

Internet Banking

# CASH MANAGEMENT

A C o m m i t m e n t t o S e r v i c e



# REFUNDS NOW

Commercial Lending  
and Leasing

Personal Banking

**REPUBLIC  
BANCORP**  
2000 Annual Report

Republic Bancorp, Inc. ("Republic" or "the Company") is a bank holding company headquartered in Louisville, Kentucky. The Company derives substantially all of its revenue and income from the operation of its wholly owned subsidiary, Republic Bank & Trust Company ("Bank"), a Kentucky-chartered bank and trust company. Republic's Class A Common Stock trades on the NASDAQ Stock Market® under the symbol RBCAA.

Republic has 21 full-service banking centers, 11 of which are located in the metropolitan Louisville area, including the company's principal office. There are four banking centers located in Lexington, Kentucky, two in Frankfort, Kentucky and one each in the Kentucky communities of Bowling Green, Elizabethtown, Owensboro and Shelbyville. Republic has expanded its reach through internet banking at [www.republicbank.com](http://www.republicbank.com) with over 7,500 clients from 48 states and the District of Columbia. There is also a loan production office located in Clarksville, Indiana.

At the close of 2000, Republic had assets of \$1.5 billion, making the corporation the fourth-largest independent bank holding company in Kentucky.

Locations

Louisville, KY	11
Lexington, KY	4
Frankfort, KY	2
Bowling Green, KY	1
Clarksville, IN	1
Elizabethtown, KY	1
Owensboro, KY	1
Shelbyville, KY	1

★ Indicates Corporate Center



	Years Ended December 31,		
	2000	1999	1998
<i>(dollars in thousands, except per share data)</i>			
<b>Income Statement Data</b>			
Interest income	\$ 118,660	\$ 97,157	\$ 92,667
Interest expense	66,851	49,552	50,174
Net interest income	51,809	47,605	42,493
Provision for loan losses	1,382	1,806	3,110
Non-interest income	8,859	10,084	11,396
Gain on sale of deposits			4,116
Non-interest expense	40,029	37,383	33,533
Income before taxes	19,257	18,500	21,362
Net income	12,921	12,252	13,756
<b>Balance Sheet Data</b>			
Total assets	\$ 1,508,072	\$ 1,368,983	\$ 1,207,684
Total securities	275,568	214,558	216,921
Total loans, net	1,136,531	1,031,512	870,031
Allowance for loan losses	7,862	7,862	7,862
Total deposits	863,761	800,909	747,147
Repurchase agreements and other short-term borrowings	263,001	215,718	148,659
Other borrowed funds	246,050	231,383	190,222
Total stockholders' equity	116,942	103,770	103,842
<b>Per Share Data</b>			
Basic earnings per Class A Common share	\$ 0.78	\$ 0.73	\$ 0.87
Basic earnings per Class B Common share	0.77	0.72	0.86
Book value <sup>(1)</sup>	7.06	6.46	6.03
Cash dividends per Class A Common share	0.15	0.12	0.11
Cash dividends per Class B Common share	0.14	0.11	0.10
<b>Performance Ratios</b>			
Return on average assets	0.89%	0.98%	1.20%
Return on average common equity	11.77	11.90	15.82
Average stockholders' equity to average total assets	7.58	8.27	7.58
Net interest margin	3.71	3.96	3.84
Efficiency ratio	66	65	62 <sup>(2)</sup>

(1) Exclusive of accumulated other comprehensive income.  
 (2) Excludes pre-tax gain of \$4.1 million on sale of deposits.

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# Letter to Shareholders

Republic Bancorp concluded another record year in 2000 with net earnings of \$12.9 million. Our performance in 2000 serves as further evidence of our resolve to increase earnings despite a generally unfavorable interest rate environment for financial institutions. Our ability to continue to grow income, while reducing already low risk factors as measured by credit quality and charge-offs in an ever changing economic environment, distinguishes Republic from its peers. We remain dedicated to improving these key ingredients—and our dedication shows.

Healthy growth in net interest income of \$4.2 million coupled with a \$424,000 reduction in our provision for loan losses bolstered our results in 2000. Once again, our ever-growing loan portfolio which now tops out at \$1.1 billion, a \$105 million increase from last year, was the key to our continued growth in net interest income. Even more pleasing is the shift in our portfolio to higher-yielding commercial real estate loans, which grew by more than \$94 million since last year and \$181 million since the inception of our commercial lending initiative three short years ago.

We have grown our loan portfolio while maintaining high underwriting standards. In addition to a reduction in charge-offs from a year ago, our ratio of non-performing loans to total loans was a low 0.36 percent at the end of 2000. We remain committed to our time-tested lending standards in the face of competition that can be quick to sacrifice credit quality in return for growth.

We continue to look for new sources of income with great success, thanks to the contribution of our increasingly exciting national tax refund business and the successful introduction of our new “Overdraft Honor” promotion. Our electronic tax refund business, produced through Refunds Now, grew dramatically in 2000. Overall, we increased income from Refunds Now by 54 percent, contributing \$2.1 million to the Company’s net income before taxes. Our performance at Refunds Now justifies the extreme excitement we have regarding the potential for further growth of this business.

Service charges on deposit accounts increased 21 percent in 2000, as well. The primary contributor was the “Overdraft Honor” program, introduced in August of 2000, resulting in a \$500,000 increase in deposit fee income since its inception. “Overdraft Honor” coupled with our successful “Absolutely Free Checking” direct

mail promotion— over 2,400 new checking accounts opened in the fourth quarter— bodes well for potential growth in deposit fees for the future.

Our Internet banking continues to produce significant growth, now boasting over \$74 million in deposits gathered from around the country—an increase of 65 percent from last year. Over 7,500 customers now use [www.republicbank.com](http://www.republicbank.com) to complement their banking needs.

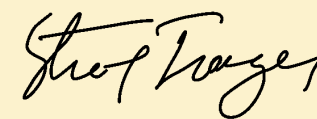
For all of these reasons, I am more excited than ever about our opportunities in 2001 and beyond. With the continued growth and development in Commercial Lending, Cash Management, and Refunds Now— along with our ability to explore and implement programs that can create new sources of income quickly and efficiently— I see a bright future for our Company.

While I am pleased with our performance and direction, I continue to be disappointed in our stock price. We have chosen to take advantage of this opportunity by purchasing over 440,000 of our shares in the last two years at an average price of \$10 per share. In addition, on February 12, 2001, we announced our offer to purchase up to 1,000,000 shares of the Company’s Class A Common Stock at a purchase price between \$8 and \$10 per share through a modified Dutch auction tender offer. I can think of no better investment for this Company than in our own stock.

With regard to our Company’s performance, rest assured that we will continue to make decisions that do not sacrifice our long-term goals for short-term stock performance. It is that method of decision-making that has enabled us, in just 18 short years, to grow into an organization with over \$1.5 billion in assets that produces \$13 million in annual net income.

As a shareholder, you can help by doing your business with Republic Bank and asking your friends and family to do the same. I ask you to experience first hand, the level of service and commitment that we deliver to our clients each and every day.

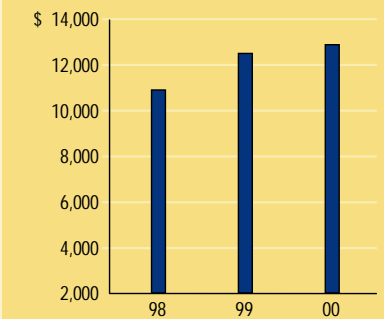
Sincerely,



Steven E. Trager  
President and Chief Executive Officer

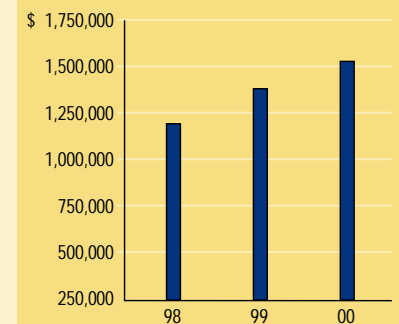
## Net Income

Excluding Sale of Deposits  
In Thousands



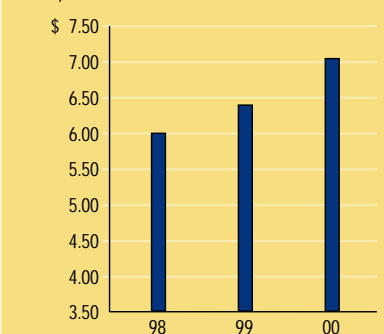
## Total Assets

In Thousands



## Book Value Per Share

Excluding accumulated other comprehensive income



Republic has a complete range of products delivered from 21 banking centers in seven Kentucky communities and a loan production office in southern Indiana.

A full spectrum of checking and savings accounts, debit cards, consumer loans, residential loan products, commercial and business loans, commercial leasing, certificates of deposit, IRAs, safe deposit boxes, and traveler's and cashier's checks, make up the products of our core banking business. Republic associates are highly trained in the area of customer service, and deliver these products with courtesy and professionalism.

We offer our clients access to a national network of ATMs, a 24-hour account info-line, a Telebanking call center and a Web site at [www.republicbank.com](http://www.republicbank.com). To further ensure ease of banking with Republic, we began using imaging technology during the fourth quarter of 2000. This technology has resulted in new, easier to read checking statements including numerically ordered check images instead of canceled checks. In addition, clients also have the ability to view the front and back of their canceled checks through [republicbank.com](http://republicbank.com).

Among the new initiatives for 2000 in the area of personal banking was the introduction of our "Overdraft Honor" program, which generated nearly \$500,000 of additional income in just over four months. During the fourth quarter of 2000, Republic began a direct mail marketing campaign highlighted by the new "Absolutely Free Checking" product. Through this promotion, clients were offered a gift to open a new account or refer a friend. The campaign resulted in 2,400 new personal checking accounts with balances totaling over \$4 million at year-end.

Another initiative for 2000 was to increase the Company's efficiency while maintaining a high level of personal client service. We achieved this in our lending function through our centralized loan operations. This area provides consistent, uniform underwriting, processing and servicing of our loans, while maintaining personal client service at our retail banking centers by leaving authority to approve loans with our experienced lending staff.

Commitment  
Personal Banking  
Responsive Service



(L to R) Kathy Potts, Sr. V.P. - St. Matthews  
Jenifer Duncan, Sr. V.P. - Perimeter

# Experienced Commercial Lending and Leasing Efficient Expansion

Republic Bank & Trust Company continues to expand its commercial lending initiative. During 2000, the Company experienced a 40 percent increase in its commercial real estate loan production, with strong demand in other products as well. These products include revolving lines of credit for operating capital, equipment loans and equipment leasing.

To accommodate the growth in the Commercial lending and leasing functions, management maintained its focus on quality loan underwriting and processing areas. These critical areas preserve the proven quality standards we have developed at Republic, while enabling us to deliver our commercial products in a fast, efficient manner. In anticipation of future growth, we also recently added three experienced calling officers, bringing our total commercial lending sales staff to eight.

With expanded commercial lending sales staff coupled with fast, efficient delivery capabilities, Republic looks forward to substantial gains and profitability from its Commercial lending and leasing department for the year 2001 and beyond.

