30, 2019, from $10.3 million at December 31, 2018 due primarily to payments of $1.3 million, $1.0 million in loan charge-offs, and transfers to OREO of $600,000, partially offset by $1.9 million in loans transferred to non-accrual during the six months ended June 30, 2019. The $1.0 million in charge-offs during the six months ended June 30, 2019 was primarily driven by a single loan relationship for which loan losses provisions had been recorded in prior periods. Management determined this amount to be uncollectible and accordingly charged-off the balance in the first quarter. There were no loans accruing, but past due 90 days or more, at June 30, 2019 and December 31, 2018. At June 30, 2019 and December 31, 2018, all identified impaired loans are internally classified and individually evaluated for impairment in accordance with the guidance under ASC 310.

The following table presents our 30 to 89 days past due loans at June 30, 2019 and December 31, 2018.

(dollars in thousands)	June 30, 2019	December 31, 2018
30 to 59 days past due	$ 1,121	$ 1,135
60 to 89 days past due	203	1,574
Total loans 30 to 89 days past due	$ 1,324	$ 2,709

Other Real Estate Owned

The balance of other real estate owned was $6.4 million at June 30, 2019 and $6.2 million at December 31, 2018. The following table presents a reconciliation of other real estate owned for the six months ended June 30, 2019 and the year ended December 31, 2018:

(dollars in thousands)	**June 30, 2019**	**December 31, 2018**
Beginning Balance, January 1st	$ 6,223	$ 6,966
Additions	600	315
Valuation adjustments	(16)	(563)
Dispositions	(401)	(495)
Ending Balance	$ 6,406	$ 6,223

At June 30, 2019, we had no credit exposure to “highly leveraged transactions” as defined by the FDIC.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable losses inherent in the loan portfolio. We evaluate the need to establish an allowance against loan losses on a quarterly basis. When an increase in this allowance is necessary, a provision for loan losses is charged to earnings. The allowance for loan losses consists of three components. The first component is allocated to individually evaluated loans found to be impaired and is calculated in accordance with ASC 310 *Receivables*. The second component is allocated to all other loans that are not individually identified as impaired. This component is calculated for all non-impaired loans on a collective basis in accordance with ASC 450 *Contingencies*. The third component is an unallocated allowance to account for a level of imprecision in management’s estimation process.

We evaluate loans for impairment and potential charge-off on a quarterly basis. Management regularly monitors the condition of borrowers and assesses both internal and external factors in determining whether any loan relationships have deteriorated. Any loan rated as substandard or lower will have an individual collateral evaluation analysis prepared to determine if a deficiency exists. We first evaluate the primary repayment source. If the primary repayment source is determined to be insufficient and unlikely to repay the debt, we then look to the secondary repayment sources. Secondary sources are conservatively reviewed for liquidation values. Updated appraisals and financial data are obtained to substantiate current values. If the reviewed sources are deemed to be inadequate to cover the outstanding principal and any costs associated with the resolution of the troubled loan, an estimate of the deficient amount will be calculated and a specific allocation of loan loss reserve is recorded.

Factors considered in the calculation of the allowance for non-impaired loans include several qualitative and quantitative factors such as historical loss experience, trends in delinquency and nonperforming loan balances, changes in risk composition and underwriting standards, experience and ability of management, and general economic conditions along with other external factors. Historical loss experience is analyzed by reviewing charge-offs over a three year period to determine loss rates consistent with the loan categories depicted in the allowance for loan loss table below.

The factors supporting the allowance for loan losses do not diminish the fact that the entire allowance for loan losses is available to absorb losses in the loan portfolio and related commitment portfolio, respectively. Our principal focus, therefore, is on the adequacy of the total allowance for loan losses. The allowance for loan losses is subject to review by banking regulators. Our primary bank regulators regularly conduct examinations of the allowance for loan losses and make assessments regarding the adequacy and the methodology employed in their determination.

