

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-07-28** | Period of Report: **1995-06-30**
SEC Accession No. **0000912057-95-005747**

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FILER

REPUBLIC CORP /TX/

CIK: **202995** | IRS No.: **740911766** | State of Incorporation: **TX** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-08597** | Film No.: **95557117**
SIC: **6021** National commercial banks

Mailing Address

5340 WESLAYAN P O BOX
270462
5340 WESLAYAN P O BOX
270462
HOUSTON TX 77277

Business Address

5340 WESLAYAN
PO BOX 270462
HOUSTON TX 77277
7136229727

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Six Months Ended June 30, 1995. Commission file Number 0-8597

THE REPUBLIC CORPORATION

Texas 74-0911766

(State of other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

5340 Wesleyan - P.O. Box 270462, Houston, Tx 77277

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 713-622-9727

NONE

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
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 report(s)), and (2) has been subject to such filing requirements for
the past 90 days.

YES X. NO
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of

Common Stock, \$1.00 par value Shares 356,844

Outstanding at June 30,
1995, (excluding 23,119
shares held as treasury
shares)

THE REPUBLIC CORPORATION

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Part II. Other Information

Signatures

<TABLE>
<CAPTION>

REPUBLIC CORPORATION AND SUBSIDIARY
Balance Sheet

	June 30, 1995	December 31 1994
<S>	<C>	<C>
Assets		
Cash and due from banks (demand)	\$ 2,693,298	\$ 3,073,573
Investment securities:		
Held-to-maturity		
Market value at 6-30-95	9,978,125	
Market value at 12-31-94	6,952,200	9,944,321
Market value at 12-31-94	24,000	24,000
Available-for-sale		
Market value at 6-30-95	24,000	
Market value at 12-31-94	24,000	24,000
	\$ 12,661,619	\$ 10,099,631
Loans	56,727,229	49,138,466
Plus: Uncollected earned interest	531,732	383,884
Less: Allowance for losses	(898,162)	(925,572)
Net loans and other receivables	56,360,799	48,596,778
Federal funds sold	36,650,000	36,450,000
Property, equipment and vehicles (net)	1,596,514	1,541,059
Other real estate	-0-	-0-
Goodwill	436,079	436,079
Other assets	431,242	492,121
Total assets	\$108,136,253	\$ 97,615,668
Liabilities and Stockholders' Equity		
Deposits (Domestic):		
Demand (Non-interest bearing)	\$ 13,825,624	\$ 11,809,963
Savings, time and demand (Interest bearing)	84,322,173	76,406,333
	\$ 98,147,797	\$ 88,216,296
Accounts payable and accrued interest payable	938,945	598,704
Accrued taxes payable	226,898	325,275
Total liabilities	\$ 99,313,640	\$ 89,140,275
Minority Interest in Consolidated Subsidiary	186,866	178,711
Stockholders' Equity		
Common stock (par value \$1; 750,000 shares authorized, 356,844 shares issued including stock held in treasury)	356,844	356,844
Additional paid-in capital	234,931	234,931
Less cost of treasury stock (23,119 shares at 6-30-95 and 23,119 at 12-31-94)	(91,303)	(91,303)
Total contributed capital	500,472	500,472

Retained earnings	8,135,275	7,796,210
Net Unrealized Gain (Loss) on Securities		
Available-for-Sale (Net of Taxes) . . .	-0-	-0-
Stockholders' equity	8,635,747	8,296,682
Total liabilities and stockholders equity	\$108,136,253	\$ 97,615,668

</TABLE>

The accompanying note is an integral part of these financial statements.

(1)