During 2000, the Company experienced a 40 percent increase in its commercial real estate loan production.



(L to R) David Vest, Exec. V.P. - Lending, Craig Dunn, Sr. V.P. - Andover, Darryl Witten, Sr. V.P. - Commercial Lending

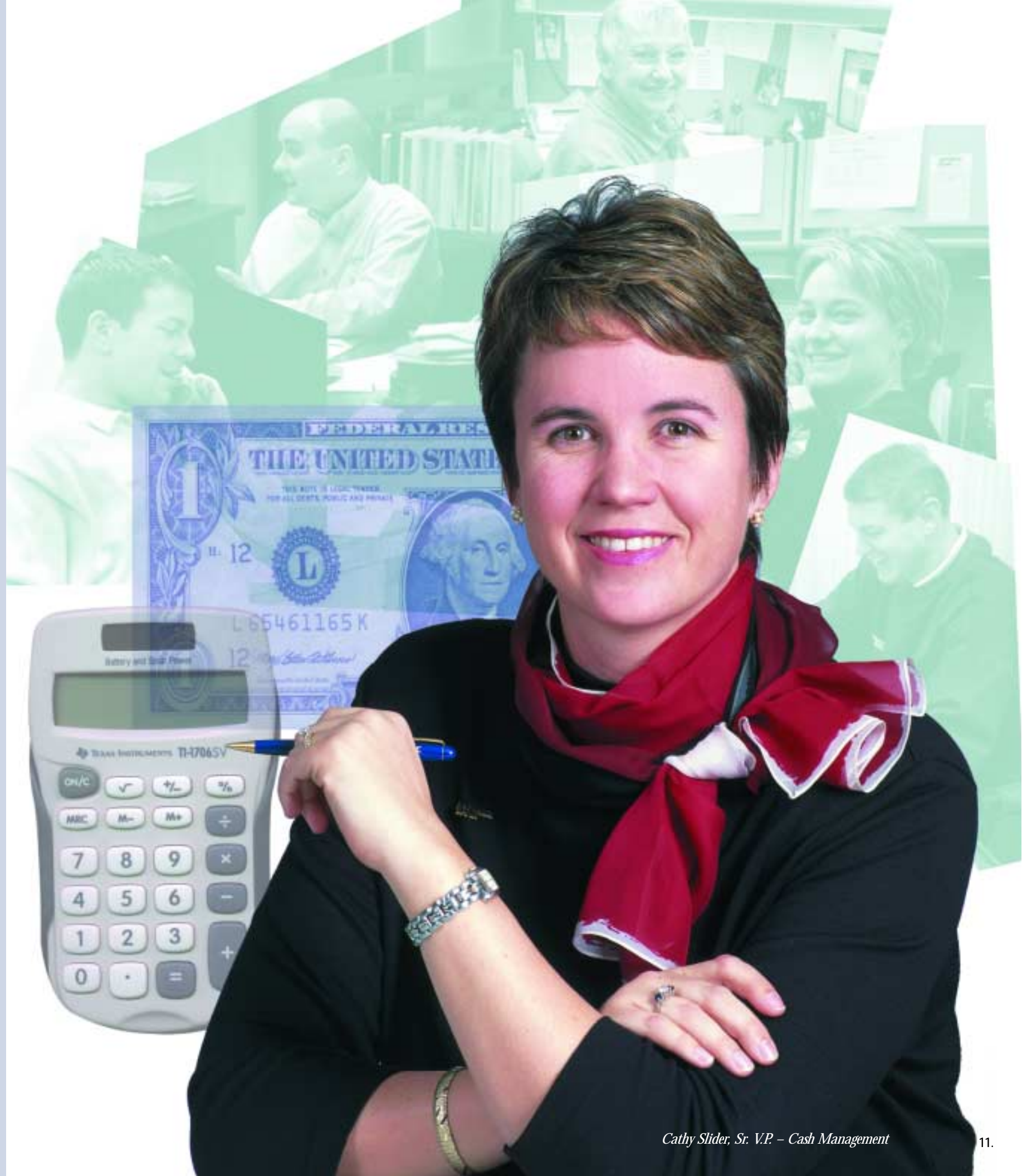
At the close of 2000, clients of Republic Bank & Trust Company's Cash Management department had more than \$300 million in commercial deposit and sweep accounts, while balances in business checking accounts increased 22 percent from year-end 1999. We were able to achieve this growth by offering a full line of checking and money market accounts through our retail banking centers and our dedicated staff of commercial cash management originators.

One of the many services we offer our commercial cash management clients is Business Online Banking. We added 450 business clients to this premier online cash management service during 2000. With the implementation of imaging technology, our commercial clients can now receive images of their checks and deposits as well as a CD-ROM containing their account transactions. This service provides a notable competitive edge for Republic in the marketplace.

Imaging technology has also enabled us to move our lockbox processing in-house. This enhancement will allow us to grow our retail and wholesale lockbox processing services in the years to come.

# Technology Competitive Cash Management Growth

With the implementation of imaging technology, our commercial clients can now receive images of their checks and deposits.



# Variety Investment Management and Trust Security Flexibility

Republic Bank & Trust Company's Investment Management and Trust department was formed in mid-1999 and at the close of 2000 had reached its goal of having over \$1 billion in assets under administration. Much of our success is attributable to quality investment professionals with access to state of the art market research and economic forecasting capabilities.

Personal financial planning, investment advisory and management, tax and retirement planning, complete custodial services, and pooled income fund management are services utilized by the department's clients. These clients include individuals and corporations, as well as charitable and institutional trusts.

A highly trained and experienced staff— supported by a sophisticated infrastructure of technology— allows the Investment Management and Trust department to meet and exceed the needs of a wide variety of clients while offering one-stop total wealth management.

An experienced staff, utilizing a sophisticated infrastructure of technology, helped this department reach \$1 billion in assets under administration in 2000.



(L to R) Karen Dillingham, V.P. - Perimeter  
Steve Brunson, Sr. V.P. - Springhurst

At the close of 2000, over 7,500 clients of Republic Bank & Trust Company utilized **republicbank.com** to access their accounts.

From its inception in June of 1999, Republic's Internet banking service at [www.republicbank.com](http://www.republicbank.com) has achieved notable growth. At the close of 2000, over 7,500 clients of Republic Bank & Trust Company utilized [republicbank.com](http://republicbank.com) to access their accounts. Overall, 27 percent of our checking account clients use [republicbank.com](http://republicbank.com) to view their accounts and transact business, a figure considerably above industry standards.

Internet banking allows our clients the ability to check account balances, transfer funds, pay bills, view account transactions, view check images, access loan data and download account information to personal financial software.

We are able to offer attractive interest rates on our premium Internet products due to the low overhead costs associated with these accounts.

As a result, deposits at year-end through this delivery channel totaled \$74 million after only 19 months of operation. Eighty percent of the deposits at [republicbank.com](http://republicbank.com) originated from outside the state of Kentucky. We were able to attract these deposits primarily with our premium Internet money market account, which totaled \$69 million in deposits at year-end.

Information Ease  
Internet Banking  
Accessibility



*(L to R) Mike Tipton, V.P. - Shelbyville  
Steve DeWeese, Sr. V.P. - Hurstbourne*



# National Refunds Now Electronic Fast

During the 2000 tax season, the number of tax preparers across the country that utilized Refunds Now increased by over 35 percent.

Refunds Now® is a consumer tax refund provider that was acquired by Republic Bank & Trust Company in November of 1998. Refunds Now completed its second tax season as a subsidiary of the Bank by substantially growing its contribution to the Company's bottom line over 1999.

During the 2000 tax season, the number of tax preparers across the country that utilized Refunds Now increased by over 35 percent. As a result, Refunds Now processed a record amount of tax refunds, growing its volume of Refund Anticipation Loans and Electronic Refund Checks by 61 percent from the 1999 tax filing season. For the year ended December 31, 2000, Refunds Now generated over \$2.1 million in pre-tax earnings for the Company.

In 2001, we anticipate growing the client base of tax preparers and consumers through a concentrated marketing effort – utilizing direct mail, trade show and convention participation, and by offering proprietary software to new tax preparers.

*Refunds Now® is a registered trademark of Republic Financial Services, LLC, a wholly owned subsidiary of Republic Bank & Trust Company.*



*Shannon Reid, Sr. V.P. - Loan Administration*

The following table sets forth Republic's selected historical financial information from 1996 through 2000. This information should be read in conjunction with the Consolidated Financial Statements and the related Notes. Factors affecting the comparability of certain indicated periods are discussed in "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS."

	Years Ended December 31,				
<i>(dollars in thousands, except per share data)</i>	2000	1999	1998	1997	1996
<b>Income Statement Data:</b>					
Interest income	\$ 118,660	\$ 97,157	\$ 92,667	\$ 91,194	\$ 81,986
Interest expense	66,851	49,552	50,174	50,856	43,855
Net interest income	51,809	47,605	42,493	40,338	38,131
Provision for loan losses	1,382	1,806	3,110	7,251	9,149
Non-interest income	8,859	10,084	11,396	7,743	7,097
Gain on sale of deposits			4,116	7,527	
Gain on sale of Bankcard				3,660	
Non-interest expense	40,029	37,383	33,533	32,880	31,409
Income before taxes	19,257	18,500	21,362	19,137	4,670
Net income	12,921	12,252	13,756	12,259	2,727
<b>Balance Sheet Data:</b>					
Total assets	\$ 1,508,072	\$ 1,368,983	\$ 1,207,684	\$ 1,054,950	\$ 1,140,882
Total securities	275,568	214,558	216,921	192,372	281,855
Total loans, net	1,136,531	1,031,512	870,031	794,939	759,424
Allowance for loan losses	7,862	7,862	7,862	8,176	6,241
Total deposits	863,761	800,909	747,147	731,598	783,141
Repurchase agreements and other short-term borrowings	263,001	215,718	148,659	111,137	181,634
Other borrowed funds	246,050	231,383	190,222	124,405	106,974
Total stockholders' equity	116,942	103,770	103,842	68,386	59,019
<b>Per Share Data:</b>					
Basic Class A Common earnings per share	\$ 0.78	\$ 0.73	\$ 0.87	\$ 0.82	\$ 0.16
Basic Class B Common earnings per share	0.77	0.72	0.86	0.81	0.15
Book value <sup>(1)</sup>	7.06	6.46	6.03	4.58	3.74
Cash dividends per Class A Common	0.15	0.12	0.11	0.11	0.11
Cash dividends per Class B Common	0.14	0.11	0.10	0.10	0.10
<b>Performance ratios:</b>					
Return on average assets	0.89%	0.98%	1.20%	1.12%	.29%
Return on average common equity	11.77	11.90	15.82	18.81	4.57
Net interest margin	3.71	3.96	3.84	3.85	4.21
Efficiency ratio	66	65	62 <sup>(2)</sup>	68 <sup>(3)</sup>	64 <sup>(4)</sup>
<b>Asset quality ratios:</b>					
Non-performing assets to total loans	0.40%	0.38%	0.63%	0.90%	1.06%
Net loan charge-offs to average loans	0.12	0.19	0.40	0.66	0.91
Allowance for loan losses to total loans	0.69	0.76	0.89	1.02	0.81
Allowance for loan losses to non-performing loans	193	213	158	115	78
<b>Capital ratios:</b>					
Leverage ratio	8.13%	8.61%	9.29%	6.99%	5.76%
Average stockholders' equity to average total assets	7.58	8.27	7.58	5.97	6.30
Tier 1 risk-based capital ratio	12.01	13.36	14.63	10.57	9.14
Total risk-based capital ratio	12.78	14.28	15.68	11.73	10.10
Dividend payout ratio	19	16	13	13	68
<b>Other key data:</b>					
End-of-period full-time equivalent employees	462	467	425	418	419
Number of bank offices <sup>(5)</sup>	22	21	19	18	21

(1) Exclusive of accumulated other comprehensive income.