An analysis of the allowance for loan losses for the six months ended June 30, 2019 and 2018, and the twelve months ended December 31, 2018 is as follows:

(dollars in thousands)	For the six months ended June 30, 2019	For the twelve months ended December 31, 2018	For the six months ended June 30, 2018
Balance at beginning of period	$ 8,615	$ 8,599	$ 8,599
Charge-offs:			
Commercial real estate	-	1,603	1,535
Construction and land development	-	-	-
Commercial and industrial	930	151	151
Owner occupied real estate	75	465	465
Consumer and other	13	219	212
Residential mortgage	-	-	-
Total charge-offs	1,018	2,438	2,363
Recoveries:			
Commercial real estate	-	50	33
Construction and land development	-	-	-
Commercial and industrial	154	81	76
Owner occupied real estate	-	20	20
Consumer and other	5	3	1
Residential mortgage	-	-	-
Total recoveries	159	154	130
Net charge-offs/(recoveries)	859	2,284	2,233
Provision for loan losses	300	2,300	1,200
Balance at end of period	$ 8,056	$ 8,615	$ 7,566
Average loans outstanding[1]	$ 1,489,020	$ 1,340,117	$ 1,269,875
As a percent of average loans:[1]			
Net charge-offs (annualized)	0.12%	0.17%	0.35%
Provision for loan losses (annualized)	0.02%	0.17%	0.19%
Allowance for loan losses	0.54%	0.64%	0.60%
Allowance for loan losses to:			
Total loans, net of unearned income	0.53%	0.60%	0.57%
Total non-performing loans	86.42%	83.31%	53.64%

[1]Includes non-accruing loans.

We recorded no provision for loan losses for the three month period ended June 30, 2019 and $300,000 for the six months ended June 30, 2019. We recorded a provision for loan losses of $800,000 for the three month period ended June 30, 2018 and $1.2 million for the six months ended June 30, 2018. During the first six months of 2019, there was a decrease in the allowance required for loans individually evaluated for impairment partially offset by an increase in the allowance required for loans collectively evaluated for impairment.

The allowance for loan losses as a percentage of non-performing loans (coverage ratio) was 86.4% at June 30, 2019, compared to 83.3% at December 31, 2018 and 53.6% at June 30, 2018. Total non-performing loans were $9.3 million, $10.3 million, and $14.1 million at June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

Management makes at least a quarterly determination as to an appropriate provision from earnings to maintain an allowance for loan losses that it determines is adequate to absorb inherent losses in the loan portfolio. The Board of Directors periodically reviews the status of all non-accrual and impaired loans and loans classified by the management team. The Board of Directors also considers specific loans, pools of similar loans, historical charge-off activity, economic conditions and other relevant factors in reviewing the adequacy of the allowance for loan losses. Any additions deemed necessary to the allowance for loan losses are charged to operating expenses.

We evaluate loans for impairment and potential charge-offs on a quarterly basis. Any loan rated as substandard or lower will have a collateral evaluation analysis completed in accordance with the guidance under GAAP on impaired loans to determine if a deficiency exists. Our credit monitoring process assesses the ultimate collectability of an outstanding loan balance from all potential sources. When a loan is determined to be uncollectible it is charged-off against the allowance for loan losses. Unsecured commercial loans and all consumer loans are charged-off immediately upon reaching the 90-day delinquency mark unless they are well-secured and in the process of collection. The timing on charge-offs of all other loan types is subjective and will be recognized when management determines that full repayment, either from the cash flow of the borrower, collateral sources, and/or guarantors, will not be sufficient and that repayment is unlikely. A full or partial charge-off is recognized equal to the amount of the estimated deficiency calculation.

Serious delinquency is often the first indicator of a potential charge-off. Reductions in appraised collateral values and deteriorating financial condition of borrowers and guarantors are factors considered when evaluating potential charge-offs. The likelihood of possible recoveries or improvements in a borrower's financial condition is also assessed when considering a charge-off.

Partial charge-offs of non-performing and impaired loans can significantly reduce the coverage ratio and other credit loss statistics due to the fact that the balance of the allowance for loan losses will be reduced while still carrying the remainder of a non-performing loan balance in the impaired loan category. The amount of non-performing loans for which partial charge-offs have been recorded amounted to $3.9 million at June 30, 2019 and $4.4 million at December 31, 2018.

The following table provides additional analysis of partially charged-off loans.

(dollars in thousands)	**June 30, 2019**	**December 31, 2018**
Total nonperforming loans	$ 9,322	$ 10,341
Nonperforming and impaired loans with partial charge-offs	3,879	4,387
Ratio of nonperforming loans with partial charge-offs to total loans	0.26%	0.31%
Ratio of nonperforming loans with partial charge-offs to total nonperforming loans	41.61%	42.42%
Coverage ratio net of nonperforming loans with partial charge-offs	207.68%	196.38%

Our charge-off policy is reviewed on an annual basis and updated as necessary. During the six month period ended June 30, 2019, there were no changes made to this policy.