REPUBLIC CORPORATION AND SUBSIDIARY
Statement of Income

<TABLE>
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	Three Months Ended		Six Months Ended	
	June 30 1995	June 30 1994	June 30 1995	June 30 1994
<S>	<C>	<C>	<C>	<C>
Interest Income:				
Interest and fees on loans	\$1,171,096	\$ 894,826	\$2,294,314	\$1,726,704
Interest on funds sold and securities purchased under agreement to resell	580,448	314,356	1,152,765	526,594
Interest and dividends on investments				
Securities of U.S. Government and government agencies	135,719	69,661	206,100	154,748
Obligations of states, political subdivisions and other obligations secured by the government	-0-	67	-0-	134
Total interest on investments	716,167	384,084	1,358,865	681,476
Total interest income	\$1,887,263	\$1,278,910	\$3,653,179	\$2,408,180
Interest expense:				
Interest on deposits	1,066,771	552,365	2,042,994	1,031,682
Total Interest expense	1,066,771	552,365	2,042,994	1,031,682
Net interest income	820,492	726,545	1,610,185	1,376,498
Provision for loan losses	-0-	-0-	-0-	-0-
Net interest income after provision for loan losses	820,492	726,545	1,610,185	1,376,498
Other income:				
Service charges on deposit accounts	39,497	33,780	76,167	65,253
Other service charges, commission and fees	41,886	35,264	81,405	68,890
Gain on sale of securities	-0-	-0-	-0-	-0-
Net income- other real estate	-0-	-0-	-0-	-0-
Other income	10,458	33,098	24,147	42,791
Total other income	91,841	102,142	181,719	176,934
Other expenses:				
Salaries and wages	236,402	223,719	478,673	443,914
Employee benefits	62,190	56,079	123,506	113,250
Net occupancy expenses	43,666	59,908	97,695	99,622
Furniture and equipment expenses	15,155	13,285	33,813	36,594
Depreciation other than rental property	22,072	21,848	44,035	45,441
Net cost-other real estate	-0-	-0-	-0-	-0-
Computer service center	20,645	20,054	43,332	38,417
FDIC-insurance	48,194	36,637	96,389	73,274
Professional services	10,395	7,248	52,405	45,765
Advertising	17,852	5,833	36,411	15,426
Other operating expenses	117,482	102,033	232,426	226,546
Total other expenses	594,053	546,644	1,238,685	1,138,249
Income before income taxes	318,280	282,043	553,219	415,183
Less applicable income taxes (Current)	(118,000)	(106,000)	(206,000)	(161,724)
Income before reduction for minority interest	200,280	176,043	347,219	253,459
Less minority interest income	(4,673)	(4,149)	(8,154)	(6,360)

Net income	\$ 195,607	\$ 171,894	\$ 339,065	\$ 247,099
Earnings per share	\$.59	\$.52	\$ 1.02	\$.74

</TABLE>

The accompanying note is an integral part of these financial statements.

(2)

REPUBLIC CORPORATION AND SUBSIDIARY
Statement of Cash Flows

<TABLE>
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	Six Months Ended	
	June 30 1995	June 30 1994
<S>	<C>	<C>
Cash flows and operating activities:		
Net income (loss)	\$ 339,065	\$ 247,099
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	81,500	87,336
Provision for loan losses	-0-	-0-
Amortization (accretion) of discounts and premium	(15,232)	11,179
Other real estate gains/net	-0-	-0-
Investment securities gains/net	-0-	-0-
Re-appraisal - other real estate (Decrease) increase in interest payable	340,241	151,942
(Increase) decrease in interest receivable	(147,848)	(76,764)
(Increase) decrease in other assets	60,879	193,572
Increase (decrease) in other liabilities	(90,222)	(65,708)
Total adjustments	229,318	301,557
Net cash provided by (used in) operating activities	568,383	548,656
Cash flows from investing activities		
Proceeds from sales of investment securities	-0-	-0-
Proceeds from maturities of investment securities	7,005,000	7,000,000
Purchase of investment securities	(9,932,031)	(6,989,063)
Loans made to customers net cash activity	(7,616,173)	(6,189,443)
Capital expenditure	(136,955)	(58,566)
Proceeds from sale of other real estate	-0-	-0-
Net cash provided by (used in) investing activities	(10,680,159)	(6,237,072)
Cash flows from financing activities		
Net increase (decrease) in demand deposits, NOW accounts, savings accounts and certificates of deposit	9,931,501	11,493,592
Purchase of treasury stock	-0-	-0-
Net cash provided by (used in) financing activities	9,931,501	11,493,592
Net increase (decrease) in cash and cash equivalents	(180,275)	5,505,176
Cash and cash equivalents at beginning of year:		
Cash and due from banks	3,073,573	2,525,487
Federal funds sold	36,450,000	27,675,000
Cash and cash equivalents at beginning of year	39,523,573	30,200,487
Cash and cash equivalents at June 30:		
Cash and due from banks	2,693,298	2,805,663
Federal funds sold	36,650,000	33,200,000
Cash and cash equivalents at June 30:	39,343,298	36,005,663
Supplemental disclosures of cash flow		

information:		
Cash paid for interest	1,763,864	879,740
Cash paid for income tax	138,718	112,843

</TABLE>

The accompanying note is an integral part of these financial statements.