(2) Excludes pre-tax gain of \$4.1 million on sale of deposits.

(3) Excludes pre-tax gain of \$7.5 million on sale of deposits and pre-tax gain of \$3.7 million on sale of Bankcard.

(4) Excludes one-time Savings Association Insurance Fund ("SAIF") assessment of \$2.3 million.

(5) Includes loan production office in Clarksville, Indiana.

Management's Discussion and Analysis of Financial Condition and Results of Operations of Republic Bancorp, Inc. ("Republic" or "the Company") analyzes the major elements of Republic's balance sheets and statements of income. Republic, a bank holding company headquartered in Louisville, Kentucky, is the parent of Republic Bank & Trust Company (the "Bank"). This section should be read in conjunction with the Company's Consolidated Financial Statements and accompanying Notes and other detailed information.

This discussion includes various forward-looking statements with respect to credit quality (including delinquency trends and the allowance for loan losses), corporate objectives and other financial and business matters. When used in this discussion the words "anticipate," "project," "expect," "believe," and similar expressions are intended to identify forward-looking statements. Republic cautions that these forward-looking statements are subject to numerous assumptions, risks and uncertainties, all of which may change over time. Actual results could differ materially from forward-looking statements.

In addition to factors disclosed by Republic elsewhere in this Annual Report, the following factors, among others, could cause actual results to differ materially from such forward-looking statements: pricing pressures on loan and deposit products; competition; changes in economic conditions both nationally and in the Bank's markets; the extent and timing of actions of the Federal Reserve Board; market's acceptance of the Bank's products and services; and, the extent and timing of legislative, regulatory actions and reforms.

### Highlights

Republic reported earnings of \$12.9 million during 2000 compared with \$12.3 million for 1999, an increase of 5%. Republic's 2000 performance was supported by a steady increase in net interest income and continued declining provisions due to reduced loan losses. These improvements more than offset a reduction in gains on sales of loans in the secondary market, attributable to the higher interest rate environment during 2000, and increases in non-interest expenses arising from banking center expansion. Republic's book value per common share, exclusive of accumulated other comprehensive income, increased from \$6.46 at December 31, 1999 to \$7.06 per share at December 31, 2000.

The following table summarizes selected financial information regarding Republic's financial performance:

**Table 1 - Summary**

	For the Years Ended December 31,		
<i>(dollars in thousands)</i>	2000	1999	1998
Net income	\$ 12,921	\$ 12,252	\$ 13,756
Net income excluding asset dispositions	12,921	12,252	11,122
Diluted Class A earnings per share	0.76	0.71	0.83
Diluted Class A earnings per share excluding asset dispositions	0.76	0.71	0.68
ROA	0.89%	0.98%	1.20%
ROA excluding asset dispositions	0.89	0.98	0.97
ROE	11.77	11.90	15.82
ROE excluding asset dispositions	11.77	11.90	13.19

Republic's total assets grew more than 10% during 2000 to \$1.5 billion at December 31, 2000. Net loans increased \$105 million from December 31, 1999 to over \$1.1 billion at December 31, 2000. This growth was attributable to continued commercial real estate loan demand in Republic's markets and the expanded emphasis on Republic's commercial and business banking services and products. While overall loan demand remained steady, the Bank's level of delinquent loans to total loans declined slightly to 1.27% at December 31, 2000, compared to 1.29% at December 31, 1999.

Funding for the growth in the loan portfolio was derived from deposits, repurchase agreements and Federal Home Loan Bank advances. Deposits and repurchase agreements increased to over \$1.1 billion as of December 31, 2000 compared to \$1.0 billion at year-end 1999. A significant portion of this increase was in lower cost deposits such as demand and money market accounts. Republic's Internet banking (republicbank.com) accounted for \$31 million of the increase in deposits, while Republic's corporate cash management accounts reflected a 22% increase in business checking balances over year-end 1999. FHLB advances increased from \$231 million at December 31, 1999 to \$246 million at December 31, 2000.

During 2000 Republic continued to expand its banking center locations by moving into a newly completed facility in the Prospect area of the Louisville metropolitan area. It is expected that this new banking center will be well positioned to attract new clients from rapidly growing Oldham County, Kentucky. Republic also continued to expand its service delivery through republicbank.com. Twenty seven percent of the Bank's checking account clients now utilize Republic's Internet banking services. Republicbank.com has generated deposits from customers located in 48 states and the District of Columbia as of December 31, 2000.

## Refunds Now

During November 1998, a wholly owned subsidiary of the Bank acquired Refunds Now, Inc. Republic exchanged 230,000 shares of Class B Common Stock for the stock of Refunds Now, Inc. in a business combination accounted for as a pooling of interest. Refunds Now is a tax refund processing service for taxpayers receiving both federal and state tax refunds through a nationwide network of tax preparers. Refund anticipation loans ("RALs") are made to taxpayers filing income tax returns electronically. The RALs are repaid by the taxpayer when the taxpayer's refunds are electronically received by the Bank from governmental taxing authorities. Fees from RALs are included in interest income on loans. Refunds Now also provides electronic refund checks ("ERCs") to taxpayers. After receiving refunds electronically from governmental taxing authorities, checks are issued to taxpayers for the amount of their refund, less fees. Fees on ERCs are included in non-interest income.

During the 2000 tax season, total tax offices serviced by Refunds Now increased 35% over 1999. RALs processed increased 264% and ERCs processed increased by 42% compared to the 1999 tax season. Total RAL and ERC gross fees collected increased by 82% and RAL and ERC fees, net of rebates, increased by 60%. RAL fees, net of tax preparer rebates were \$2.4 million in 2000 compared to \$944,000 in 1999. ERC fees, net of tax preparer rebates, were \$1.1 million in 2000 compared to \$1.2 million in 1999. The decline in net ERC fees was due to a larger amount of rebates, as a percentage of fees collected, being allocated to ERC fees in 2000 compared to 1999.

## RESULTS OF OPERATIONS

### Net Interest Income

The principal source of Republic's revenue is net interest income. Net interest income is the difference between interest income on interest-earning assets, such as loans and securities and the interest expense on liabilities used to fund those assets, such as interest-bearing deposits and borrowings. Net interest income is impacted by both changes in the amount and composition of interest-earning assets and interest-bearing liabilities as well as market interest rates.

For 2000, net interest income was \$51.8 million, up \$4.2 million over the \$47.6 million attained during 1999. Overall, the net interest rate spread decreased from 3.34% in 1999 to 3.04% in 2000. The Bank's net interest margin also decreased from 3.96% in 1999 to 3.71% in 2000. While both the net interest spread and margin declined during 2000 compared to 1999, Republic was able to increase its net interest income primarily through increased overall loan volume. *(For further discussion see Volume/Rate Variance Analysis on page 20 of this report.)*

Market interest rates have generally increased from year-end 1999 through December 31, 2000. Short-term rates generally increased more than long-term rates during that time period. This caused the Company's interest-bearing liabilities, which are typically tied to shorter-term market indices, to reprice faster at higher rates during 2000 than its interest earning assets, which are generally tied to longer-term indexes. Management expects that if market interest rates decline, the Company's overall net interest margin and spread are likely to be positively impacted. These improvements in spread and margin would, in turn, be reflected in increased net interest income, even if there was no growth in the Bank's overall loan portfolio. *(For further discussion see Asset/Liability Management and Market Risk on page 29 of this report.)*

Average interest-earning assets increased 16% in 2000, compared to a 9% increase in 1999. The 2000 and 1999 growth in these assets resulted from increased loan volume coupled with an increase in investment securities. The increase in loan volume is attributable to the Bank's continued focus on commercial real estate lending. *(See discussion on Loan Portfolio on page 22.)* The growth in average investments was directly attributable to a one-time securities growth initiative. Under this initiative, Republic purchased approximately \$50 million in variable rate collateralized mortgage-backed securities (CMO's) with funds obtained from floating rate FHLB borrowings and floating rate repurchase agreements. The Company was able to lock in a spread of approximately one percent on the transaction adding \$500,000 to net interest income during 2000.

During 2000, average interest-bearing liabilities grew \$182 million to \$1.2 billion, an increase of 17% over 1999. The increase was primarily in repurchase agreements and other short-term borrowings and other borrowings. The growth in the

average balance of repurchase agreements and other short-term borrowings was primarily due to increases in the average balances of three large cash management accounts during 2000 and the Bank's acquisition of a repurchase agreement that was utilized to fund the securities growth initiative. The increase in other borrowings, which consists of FHLB advances, was primarily due to the securities growth initiative and growth in the loan portfolio.

For 1999, net interest income was \$47.6 million, up \$5.1 million over the \$42.5 million attained during 1998. Overall, the net interest rate spread increased from 3.18% during 1998 to 3.34% in 1999. The Bank's net interest margin also increased from 3.84% in 1998 to 3.96% in 1999. The growth in net interest income during 1999 was primarily attributable to Republic's loan growth, particularly residential and commercial real estate lending. Net interest income was also positively affected by the increase in spread and margin realized during 1999.

Table 2 provides detailed information as to average balances, interest income/expense, and rates by major balance sheet category for 1998 through 2000. Table 3 provides an analysis of the changes in net interest income attributable to changes in rates and changes in volume of interest-earning assets and interest-bearing liabilities.