Effects of Inflation

The majority of assets and liabilities of a financial institution are monetary in nature. Therefore, a financial institution differs greatly from most commercial and industrial companies that have significant investments in fixed assets or inventories. Management believes that the most significant impact of inflation on its financial results is through our need and ability to react to changes in interest rates. Management attempts to maintain an essentially balanced position between rate sensitive assets and liabilities over a one-year time horizon in order to protect net interest income from being affected by wide interest rate fluctuations.

ITEM 3: QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISK

There has been no material change in the Company's assessment of its sensitivity to market risk since its presentation in the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on March 14, 2019.

ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, with the participation of the principal executive officer and the principal financial officer, conducted an evaluation, as of the end of the period covered by this report, of the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Exchange Act Rule 13a-15(e). Based on this evaluation, the principal executive officer and the principal financial officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures, as defined in Rule 13a-15(e), were effective at the reasonable assurance level.

Changes in Internal Controls

The principal executive officer and principal financial officer also conducted an evaluation of the Company's internal control over financial reporting ("Internal Control") to determine whether any changes in Internal Control occurred during the quarter ended June 30, 2019 that have materially affected or which are reasonably likely to materially affect Internal Control. Based on that evaluation, there has been no such change during the quarter ended June 30, 2019.

Limitations on the Effectiveness of Controls

Control systems, no matter how well designed and operated, can provide only reasonable, not an absolute, level of assurance that the objectives of the control system are met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company and Republic are from time to time parties (plaintiff or defendant) to lawsuits in the normal course of business. While any litigation involves an element of uncertainty, management is of the opinion that the liability of the Company and Republic, if any, resulting from such actions will not have a material effect on the financial condition or results of operations of the Company and Republic.

ITEM 1A. RISK FACTORS

Significant risk factors could adversely affect the Company's business, financial condition and results of operation. Risk factors discussing these risks can be found in Part I, "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and Form 10-Q for the quarter ended March 31, 2019. The risk factors in the Company's Annual Report on Form 10-K have not materially changed. You should carefully consider these risk factors. The risks described in the Company's Form 10-K and Form 10-Q are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following Exhibits are filed as part of this report. (Exhibit numbers correspond to the exhibits required by Item 601 of Regulation S-K for quarterly reports on Form 10-Q).

Exhibit Number	Description	Location
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Republic First Bancorp, Inc.	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Republic First Bancorp, Inc.	Filed herewith
32.1	Section 1350 Certification of Harry D. Madonna	Furnished herewith
32.2	Section 1350 Certification of Frank A. Cavallaro	Furnished herewith
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in XBRL (eXtensible Business Reporting Language); (i) Consolidated Balance Sheets as of June 30, 2019 and December 31, 2018, (ii) Consolidated Statements of Income for the three and six months ended June 30, 2019 and 2018, (iii) Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2019 and 2018, (iv) Consolidated Statements of Cash Flows for the six months ended June 30, 2019 and 2018, (v) Consolidated Statements of Changes in Shareholders' Equity for the three and six months ended June 30, 2019 and 2018, and (vi) Notes to Consolidated Financial Statements.	

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 FIRST BANCORP, INC.

Date: August 7, 2019

By: /s/ Harry D. Madonna
Harry D. Madonna
President and Chief Executive Officer
(principal executive officer)

Date: August 7, 2019

By: /s/ Frank A. Cavallaro
Frank A. Cavallaro
Executive Vice President and Chief Financial Officer
(principal financial and accounting officer)

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Section 2: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

REPUBLIC FIRST BANCORP, INC.
CERTIFICATIONS PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Harry D. Madonna, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of Republic First Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

/s/ Harry D. Madonna
President and Chief Executive Officer

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Section 3: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

REPUBLIC FIRST BANCORP, INC.
CERTIFICATIONS PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Frank A. Cavallaro, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of Republic First Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15 (f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019 /s/ Frank A. Cavallaro
Executive Vice President and Chief Financial Officer

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Section 4: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission by Republic First Bancorp, Inc. (the "Company") on the date hereof (the "Report"), I, Harry D. Madonna, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 7, 2019 /s/ Harry D. Madonna
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

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Section 5: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission by Republic First Bancorp, Inc. (the "Company") on the date hereof (the "Report"), I, Frank A. Cavallaro, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 7, 2019 /s/ Frank A. Cavallaro
Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.
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