(3)

REPUBLIC CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements

June 30, 1995

Note 1 -- BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements included herein have been prepared by The Republic Corporation, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and include all adjustments which are, in the opinion of management, necessary for a fair presentation. The condensed consolidated financial statements include the accounts of the company and its subsidiaries. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Republic Corporation believes that the disclosures are adequate to make the information presented not misleading; however, it is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto which are on Form 10-K for the fiscal year ended December 31, 1994. The financial data for the interim periods may not necessarily be indicative of results to be expected for the year.

Securities that will be held for indefinite periods of time, including securities that will be used as part of the Company's asset/liability management strategy and that may be sold in response to changes in interest rates, prepayments, and similar factors, are classified as Available-for-Sale and accounted for at fair value.

(4)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL CONDITION

ASSET QUALITY

Problem loan percentages have fallen since year-end, 1994 by virtue of the loan growth that has occurred during the first half of 1995. Reserve coverage continues to be adequate in relation to the level of problem loans, the current loss exposure in the loan portfolio and the recent, as well as anticipated charge-off levels. (Please see Balance Sheet, P-1)

<TABLE>

<CAPTION>

Table 1 PROBLEM ASSETS

(dollars in thousand)	June 30	December 31			
		1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Nonaccrual loans	\$ 239	\$ 217	\$ 313	\$ 499	
Past-due loans (over 90 days)	-0-	-0-	-0-	-0-	
Restructured loans	649	668	546	569	
	-----	-----	-----	-----	
Total problem loans	\$ 888	\$ 885	\$ 859	\$1,068	
Foreclosed assets					
Real estate	-0-	-0-	-0-	91	
In-substance foreclosures	-0-	-0-	-0-	105	
Other	-0-	-0-	-0-	-0-	
	-----	-----	-----	-----	
Total Problem Assets	\$ 888	\$ 885	\$ 859	\$1,264	
Total problem loans as a percentage of total loans	1.6%	1.8%	2.4%	3.5%	
Total problem assets as a percentage of total loans					

and foreclosed assets 1.6% 1.8% 2.4% 4.1%

</TABLE>

<TABLE>
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Table 2 LOAN CONCENTRATIONS

(dollars in thousands)	June 30		December 31	
	1995	1994	1994	1993
<S>	<C>	<C>	<C>	<C>
Commercial	\$ 4,526	\$ 3,470	\$ 2,222	
Agricultural	3,727	3,277	2,776	
Real Estate-Construction	1,070	639	220	
Real Estate-Mortgage	39,396	34,248	25,277	
Installment loans to Individuals	8,008	7,504	5,987	
Totals	\$56,727	\$49,138	\$36,482	

</TABLE>

(5)

SOURCES AND USES OF FUNDS

The \$9,931,501 in deposit growth in the six months ended June 30, 1995 was accompanied by \$7,616,173 in loan extensions and \$2,927,031 in increased investments. Cash equivalents remained at approximate, year-end, 1994 levels at the end of the first half of 1995. (Please see Statement of Cash Flows, P-3)

LIQUIDITY

Ample capability remains for the bank to respond to loan and withdrawal requests. Approximately 50% of current liabilities are presently held in cash, fed funds sold and readily marketable, U.S. TREASURY NOTES. (Please see Balance Sheet, P-1)

INTEREST RATE SENSITIVITY MANAGEMENT

In spite of the asset sensitive profile revealed in Table 3, P-7, bank earnings are expected to be substantially unaffected by market interest rate change. This is primarily due to the bank's practice of adjusting loan rates infrequently, even though the contractual capability exists.

(6)

INTEREST RATE SENSITIVITY MANAGEMENT

Table 3 - REPRICING SCHEDULE
6-30-95

<TABLE>
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	3 MO OR LESS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS
<S>	<C>	<C>	<C>	<C>
RATE SENSITIVE ASSETS (Assets that can be repriced within X days)				
Loans *	9,352	40,137	6,563	420
Federal Funds Sold	36,650	-0-	-0-	-0-
Taxable Securities **	-0-	9,944	-0-	-0-
Municipal Bonds	-0-	-0-	-0-	-0-
TOTAL	46,002	50,081	6,563	420

RATE SENSITIVE LIABILITIES

(Liabilities that can be repriced within X days)

Time Certificates of Deposit	15,659	26,849	6,775	-0-
NOW Accounts	1,656	-0-	-0-	-0-
Super NOW Accounts	21,260	-0-	-0-	-0-
Savings Accounts	9,415	-0-	-0-	-0-
MMDA Accounts	2,958	-0-	-0-	-0-
TOTAL	50,948	26,849	6,775	-0-
Interest Rate Sensitivity Cap	(4,946)	23,232	(212)	420
Cumulative Interest Rate Sensitivity Cap	(4,946)	18,286	18,074	18,494