**Table 2 - Average Balance Sheets and Rates for December 31, 2000, 1999 and 1998**

<i>(dollars in thousands)</i>	2000			1999			1998		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>ASSETS</b>									
Earning assets:									
U.S. Treasury and U.S. Government									
Agency Securities	\$ 121,296	\$ 7,155	5.90%	\$ 127,492	\$ 6,938	5.44%	\$ 168,862	\$ 9,798	5.80%
State and political									
subdivision securities	1,954	181	9.26	3,915	339	8.66	4,195	368	8.77
Mortgage-backed securities	116,764	7,956	6.81	65,493	4,015	6.42	42,572	2,591	6.09
Other investments	33,937	2,257	6.65	32,781	2,104	6.13	15,365	1,061	6.91
Federal funds sold	11,140	689	6.18	3,487	180	5.16	16,472	930	5.65
Total loans and fees <sup>(1)(2)</sup>	1,111,356	100,422	9.04	967,751	83,581	8.64	858,420	77,919	9.08
Total earning assets	1,396,447	118,660	8.50	1,200,919	97,157	8.09	1,105,886	92,667	8.38
Less: Allowance for loan losses	(7,862)			(7,911)			(8,150)		
Non-earning assets:									
Cash and due from banks	25,785			20,931			19,942		
Bank premises and equipment, net	19,580			17,597			14,123		
Other assets	14,422			13,552			14,934		
Total assets	\$1,448,372			\$1,245,088			\$1,146,735		
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>									
Interest bearing liabilities:									
Transaction accounts	\$ 144,034	\$ 4,426	3.07%	\$ 124,435	\$ 3,311	2.66%	\$ 102,231	\$ 3,263	3.19%
Money market accounts	114,675	5,792	5.05	139,567	6,285	4.50	105,668	4,977	4.71
Individual retirement accounts	30,884	1,811	5.86	26,359	1,407	5.34	22,549	1,316	5.84
Certificates of deposits and other time deposits	441,581	25,492	5.77	414,406	21,683	5.23	425,721	24,665	5.79
Repurchase agreements and other short-term borrowings	243,582	13,819	5.67	129,903	5,656	4.35	115,734	4,869	4.21
Other borrowings	249,315	15,511	6.22	207,687	11,210	5.40	193,010	11,084	5.74
Total interest bearing liabilities	1,224,071	66,851	5.46	1,042,357	49,552	4.75	964,913	50,174	5.20
Non-interest bearing liabilities:									
Non-interest bearing deposits	101,584			87,760			79,636		
Other liabilities	12,983			12,002			15,218		
Stockholders' equity	109,734			102,969			86,968		
Total liabilities and stockholders' equity	\$1,448,372			\$1,245,088			\$1,146,735		
Net interest income		\$ 51,809			\$47,605			\$42,493	
Net interest spread			3.04%			3.34%			3.18%
Net interest margin			3.71%			3.96%			3.84%

*(1) The amount of fee income included in interest on loans was \$3,520; \$2,050 and \$1,367 for the years ended December 31, 2000, 1999, and 1998, respectively.*

*(2) Calculations include non-accruing loans in the average loan amounts outstanding.*

Table 3 illustrates the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities affected Republic's interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior rate), (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume), and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

**Table 3 - Volume/Rate Variance Analysis**

<i>(dollars in thousands)</i>	Year Ended December 31, 2000 compared to Year Ended December 31, 1999			Year Ended December 31, 1999 compared to Year Ended December 31, 1998		
	Increase/(Decrease) Due to			Increase/(Decrease) Due to		
	Total Net Change	Volume	Rate	Total Net Change	Volume	Rate
<b>Interest income:</b>						
U.S. Treasury and Government Agency Securities	\$ 217	\$ (348)	\$ 565	\$(2,860)	\$(2,400)	\$ (460)
State and political subdivision securities	(158)	(180)	22	(29)	(25)	(4)
Mortgage backed securities	3,941	3,450	491	1,424	1,395	29
Other investments	153	76	77	1,043	1,203	(160)
Federal funds sold	509	467	42	(750)	(733)	(17)
Total loans and fees <sup>(1)</sup>	16,841	12,840	4,001	5,662	9,924	(4,262)
<b>Total increase (decrease) in interest income</b>	<b>21,503</b>	<b>16,305</b>	<b>5,198</b>	<b>4,490</b>	<b>9,364</b>	<b>(4,874)</b>
<b>Interest expense:</b>						
Interest bearing transaction accounts	1,115	562	553	48	709	(661)
Money market accounts	(493)	(1,202)	709	1,308	1,597	(289)
Individual retirement accounts	404	257	147	91	222	(131)
Certificates of deposit and other time deposits	3,809	1,479	2,330	(2,982)	(656)	(2,326)
Repurchase agreements and other short-term borrowings	8,163	6,064	2,099	787	647	140
Other borrowings	4,301	2,442	1,859	126	843	(717)
<b>Total increase (decrease) in interest expense</b>	<b>17,299</b>	<b>9,602</b>	<b>7,697</b>	<b>(622)</b>	<b>3,362</b>	<b>(3,984)</b>
<b>Increase (decrease) in net interest income</b>	<b>\$ 4,204</b>	<b>\$ 6,703</b>	<b>\$(2,499)</b>	<b>\$ 5,112</b>	<b>\$ 6,002</b>	<b>\$ (890)</b>

(1) Interest income for loans on non-accrual status has been excluded from interest income.

**Non-Interest Income**

Non-interest income was \$8.9 million during 2000, \$10.1 million during 1999, and \$15.5 million during 1998. The increased level of non-interest income in 1998 was primarily due to the gain from the sale of the Mayfield banking center deposits. The decrease from 1999 to 2000 was primarily due to a reduction of the gains generated from sales of loans into the secondary market and sales of investment securities.

**Table 4 - Analysis of Non-Interest Income**

Year Ended December 31, <i>(dollars in thousands)</i>	2000	1999	1998	Percent Increase/(Decrease)	
				2000/99	1999/98
Service charges on deposit accounts	\$ 4,410	\$ 3,653	\$ 3,255	21%	12%
Electronic refund check fees	1,070	1,238	380	(14)	226
Other service charges and fees	442	489	441	(10)	11
Loan servicing income	363	455	598	(20)	(24)
Net gain on sale of mortgage loans	1,417	2,974	4,326	(52)	(31)
Net gain (loss) on available for sale securities	(161)	184	1,139	(188)	(84)
Other	1,318	1,091	1,257	21	(13)
Subtotal	8,859	10,084	11,396	(12)	(12)
Net gain on sale of deposits			4,116	NM	NM
Total	\$ 8,859	\$ 10,084	\$ 15,512	(12%)	(35%)

Service charges on deposit accounts were \$4.4 million for 2000 compared with \$3.7 million for 1999, an increase of 21%. The increase in service charges on deposit accounts was due primarily to the Bank's "Overdraft Honor" program. Under this program, selected clients are allowed to overdraft their accounts up to \$500. These clients are required to pay the Bank's customary overdraft charges. Since its inception in August 2000, this program has added approximately \$500,000 in non-interest income.

Electronic refund check fees, net of rebates, decreased by \$168,000 from 1999 to 2000. This decline in net ERC fees was due to the allocation of a larger amount of rebates, as a percentage of fees collected, to ERC fees in 2000 compared to 1999, as overall ERC volume actually increased during that same time period. (For further discussion on ERC fees see Refunds Now section on page 18). The increase in electronic refund check fees from 1998 to 1999 was due to the acquisition of Refunds Now in November 1998. Prior to the acquisition the Bank received only a portion of the full benefit of the ERC fees generated by Refunds Now under a revenue sharing agreement.

Securities gains decreased from \$1.1 million in 1998 to \$184,000 in 1999 to a loss of \$161,000 in 2000. The overall decline from 1998 through 2000 is directly attributable to the rising market interest rate environment, which had the effect of decreasing the overall market value of the available for sale securities portfolio. Management elected to sell selected securities at a loss of approximately \$161,000 during the first quarter of 2000 in order to reinvest the proceeds at a higher interest rate, thus increasing the overall yield on the investment portfolio throughout the remainder of the year. This transaction, while creating a small loss initially, increased interest income on investments by approximately \$270,000 during the remainder of 2000.

The market interest rate environment also heavily influences revenue from mortgage banking activities. Revenue from mortgage loan sales during early 1999 and 1998 reflected strong secondary market originations, sales volume, and increased income realized from the sale of most loans with servicing released. This period generally exhibited lower, more stable interest rates. From 1999 through 2000, an overall increase in market interest rates led to fewer secondary market loan originations resulting in reduced mortgage banking revenue. Proceeds from sales of loans were \$114 million, \$211 million, and \$272 million in 2000, 1999, and 1998, respectively. Net gains from sales of loans closely tracks secondary market loan origination volume. Net gains as a percentage of loans sold were 1.26%, 1.43%, and 1.59% in 2000, 1999, and 1998, respectively. Management anticipates an increase in mortgage banking activities in the near term resulting from a decline in market interest rates since year-end 2000.

Other non-interest income increased 21% to \$1.3 million in 2000 compared to \$1.1 million in 1999. This increase is largely attributable to the Bank's trust business initiative and an increase in debit card transaction fees.

**Non-Interest Expense**

Total non-interest expense increased by 7% to \$40.0 million in 2000 compared to \$37.4 million in 1999. Significant factors impacting this increase included a full year of operation expenses attributable to new banking centers, republicbank.com, and the loan production office in southern Indiana. Non-interest expense increased from \$33.5 million in 1998 to \$37.4 million in 1999. Similar expansion activities occurred in 1999 that also accounted for the majority of the increase from 1998 to 1999. Moderate increases in non-interest expense are likely to continue going forward as Republic anticipates opening a separately chartered bank in southern Indiana during 2001.

Non-interest expense levels are often measured using an efficiency ratio (non-interest expense divided by the sum of net interest income and non-interest income). A lower efficiency ratio is indicative of higher bank performance. Excluding its one-time gains from the sale of deposits and related fixed assets, Republic's efficiency ratio was 66% in 2000 compared to 65% in 1999 and 62% in 1998.

**Table 5 - Analysis of Non-Interest Expense**

Year Ended December 31, <i>(dollars in thousands)</i>	2000	1999	1998	Percent Increase/(Decrease)	
				2000/99	1999/98
Salaries and employee benefits	\$ 20,519	\$ 20,661	\$ 16,968	(1%)	22%
Occupancy and equipment	8,825	7,632	7,423	16	3
Communication and transportation	2,084	1,716	1,703	21	1
Marketing and development	1,555	1,266	1,372	23	(8)
Supplies	994	940	1,066	6	(12)
Other	6,052	5,168	5,001	17	3
Total	\$ 40,029	\$ 37,383	\$ 33,533	7%	11%

Salary and employee benefits expense decreased approximately 1% at year-end 2000 after an increase of approximately 22% in 1999 over 1998. Republic's overall staffing level decreased slightly to 462 full-time equivalent employees ("FTE's") at December 31, 2000, compared to 467 FTE's at December 31, 1999. The decline in FTE's and salary and benefit expense is directly attributable to centralization of the loan processing and administration functions during January 2000, which offset increased staffing requirements for new banking centers and annual merit pay increases. The increases in salaries and employee benefits during 1999 were attributable to several factors. Republic opened a new banking center, a loan production office and moved into permanent facilities in Springhurst banking center, while also expanding its commercial lending, cash management and trust activities. Annual merit salary increases were also awarded. Additional expense was recognized, as well, as a result of the formation of the Employee Stock Ownership Plan ("ESOP") in January 1999.

Occupancy and equipment and communication and transportation expenses increased in 2000 compared to 1999 due to a full year of operation of the Bank's Springhurst, Fern Creek and Prospect banking centers, republicbank.com, and the loan production office in Southern Indiana. Marketing and development increased 23% during 2000 primarily because of expenses associated with the "Free checking" and "Overdraft Honor" promotions as well as additional expenses associated with the marketing of Refunds Now products.

Other non-interest expense was up 17% over 1999 as the Bank incurred a fraud loss associated with an isolated transaction of approximately \$300,000. Additionally, legal fees increased in 2000 as a result of two active lawsuits during the year, one of which has been finally resolved. Continued litigation expense is anticipated in 2001 on a patent infringement lawsuit which is not expected to be resolved in the near term.

## FINANCIAL CONDITION

### Loan Portfolio

Republic experienced record overall loan growth during 2000 as net loans increased \$105 million to \$1.1 billion at December 31, 2000. Loan growth was particularly strong in the commercial real estate portfolio as the Company continued its focus in this area. Commercial real estate lending remains primarily concentrated within the Bank's existing markets, and is principally comprised of loans secured by multi-family investment properties, single-family developments, medical facilities, small business owner-occupied offices, retail properties and golf courses. In conjunction with its commercial real estate lending, emphasis has also been placed on acquiring the associated deposit relationships from these loan clients. Overall, the centralized commercial lending area increased its sales staff from four at the beginning of 2000 to eight at the end of the year.

The residential real estate loan portfolio declined slightly by \$3 million to \$633 million at December 31, 2000. The market interest rate environment negatively influenced residential real estate originations as the trend toward higher market interest rates, beginning the second quarter of 1999, continued through 2000. Higher market interest rates generally acted to slow residential home purchases and refinancing activity. Given the current market rate condition subsequent to December 31, 2000, management does not anticipate that the Bank's residential loan portfolio will increase in the near term as the majority of residential real estate loans are expected to be sold into the secondary market. Therefore, economic

factors have resulted in increased efforts to attract higher yielding commercial real estate loans to offset the moderate decrease in residential loan originations within the Bank's portfolio.

Republic's consumer loans have decreased from \$42 million at December 31, 1999 to \$33 million at December 31, 2000. Consumer lending is not a key bank initiative and therefore is not typically promoted through marketing efforts. The Bank does provide basic consumer loan products to its current customer base but management does not intend to actively grow this line of business due to the smaller loan amounts, higher origination costs and generally higher risk factors associated with these loans. The consumer loan portfolio also includes the "All Purpose" and "Pre Approved" unsecured loan program products. Republic is no longer originating these particular unsecured products and has elected to allow the remaining outstandings represented by these relatively small portfolios to continue to paydown. These portfolios had \$8 million in outstandings at December 31, 1999 compared to \$3 million at December 31, 2000. Because of these factors, it is likely that the consumer component of the Bank's total loan portfolio will continue to reduce in the near term.

**Table 6 - Loans by Type**

<i>(dollars in thousands)</i>	2000	As of December 31,			
		1999	1998	1997	1996
Real estate:					
Residential	\$ 633,328	\$ 636,012	\$ 520,583	\$ 480,874	\$ 457,204
Commercial	256,834	163,064	118,293	76,306	59,086
Construction	77,437	63,928	47,396	37,940	32,130
Commercial	30,008	31,411	26,381	21,552	25,115
Consumer	32,662	42,408	59,874	86,061	124,974
Home Equity	115,467	103,833	106,845	102,512	69,572
Total Loans	\$1,145,736	\$ 1,040,656	\$ 879,372	\$ 805,245	\$ 768,081

Republic's mortgage banking operation generates originations and subsequent sales of first mortgage residential loans into the secondary market. This operation primarily sells fixed rate loan originations in the secondary market without recourse. During 2000, Republic sold \$112 million in residential mortgage loans into the secondary market compared to \$208 million in 1999. At the end of 2000, Republic was servicing \$187 million in mortgage loans for other investors compared to \$199 million in 1999 and \$220 million in 1998. The decline in the mortgage banking servicing portfolio from 1997 to 2000 resulted from management's decision to sell a majority of its originations on a servicing released basis, combined with regularly scheduled loan principal paydowns in the servicing portfolio.

Table 7 illustrates Republic's fixed rate maturities and repricing frequency for the loan portfolio:

**Table 7 - Selected Loan Distribution**

As of December 31, 2000 <i>(dollars in thousands)</i>	Total	One Year Or Less	Over One Through Five Years	Over Five Years
Fixed rate maturities	\$ 148,508	\$ 47,315	\$ 52,106	\$ 49,087
Variable rate repricing frequency	997,228	466,375	428,923	101,930
Total	\$1,145,736	\$ 513,690	\$ 481,029	\$ 151,017

### Allowance and Provision for Loan Losses

The provision for loan losses was \$1.4 million for the year ended December 31, 2000, compared to \$1.8 million for 1999 and \$3.1 million for 1998. Net charge-offs were \$1.4 million during 2000 compared to \$1.8 million and \$3.4 million for 1999 and 1998, respectively.

The allowance for loan losses remained constant at \$7.9 million for both December 31, 2000 and 1999. Republic's allowance to total loan ratio was 0.69% at December 31, 2000 compared to 0.76% at December 31, 1999. This change in the allowance reflects a slight reduction in overall portfolio risk due to the decreased outstandings in the Bank's unsecured consumer loan portfolio and management's historical portfolio performance analysis. As the overall loan portfolio outstandings have increased, unsecured consumer loans have been principally replaced by secured commercial real estate loans. Management is monitoring the commercial real estate loan portfolio closely, recognizing that commercial real estate loans carry a greater risk of loss than residential real estate loans, and believes it has provided an adequate component within the allowance for loans associated with its enhanced commercial real estate lending activity.

The allowance for loan losses is regularly evaluated by management and maintained at a level believed to be adequate to absorb loan losses in the Bank's combined lending portfolios. Periodic provisions to the allowance are made when determined by management to be warranted. The amount of the provision for loan losses necessary to maintain an adequate allowance is based upon an assessment of current economic conditions, analysis of periodic internal loan reviews, delinquency trends and ratios, changes in the mixture and levels of the various categories of loans, historical charge-offs, recoveries, and other information. Management believes, based on information presently available, that it has adequately provided for loan losses at December 31, 2000. Although management believes it uses the best information available to make allowance provisions, future adjustments, which could be material, may be necessary if management's assumptions differ significantly from the loan portfolios' actual performance.

**Table 8 - Summary of Loan Loss Experience**

<i>(dollars in thousands)</i>	2000	Year Ended December 31,			
		1999	1998	1997	1996
Allowance for loan losses at beginning of year	\$ 7,862	\$ 7,862	\$ 8,176	\$ 6,241	\$ 3,695
Charge-offs:					
Real estate	(1,005)	(593)	(1,017)	(358)	(242)
Commercial	(51)	(97)	(79)	(43)	(22)
Consumer	(1,234)	(1,708)	(2,828)	(5,458)	(6,865)
Total	(2,290)	(2,398)	(3,924)	(5,859)	(7,129)
Recoveries:					
Real estate	48	15	7	23	290
Commercial	15	8	4		
Consumer	845	569	489	520	236
Total	908	592	500	543	526
Net loan charge-offs	(1,382)	(1,806)	(3,424)	(5,316)	(6,603)
Provision for loan losses	1,382	1,806	3,110	7,251	9,149
Allowance for loan losses at end of year	\$ 7,862	\$ 7,862	\$ 7,862	\$ 8,176	\$ 6,241
Ratios:					
Allowance for loan losses to total loans	.69%	.76%	.89%	1.02%	.81%
Net loan charge-offs to average loans outstanding for the period	.12	.19	.40	.66	.91
Allowance for loan losses to non-performing loans	193	213	158	115	78

The following table depicts management's allocation of the allowance for loan losses by loan type. Allowance funding and allocation is based on management's assessment of economic conditions, past loss experience, loan volume, past-due history and other factors. Since these factors and management's assumptions are subject to change, the allocation is not necessarily indicative of future loan portfolio performance.

**Table 9 - Management's Allocation of the Allowance for Loan Losses**

<i>(dollars in thousands)</i>	2000		As of December 31, 1999		1998	
	Allowance	Percent of Loans to Total Loans	Allowance	Percent of Loans to Total Loans	Allowance	Percent of Loans to Total Loans
Real estate	\$ 6,960	84%	\$ 6,235	83%	\$ 5,729	78%
Commercial	385	3	483	3	265	3
Consumer	517	13	1,144	14	1,868	19
Total	\$ 7,862	100%	\$ 7,862	100%	\$ 7,862	100%

**Asset Quality**

Loans (including impaired loans under SFAS 114 and 118 but excluding consumer loans) are placed on non-accrual status when they become past due 90 days or more as to principal or interest, unless they are adequately secured and in the process of collection. When loans are placed on non-accrual status, all unpaid accrued interest is reversed. These loans remain on non-accrual status until the borrower demonstrates the ability to remain current or the loan is deemed uncollectible and is charged off. Consumer loans are not placed on non-accrual status, but are reviewed and charged off when they reach 120 days past due. At December 31, 2000, Republic had \$116,000 in consumer loans 90 days or more past due compared to \$97,000 at December 31, 1999.

Total non-performing loans increased from \$3.7 million at December 31, 1999, to \$4.1 million at December 31, 2000, with approximately \$600,000 of that total attributable to one commercial real estate loan. Management does not consider the overall increase in non-performing loans during the period to be material or indicative of any adverse change in overall asset quality. These non-performing loans are primarily real estate secured, and historically, Republic's security interests in real estate secured loans have been generally adequate to limit the Bank's exposure to significant loss.

**Table 10 - Non-Performing Assets**

<i>(dollars in thousands)</i>	2000	As of December 31,			
		1999	1998	1997	1996
Loans on non-accrual status <sup>(1)</sup>	\$ 3,100	\$ 2,721	\$ 3,258	\$ 2,676	\$ 3,055
Loans past due 90 days or more	984	968	1,731	4,459	4,955
Total non-performing loans	4,084	3,689	4,989	7,135	8,010
Other real estate owned	478	218	540	22	104
Total non-performing assets	\$ 4,562	\$ 3,907	\$ 5,529	\$ 7,157	\$ 8,114
Percentage of non-performing loans to total loans	0.36%	0.35%	0.57%	0.90%	1.04%
Percentage of non-performing assets to total loans	0.40	0.38	0.63	0.90	1.06

(1) Loans on non-accrual status includes impaired loans. See note 4 to the Consolidated Financial Statements for additional discussion on impaired loans.

Republic defines impaired loans to be those commercial loans greater than \$499,999 that management has classified as doubtful (collection of total amount due is highly questionable or improbable) or loss (all or a portion of the loan has been written off or a specific allowance for loss has been provided). Republic's policy is to charge off all or that portion of its investment in an impaired loan upon a determination that it is probable the full amount will not be collected. Impaired loans, consisting of two commercial real estate loans, decreased from \$1.0 million at December 31, 1999 to \$767,000 at December 31, 2000. The decrease was a result of a portion of one of these loans being written down to its net realizable value.