<FN>

- * Does not include \$239,000 in nonaccruing loans
- ** Does not include \$24,000 in Federal Reserve Bank stock

</TABLE>

(7)

INVESTMENT SECURITIES

<TABLE>
<CAPTION>

Table 4

	CARRYING VALUE	UNREALIZED GAINS	UNREALIZED LOSSES	MARKET VALUE
<S>	<C>	<C>	<C>	<C>
June 30, 1995				
(1) Held-to-Maturity:				
U.S. Treasury Securities	9,944,321	33,804	--	9,978,125
Other	--	--	--	--
(2) Available-for-Sale Securities Carried at Fair Value:				
U.S. Treasury Securities	--	--	--	--
Other	24,000	--	--	24,000
	9,968,321	33,804	--	10,002,125
December 31, 1994				
(1) Held-to-Maturity:				
U.S. Treasury Securities	6,997,049	--	49,549	6,947,500
Other	5,009	--	309	4,700
(2) Available-for-Sale Securities Carried at Fair Value:				
U.S. Treasury Securities	--	--	--	--
Other	24,000	--	--	24,000
	7,026,058	--	49,858	6,976,200
December 31, 1993				
(1) Held-to-Maturity:				
U.S. Treasury Securities	7,014,700	9,363	--	7,024,063
Other	5,012	--	27	4,985
(3) Held-for-Sale Securities Carried at Lower of Aggregate Cost or Market:				
U.S. Treasury Securities	--	--	--	--
Other	24,000	--	--	24,000
	7,043,712	9,363	27	7,053,048

<FN>

(1) Securities which the Bank has the ability and intent to hold to maturity. These securities are stated at cost, adjusted for amortization of premiums and accretion of discounts, computed by the interest method. Because securities are purchased for investment purposes and quoted market values fluctuate during the investment period, gains and losses are recognized upon disposition or at such time as management determines that a permanent impairment of value has occurred. Cost of securities sold is determined on the specific identification method.

(2) Securities that the bank may sell in response to changes in market conditions or in the balance sheet objectives of the bank. Securities in this category will be reported at fair market value. Unrealized gains or losses (net of tax) will be reported as a separate item in the shareholder's equity section of the balance sheet. Adjustments will be recorded at least quarterly.

(3) Securities which the bank had determined would be held for indefinite periods (no stated intent to hold until maturity). These securities were accounted for at the lower of their cost or market value.

</TABLE>

(8)

CAPITALIZATION:

Capital ratios have continued to decline, but at a slower pace than in the first quarter of 1995. This is primarily a result of the slowing rate of asset growth in the second quarter, compared with the first quarter of 1995. (Please see Table 4, P-9 and Balance Sheet, P-1)

Table 4 - CAPITAL

<TABLE>

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	June 30 1995	December 1994
Tier 1 risk-based capital (minimum is 4%)	15.02%	16.29%
Tier 1 + Tier 2 risk based capital (minimum is 8%)	16.28%	17.55%
Tier 1 leverage (minimum is 3%)	7.73%	8.19%

</TABLE>

RESULTS OF OPERATIONS

NET INTEREST INCOME

Net interest income in the three and six month periods ending June 30, 1995 were increased over the prior year periods. This is a result of loan growth as well as volume and rate driven increases in interest on fed funds sold and investments which outstripped volume and rate driven increases in deposit interest expense. (Please see Statement of Income, P-2 and Balance Sheet, P-1)

OTHER INCOME AND EXPENSE

Due to the continued favorable economic conditions in the bank's lending area and the low level of risk in the bank's loan portfolio, no provisions for loan loss were made in the current or prior year periods.

Salary and employee benefit expenses, together with FDIC insurance premiums and advertising costs, were up significantly from the prior year periods, primarily due to growth factors. These increased costs were not significantly offset by increases in fee income. (Please see Statement of Income, P-2)

(9)

PART II

OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

not applicable

Item 2. CHANGES IN SECURITIES

not applicable

Item 3. DEFAULTS UPON SENIOR SECURITIES

not applicable

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

not applicable

Item 5. OTHER INFORMATION

not applicable

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a). Exhibits
none

b). No reports on Form 8-K have been filed during the quarter for which this report was filed.

(10)

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.

THE REPUBLIC CORPORATION

Date: July 20, 1995

/S/ J. Ed Eisemann, IV

Chairman of the Board

Date: July 20, 1995

/S/ Catherine G. Eisemann

Director

(11)

<TABLE> <S> <C>

<ARTICLE> 9

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM REGISTRANTS FORM 10-Q, DATED JUNE 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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