Investment Securities

Table 11 - Securities Portfolio

<i>(in thousands)</i>	2000	1999	December 31, 1998	1997	1996
Securities Available for Sale:					
U.S. Treasury and Government Agencies	\$ 87,309	\$ 97,029	\$ 123,976	\$ 44,559	\$ 107,937
Agency mortgage-backed securities	65,556	66,340	47,806	49,267	
Corporate bonds	18,810	18,258	15,154		
Other securities	125				
Total Securities Available for Sale	171,800	181,627	186,936	93,826	107,937
Securities Held to Maturity:					
U.S. Treasury and Government Agencies	40,375	25,353	25,422	93,693	168,797
States and political subdivisions	275	3,775	4,077	4,270	4,458
Agency mortgage-backed securities	63,118	3,803	486	583	663
Total Securities Held to Maturity	103,768	32,931	29,985	98,546	173,918
Total	\$ 275,568	\$ 214,558	\$ 216,921	\$ 192,372	\$ 281,855

The investment portfolio primarily consists of U.S. Treasury and U.S. Government Agency obligations, corporate bonds and mortgage-backed securities. The mortgage-backed securities (MBS) consist of 15-year fixed and 7-year balloon mortgage securities, underwritten and guaranteed by GNMA, FHLMC and FNMA.

Securities available for sale decreased slightly from \$182 million at December 31, 1999 to \$172 million at December 31, 2000. Securities available for sale have a weighted average maturity of 2.8 years. Securities in the held to maturity portfolio increased from \$33 million at December 31, 1999 to \$104 million at December 31, 2000. The growth in securities to be held to maturity was primarily the result of a management securities growth initiative. Under this initiative, Republic purchased approximately \$50 million in floating-rate one-month LIBOR-indexed collateralized mortgage-backed securities (CMOs) with funds obtained from floating-rate FHLB borrowings and repurchase agreements, locking in a spread of approximately one percent on the transaction. At December 31, 2000, securities to be held to maturity have a weighted average maturity of 3.0 years. On January 1, 2001, Republic reclassified substantially all of its securities to be held to maturity into the available for sale category as permitted by the provisions of SFAS No. 133. During January 2001, Republic sold \$44 million of CMOs for an approximate gain of \$439,000 and paid off the corresponding borrowings and repurchase agreements.

Table 12 - Investment Securities Available for Sale

<i>(dollars in thousands)</i>	As of December 31, 2000			
	Amortized Cost	Fair Value	Average Maturity in Years	Weighted Average Yield
U.S. Treasury and U.S. Government Agencies:				
Within one year	\$ 40,618	\$ 40,489	0.4	5.20%
Over one through five years	46,633	46,820	2.0	5.90
Total U.S. Treasury and Government Agencies	87,251	87,309	1.4	5.58
Corporate Bonds				
Over one through five years	19,205	18,810	2.8	5.64
Total corporate bonds	19,205	18,810	2.8	5.64
Total mortgage-backed securities	65,904	65,556	4.6	6.23
Total other securities	125	125	2.4	4.31
Total available for sale investment securities	\$ 172,485	\$ 171,800	2.8	5.83

Table 13 - Investment Securities Held to Maturity

<i>(dollars in thousands)</i>	As of December 31, 2000			
	Amortized Cost	Fair Value	Average Maturity in Years	Weighted Average Yield
U.S. Treasury and U.S. Government Agencies:				
Within one year	\$ 9,972	\$ 9,984	0.7	6.20%
Over one through five years	30,403	30,597	0.7	6.79
Total U.S. Treasury and Government Agencies	40,375	40,581	0.7	6.64
Obligations of states and political subdivisions:				
Within one year	75	75	0.4	7.12
Over one through five years	200	202	2.0	7.27
Total obligations of state and political subdivisions	275	277	1.6	7.23
Total mortgage-backed securities	63,118	63,324	4.4	7.50
Total held to maturity investment securities	\$ 103,768	\$ 104,182	3.0	7.17

Deposits

Total deposits were \$864 million at December 31, 2000 compared to \$801 million at December 31, 1999. Republic's growth in deposits was the result of management's emphasis on retail deposit gathering and its commercial cash management program. In addition to the growth in deposits, Republic was also successful in positively changing its deposit mix by increasing non-interest bearing deposits. Money market CDs increased 78% during 2000 as the Bank began offering this as one of its premier rate deposit products. Brokered CDs declined by \$16 million due to maturities. Management does not plan to seek additional brokered deposits in the near term. The 16% increase in certificates of deposit greater than \$100,000 during 2000 is attributable to a growth in market share of these jumbo certificates that was obtained throughout the Bank's retail banking centers. Non-interest bearing deposits increased 27% due to an increase in small business clients obtained primarily through personal cash management department calling efforts.

Table 14 - Deposits

<i>(in thousands)</i>	2000	1999	December 31, 1998	1997	1996
Demand (NOW, SuperNOW and Money Market)	\$ 206,511	\$ 204,071	\$ 179,804	\$ 118,870	\$ 116,180
Savings	12,584	12,158	12,330	12,165	14,840
Money market certificates of deposit	76,818	43,152	35,139	41,307	63,423
Individual retirement accounts	32,933	29,380	23,353	30,167	35,845
Certificates of deposit,					
\$100,000 and over	106,313	91,848	77,365	63,045	60,890
Other certificates of deposit	321,185	319,558	309,938	352,478	374,864
Brokered deposits	100	16,486	28,873	47,653	50,130
Total interest bearing deposits	756,444	716,653	666,802	665,685	716,172
Total non-interest bearing deposits	107,317	84,256	80,345	65,913	66,969
Total	\$ 863,761	\$ 800,909	\$ 747,147	\$ 731,598	\$ 783,141

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

Short-term borrowings consist of repurchase agreements and overnight liabilities to retail business clients arising from Republic's cash management program. While effectively deposit equivalents, these arrangements consist of securities sold under agreements to repurchase and liabilities secured by private insurance. Short-term borrowings increased from \$216 million at December 31, 1999, to \$263 million at December 31, 2000. Approximately \$30 million of this increase is related to the securities growth initiative through which Republic purchased CMOs and used a floating-rate repurchase agreement and floating rate FHLB advances, securing approximately a one percent spread on the transaction. The remainder of the increase is primarily related to funds received from three large cash management clients. These funds are subject to daily fluctuation.

## Other Borrowed Funds

Other borrowed funds, which consist principally of FHLB advances, increased from \$231 million at December 31, 1999 to \$246 million at December 31, 2000. A portion of these borrowings was utilized to purchase CMO investment securities. (See discussion in *Net Interest Income Analysis on page 18*). Republic's management expects to continue to use FHLB borrowings as a source of funds in addition to retail deposits. The need for additional FHLB borrowings above current levels will be evaluated by management, with consideration given to the growth of the Bank's loan portfolio, liquidity needs, cost of deposits, market conditions and other factors. As of December 31, 2000, Republic had the capacity and approval to increase its borrowings from the FHLB by an additional \$118 million.

## Liquidity

Republic maintains sufficient liquidity to fund short-term loan demand and routine deposit withdrawal activity by the Bank's clients. Liquidity is managed by retaining sufficient liquid assets in the form of investment securities and core deposits to meet the Bank's funding needs as well as client demand. Funding and cash flows can also be realized from the available-for-sale portion of the securities portfolio and paydowns from the loan portfolio. Republic's banking centers also provide access to their respective retail deposit markets. Approximately \$108 million of deposits, repurchase agreements and other short-term borrowings secured by private insurance bonds are attributable to three customer relationships at December 31, 2000. These funds are short-term in nature and subject to fluctuation or immediate withdrawal by these entities. Should these funds be withdrawn, Republic has the ability to replenish them through numerous funding sources. Republic has established lines of credit with other financial institutions, the FHLB and brokerage firms. While Republic is able to utilize alternative funding sources in order to meet liquidity requirements, FHLB borrowings remain a significant component of management's balance sheet strategy.

## Capital

On January 29, 1999, Republic formed an Employee Stock Ownership Plan (ESOP) for the benefit of its employees. The ESOP borrowed \$3.9 million from the Parent Company and purchased 300,000 shares of Class A Common Stock. The transaction resulted in a reduction in capital of \$3.6 million during 1999.

In July 1998 Republic sold 2 million shares of its Class A Common Stock at an initial offering price of \$13 per share and received approximately \$23.6 million in proceeds. The stock offering proceeds further strengthened Republic's capital base and are being utilized for banking center expansion, broadening existing business lines and other general corporate purposes.

Republic's board of directors approved a Class A share repurchase program of 500,000 shares during 1998 and 1999. Under the repurchase program, Republic has repurchased approximately 441,000 shares as of December 31, 2000 with a weighted average cost of \$9.99, at a total cost of \$4.4 million.

Republic plans to purchase up to seven percent of the Company's Class A Common Stock through a modified Dutch auction tender offer. The Company's management and Board of Directors believe that the Company's business strategies coupled with the current market price of its shares of Class A Common Stock, make the purchase of the shares pursuant to the terms and conditions of the offer an attractive investment opportunity. The Company plans to purchase up to 1,000,000 shares of the Company's Class A Common stock at a price between \$8.00 and \$10.00 per share. Republic has reserved the right to increase the number of shares purchased by approximately 295,000 shares. Shareholders who are considering a sale of all or a portion of their shares will have the opportunity to determine the price or prices at which they are willing to sell their shares without the usual transaction costs associated with market sales. The offer to purchase commenced February 12, 2001 and is scheduled to expire (unless extended) on March 13, 2001.

Regulatory agencies measure capital adequacy within a framework that makes capital requirements, in part, dependent on the individual risk profiles of financial institutions. Total capital increased \$13 million during 2000 to \$117 million. This increase was attributable to net income achieved during 2000 and an improvement in the accumulated other comprehensive income (loss) category as market interest rates declined favorably at year-end 2000, leading to an increase in the value of the available for sale security portfolio. Republic continues to exceed the regulatory requirements for Tier I, Tier I leverage and total risk-based capital. The Bank intends to maintain a capital position that meets or exceeds the "well capitalized" requirements as defined by the FDIC. See Note 13 to the Consolidated Financial Statements.

## Asset/Liability Management and Market Risk

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

Republic utilizes an earnings simulation model to analyze net interest income sensitivity. Potential changes in market interest rates and their subsequent effects on net interest income are then evaluated through the application of management's assumptions within the model. The model projects the effect of instantaneous movements in interest rates of both 100 and 200 basis points. Assumptions based on the historical behavior of Republic's deposit rates and balances in relation to changes in interest rates are incorporated into the model. These assumptions are inherently uncertain and, as a result, the model cannot precisely measure future net interest income or precisely predict the impact of fluctuations in market interest rates on net interest income. Actual results will differ from the model's simulated results due to timing, magnitude and frequency of interest rate changes, actual variations from the managerial assumptions utilized under the model, as well as changes in market conditions and the application and timing of various management strategies.

Republic's interest sensitivity profile changed positively from December 31, 1999 to December 31, 2000. Given a sustained 100 basis point downward shock to the yield curve used in the simulation model, Republic's base net interest income would increase by an estimated 2.22% at December 31, 2000 compared to an increase of 2.47% at December 31, 1999. Given a 100 basis point increase in the yield curve Republic's base net interest income would decrease by an estimated 3.85% at December 31, 2000 compared to a decrease of 4.49% at December 31, 1999.

The interest sensitivity profile of Republic at any point in time will be affected by a number of factors. These factors include the mix of interest sensitive assets and liabilities as well as their relative pricing schedules. It is also influenced by market interest rates, deposit growth, loan growth, and other factors. Republic is liability sensitive in that its deposits and borrowings are likely to reprice faster in response to changing market conditions than its loan portfolio. The table below is representative only and is not a precise measurement of the effect of changing interest rates on Republic's net interest income in the future.

Tables 15 & 16 illustrate Republic's estimated annualized earnings sensitivity profile based on the asset/liability model as of year-end 2000 and year-end 1999:

**Table 15 - Interest Rate Sensitivity for 2000**

	Decrease in Rates			Increase in Rates	
	200 Basis Points	100 Basis Points	BASE	100 Basis Points	200 Basis Points
<i>(dollars in thousands)</i>					
<b>Projected interest income</b>					
Loans	\$ 100,645	\$ 105,004	\$ 108,130	\$ 112,093	\$ 115,729
Investments	14,868	16,447	18,160	19,738	21,027
Short-term investments	246	194	162	89	106
<b>Total interest income</b>	115,759	121,645	126,452	131,920	136,862
<b>Projected interest expense</b>					
Deposits	35,333	40,182	43,051	47,458	51,500
Other borrowings	23,709	26,784	29,911	33,031	36,026
<b>Total interest expense</b>	59,042	66,966	72,962	80,489	87,526
<b>Net interest income</b>	\$ 56,717	\$ 54,679	\$ 53,490	\$ 51,431	\$ 49,336
Change from base	\$ 3,227	\$ 1,189		\$ (2,059)	\$ (4,154)
% Change from base	6.03%	2.22%		(3.85)%	(7.77)%



# Management's Discussion and Analysis of Financial Condition and Results of Operations



Report of Independent Auditors

Table 16 - Interest Rate Sensitivity for 1999

	Decrease in Rates			Increase in Rates	
	200 Basis Points	100 Basis Points	BASE	100 Basis Points	200 Basis Points
<i>(dollars in thousands)</i>					
<b>Projected interest income</b>					
Loans	\$ 82,805	\$ 87,101	\$ 92,825	\$ 97,350	\$ 101,418
Investments	13,311	13,862	14,191	14,565	14,914
Short-term investments	353	871	585	613	631
<b>Total interest income</b>	<b>96,469</b>	<b>101,834</b>	<b>107,601</b>	<b>112,528</b>	<b>116,963</b>
<b>Projected interest expense</b>					
Deposits	28,261	31,367	34,736	38,277	41,834
Other borrowings	16,622	20,047	23,661	27,256	30,866
<b>Total interest expense</b>	<b>44,883</b>	<b>51,414</b>	<b>58,397</b>	<b>65,533</b>	<b>72,700</b>
<b>Net interest income</b>	<b>\$ 51,586</b>	<b>\$ 50,420</b>	<b>\$ 49,204</b>	<b>\$ 46,995</b>	<b>\$ 44,263</b>
Change from base	\$ 2,382	\$ 1,216		\$ (2,209)	\$ (4,941)
% Change from base	4.84%	2.47%		(4.49)%	(10.04)%

## Market and Dividend Information

Republic's Class A Common Stock is traded on the Nasdaq National Market System (NASDAQ) under the symbol "RBCAA". The following table sets forth the high and low prices of the Class A Common Stock and the dividends paid on the Class A Common Stock and Class B Common Stock during the past two years.

Quarter Ended	2000				
	Class A Common Stock Market Value		Dividend		
	High	Low	Class A	Class B	
March 31	\$ 9.81	\$ 7.88	\$ 0.03575	\$ 0.0325	
June 30	10.06	6.38	0.03575	0.0325	
September 30	8.63	6.75	0.03575	0.0325	
December 31	7.00	5.63	0.04400	0.0400	
Quarter Ended	1999				
	Class A Common Stock Market Value		Dividend		
	High	Low	Class A	Class B	
March 31	\$ 13.00	\$ 11.00	\$ 0.02750	\$ 0.0250	
June 30	12.00	10.63	0.02750	0.0250	
September 30	11.63	9.00	0.02750	0.0250	
December 31	9.94	8.31	0.03575	0.0325	

There is no established public trading market for the Class B Common Stock, and there was no established public trading market for the Class A Common Stock prior to July 21, 1998. At February 12, 2001, the Class A Common Stock was held by 759 shareholders of record, and the Class B Common Stock was held by 257 shareholders of record. The Company intends to continue its historical practice of paying quarterly cash dividends although there is no assurance by the Board of Directors that such dividends will continue to be paid in the future. The payment of dividends in the future is dependent on future income, financial position, capital requirements, the discretion and judgment of the Board of Directors and other considerations. In addition, the payment of dividends is subject to the regulatory restrictions described in Note 13 to the Company's consolidated financial statements.

Board of Directors and Stockholders of Republic Bancorp, Inc.

We have audited the accompanying consolidated balance sheets of Republic Bancorp, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of Republic's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Republic Bancorp, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ending December 31, 2000, in conformity with generally accepted accounting principles.

*Crowe, Chizek and Company LLP*

Crowe, Chizek and Company LLP  
Louisville, Kentucky  
January 11, 2001

As of December 31, <i>(in thousands, except share data)</i>	2000	1999
<b>Assets:</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 40,215	\$ 20,827
Federal funds sold		46,700
Total cash and cash equivalents	<b>40,215</b>	67,527
Securities available for sale	171,800	181,627
Securities to be held to maturity	103,768	32,931
Mortgage loans held for sale	5,229	7,408
Loans, less allowance for loan losses of \$7,862 (2000 and 1999)	1,136,531	1,031,512
Federal Home Loan Bank stock	16,171	15,054
Premises and equipment, net	19,573	18,986
Other assets and accrued interest receivable	14,785	13,938
<b>TOTAL</b>	<b>\$ 1,508,072</b>	\$ 1,368,983
<b>Liabilities:</b>		
Deposits:		
Non-interest bearing	\$ 107,317	\$ 84,256
Interest bearing	756,444	716,653
Securities sold under agreements to repurchase and other short-term borrowings	263,001	215,718
Other borrowed funds	246,050	231,383
Guaranteed preferred beneficial interests in Republic's subordinated debentures	6,352	6,352
Other liabilities and accrued interest payable	11,966	10,851
<b>Total liabilities</b>	<b>1,391,130</b>	1,265,213
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity:</b>		
Preferred stock, no par value, 100,000 shares authorized Series A 8.5% noncumulative convertible		
Class A common stock, no par value, 30,000,000 shares authorized, 14,511,976 shares (2000) and 14,536,337 shares (1999) issued and outstanding; Class B common stock, no par value, 5,000,000 shares authorized, 2,104,735 shares (2000) and 2,142,149 shares (1999) issued and outstanding	4,079	4,099
Additional paid-in capital	33,294	33,617
Retained earnings	83,345	73,600
Unearned shares in employee stock ownership plan	(3,324)	(3,620)
Accumulated other comprehensive income (loss)	(452)	(3,926)
<b>Total stockholders' equity</b>	<b>116,942</b>	103,770
<b>TOTAL</b>	<b>\$ 1,508,072</b>	\$ 1,368,983

See accompanying notes.

Years Ended December 31, <i>(in thousands, except per share data)</i>	2000	1999	1998
<b>Interest Income:</b>			
Loans, including fees	\$ 100,422	\$ 83,581	\$ 77,919
Securities			
Taxable	16,309	12,260	12,851
Non-taxable	89	95	112
Other	1,840	1,221	1,785
Total interest income	<b>118,660</b>	97,157	92,667
<b>Interest Expense:</b>			
Deposits	37,521	32,686	34,221
Securities sold under agreements to repurchase and short-term borrowings	13,819	5,656	4,869
Other borrowed funds	15,511	11,210	11,084
Total interest expense	<b>66,851</b>	49,552	50,174
<b>Net Interest Income</b>	<b>51,809</b>	47,605	42,493
<b>Provision For Loan Losses</b>	<b>1,382</b>	1,806	3,110
<b>Net Interest Income After Provision For Loan Losses</b>	<b>50,427</b>	45,799	39,383
<b>Non-Interest Income:</b>			
Service charges on deposit accounts	4,410	3,653	3,255
Electronic refund check fees	1,070	1,238	380
Other service charges and fees	442	489	441
Loan servicing income	363	455	598
Net gain on sale of mortgage loans	1,417	2,974	4,326
Net gain (loss) on sale of securities	(161)	184	1,139
Net gain on sale of deposits			4,116
Other	1,318	1,091	1,257
Total non-interest income	<b>8,859</b>	10,084	15,512
<b>Non-Interest Expense:</b>			
Salaries and employee benefits	20,519	20,661	16,968
Occupancy and equipment	8,825	7,632	7,423
Communication and transportation	2,084	1,716	1,703
Marketing and development	1,555	1,266	1,372
Supplies	994	940	1,066
Other	6,052	5,168	5,001
Total non-interest expense	<b>40,029</b>	37,383	33,533
<b>Income Before Income Taxes</b>	<b>19,257</b>	18,500	21,362
<b>Income Taxes</b>	<b>6,336</b>	6,248	7,606
<b>Net Income</b>	<b>\$ 12,921</b>	\$ 12,252	\$ 13,756
<b>Other Comprehensive Income (Loss), Net Of Tax:</b>			
Change in unrealized gain (loss) on securities	\$ 3,368	\$ (4,015)	\$ 1,004
Reclassification of realized amount	106	(121)	(740)
Net unrealized gain (loss) recognized in comprehensive income	<b>3,474</b>	(4,136)	264
<b>Comprehensive Income</b>	<b>\$ 16,395</b>	\$ 8,116	\$ 14,020
<b>Earnings Per Share, Basic</b>			
Class A	\$ 0.78	\$ 0.73	\$ 0.87
Class B	0.77	0.72	0.86
<b>Earnings Per Share Assuming Dilution</b>			
Class A	0.76	0.71	0.83
Class B	0.75	0.69	0.82

See accompanying notes.

# Consolidated Statements Of Stockholders' Equity

Years Ended December 31, <i>(in thousands, except per share data)</i>	Common Stock			Additional Paid-In Capital	Retained Earnings	Unearned Shares in Employee Stock Ownership Plan	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Class A Shares	Class B Shares	Amount					
<b>Balance, January 1, 1998</b>	12,531	2,418	\$ 3,613	\$ 10,833	\$ 53,994		\$ (54)	\$ 68,386
Exercise of Common Stock options	34	5	7	148				155
Issuance of Class A Common	2,000		484	23,097				23,581
Repurchase of Class A Common	(52)		(12)	(100)	(574)			(686)
Acquisition of Refunds Now		230	55	(53)	30			32
Employee stock grant	3		1	40				41
Conversion of Class B Common to Class A Common	348	(348)						
Conversion of Capital Trust Preferred to Class A Common	5		1	49				50
Dividends declared Common:								
Class A (\$ 0.11 per share)					(1,501)			(1,501)
Class B (\$ 0.10 per share)					(236)			(236)
Net changes in accumulated other comprehensive income (loss)							264	264
Net income					13,756			13,756
<b>Balance, December 31, 1998</b>	14,869	2,305	\$ 4,149	\$ 34,014	\$ 65,469		\$ 210	\$ 103,842
Exercise of Common Stock options	22	4	6	91				97
Repurchase of Class A Common	(247)		(57)	(489)	(2,167)			(2,713)
Conversion of Class B Common to Class A Common	167	(167)						
Conversion of Capital Trust Preferred to Class A Common	5		1	49				50
Purchase of 300,000 shares under the Employee Stock Ownership Plan	(300)					\$ (3,873)		(3,873)
Commitment of 19,612 shares to be released under the Employee Stock Ownership Plan	20			(48)		253		205
Dividends declared Common:								
Class A (\$ 0.11825 per share)					(1,721)			(1,721)
Class B (\$ 0.10750 per share)					(233)			(233)
Net changes in accumulated other comprehensive income (loss)							(4,136)	(4,136)
Net income					12,252			12,252
<b>Balance, December 31, 1999</b>	<b>14,536</b>	<b>2,142</b>	<b>\$ 4,099</b>	<b>\$ 33,617</b>	<b>\$ 73,600</b>	<b>\$ (3,620)</b>	<b>\$ (3,926)</b>	<b>\$ 103,770</b>
Exercise of Common Stock options	42	17	14	86				100
Repurchase of Class A Common	(143)		(34)	(283)	(691)			(1,008)
Conversion of Class B Common to Class A Common	54	(54)						
Commitment of 22,930 shares to be released under the Employee Stock Ownership Plan	23			(126)		296		170
Dividends declared Common:								
Class A (\$ 0.15125 per share)					(2,194)			(2,194)
Class B (\$ 0.13750 per share)					(291)			(291)
Net changes in accumulated other comprehensive income (loss)							3,474	3,474
Net income					12,921			12,921
<b>Balance, December 31, 2000</b>	<b>14,512</b>	<b>2,105</b>	<b>\$ 4,079</b>	<b>\$ 33,294</b>	<b>\$ 83,345</b>	<b>\$ (3,324)</b>	<b>\$ (452)</b>	<b>\$ 116,942</b>

See accompanying notes

Years Ended December 31, <i>(in thousands)</i>	2000	1999	1998
<b>Operating Activities:</b>			
Net income	\$ 12,921	\$ 12,252	\$ 13,756
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization, net	4,132	3,949	3,644
FHLB stock dividends	(1,117)	(1,018)	(855)
Provision for loan losses	1,382	1,806	3,110
Net gain on sale of deposits			(4,116)
Net gain on sale of mortgage loans	(1,417)	(2,974)	(4,326)
Net (gain) loss on sale of securities	161	(184)	(1,139)
Proceeds from sale of mortgage loans held for sale	113,768	210,747	272,080
Origination of mortgage loans held for sale	(110,172)	(177,014)	(295,951)
Employee stock grant			41
Employee Stock Ownership Plan expense	170	205	
Changes in assets and liabilities:			
Accrued interest receivable and other assets	(1,196)	3,273	595
Accrued interest payable and other liabilities	998	(684)	(1,623)
Net cash provided by (used in) operating activities	19,630	50,358	(14,784)
<b>Investing Activities:</b>			
Purchases of securities available for sale	(61,159)	(89,042)	(235,129)
Purchases of securities to be held to maturity	(88,109)	(61,354)	
Purchases of FHLB stock			(5,057)
Proceeds from maturities of securities to be held to maturity	17,438	58,544	68,827
Proceeds from maturities and paydowns of securities available for sale	48,248	67,546	9,094
Proceeds from sales of securities available for sale	27,569	20,244	133,867
Net increase in loans	(107,842)	(165,653)	(79,421)
Purchases of premises and equipment, net	(4,613)	(6,724)	(6,409)
Cash acquired in acquisition of Refunds Now			32
Net cash used in investing activities	(168,468)	(176,439)	(114,196)
<b>Financing Activities:</b>			
Net increase in deposits	62,852	53,762	81,229
Sale of deposits			(61,564)
Net increase in securities sold under agreements to repurchase and other short-term borrowings	47,283	67,059	37,522
Payments on other borrowed funds	(305,531)	(93,839)	(336,453)
Proceeds from other borrowed funds	320,198	135,000	402,270
Proceeds from issuance of Class A common stock			23,581
Repurchase of Class A common stock	(1,008)	(2,713)	(686)
Proceeds from common stock options exercised	100	97	155
Purchase of shares for Employee Stock Ownership Plan		(3,873)	
Cash Dividends Paid	(2,368)	(1,831)	(1,674)
Net cash provided by financing activities	121,526	153,662	144,380
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(27,312)</b>	27,581	15,400
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>67,527</b>	39,946	24,546
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 40,215</b>	<b>\$ 67,527</b>	<b>\$ 39,946</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>			
Cash paid during the year for:			
Interest	\$ 66,361	\$ 49,379	\$ 52,638
Income Taxes	6,284	5,949	8,379
<b>Supplemental Noncash Disclosures</b>			
Transfers from loans to other real estate owned	1,441	2,366	1,219

## 1. Summary Of Significant Accounting Policies

**Principles of Consolidation and Business** - The consolidated financial statements include the accounts of Republic Bancorp, Inc. (Parent Company) and its wholly-owned subsidiaries: Republic Bank & Trust Company (Bank), Republic Capital Trust and Republic Mortgage Company (collectively Republic). The consolidated financial statements also include the wholly owned subsidiaries of Republic Bank & Trust Company: Republic Financial Services, LLC (d/b/a Refunds Now) and Republic Insurance Agency, Inc. All significant intercompany balances and transactions have been eliminated.

Republic operates 22 banking centers, which includes a loan production office in Clarksville, Indiana, primarily in the retail banking industry and conducts its operations predominately in metropolitan Louisville, Central Kentucky and through an Internet banking software application. Republic's consolidated results of operations are dependent upon net interest income, which is the difference between the interest income on interest-earning assets and the interest expense on interest-bearing liabilities. Principal interest-earning assets are securities and real estate mortgage, commercial, and consumer loans. Interest-bearing liabilities consist of interest-bearing deposit accounts and short-term and long-term borrowings.

Other sources of income include fees charged to customers for a variety of banking services such as transaction deposit accounts and trust services. Republic also generates revenue from its mortgage banking activities, which include the origination and sale of loans in the secondary market and servicing loans for others, and through electronic tax refund services.

Republic's operating expenses consist primarily of salaries and employee benefits, occupancy and equipment expenses, marketing and development, communications and transportation costs and other general and administrative expenses. Republic's results of operations are significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government policies and actions of regulatory agencies.

**Use of Estimates** - Financial statements prepared in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Estimates that are particularly subject to change include the allowance for loan losses and fair value of financial instruments. Actual results could differ from these estimates.

**Cash Flows** - Cash and cash equivalents includes cash, deposits with other financial institutions under 90 days, and federal funds sold. Net cash flows are reported for loan, deposit and other borrowing transactions.

**Securities** - Securities to be held to maturity are those which Republic has the positive intent and ability to hold to maturity and are reported at cost, adjusted for premiums and discounts that are recognized in interest income using the interest method over the period to maturity.

Securities available for sale, carried at fair value, consist of securities not classified as trading securities nor as held to maturity securities. Unrealized holding gains and losses, net of tax, on securities available for sale are reported as a separate component of stockholders' equity until realized. Gains and losses on the sale of available for sale securities are determined using the specific-identification method. Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Declines in the fair value of individual securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses.

Federal Home Loan Bank stock is carried at cost.

**Mortgage Banking Activities** - Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or market value. Republic controls its interest rate risk with respect to mortgage loans held for sale and loan commitments expected to close by entering into agreements to sell loans. The aggregate market value of mortgage loans held for sale considers the sales prices of such agreements. Republic also provides for any losses on uncovered commitments to lend or sell.

Servicing rights are recognized as assets for purchased rights and for the allocated value of retained servicing rights on loans sold. Servicing rights are expensed in proportion to, and over the period of, estimated net servicing revenues. Impairment is evaluated based on the fair value of the rights, using groupings of the underlying loans by interest rate and then, secondarily, by geographic and prepayment characteristics. Any impairment of a grouping is reported as a valuation allowance. Republic's loans sold in the secondary market have been primarily sold with servicing released. Accordingly, servicing rights have not had a material impact on Republic's financial position or results of operations.

Loan servicing income is recorded as principal payments are collected and includes servicing fees from investors and certain charges collected from borrowers, such as late payment fees. Costs of loan servicing are charged to expense as incurred.

**Loans** - Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balance adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

Interest on loans is computed on the principal balance outstanding. Loan origination fees and certain direct loan origination costs relating to successful loan origination efforts are deferred and recognized over the lives of the related loans as an adjustment to yield.

Generally, the accrual of interest on loans, including impaired loans, is discontinued when it is determined that the collection of interest or principal is doubtful, or when a default of interest or principal has existed for 90 days or more, unless such loans are well secured and in the process of collection. Interest received on non-accrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectibility of principal. When loans are placed on non-accrual status, all unpaid accrued interest is reversed. Such loans remain on non-accrual status until the borrower demonstrates the ability to remain current or the loan is deemed uncollectible and is charged off. Consumer loans generally are not placed on non-accrual status but are reviewed periodically and charged off when deemed uncollectible.

Republic recognizes interest income on an impaired loan when earned, unless the loan is on non-accrual status, in which case interest income is recognized when received.

**Allowance for Loan Losses** – The allowance for loan losses is a valuation allowance for probable credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the loan portfolio, information about specific borrower situations, estimated collateral values, economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed.

A loan is impaired when full payment under the loan terms is not expected. Impairment is evaluated collectively for smaller-balance loans of similar nature such as residential mortgage and consumer loans, and on an individual loan basis for commercial and commercial real estate loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

**Premises and Equipment** – Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed over the estimated useful lives of the related assets on the straight-line method. Estimated lives are 25 to 31 1/2 years for buildings and improvements, 3 to 5 years for furniture, fixtures and equipment and 3 to 9 years for leasehold improvements.

**Long Lived Assets** – Long lived assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at discounted amounts.

**Securities Sold under Agreements to Repurchase and Other Short-Term Borrowings** – Substantially all repurchase agreement liabilities represent amounts advanced by customers. Securities are pledged to cover most of these liabilities not covered by federal deposit insurance. Certain of these liabilities, which are not covered by federal deposit insurance, are secured by private insurance purchased by Republic rather than by a pledge of securities.

**Stock Option Plans** – Employee compensation expense under stock option plans is reported if options are granted below market price at grant date. Pro-forma disclosures of net income and earnings per share are shown using the fair value method of SFAS No. 123 to measure expense for options granted after 1994, using an option pricing model to estimate fair value.

**Income Taxes** – Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

**Employee Stock Ownership Plan** – The cost of shares held by the ESOP, but not yet allocated to participants, is shown as a reduction of stockholders' equity. Compensation expense is based on the market price of shares as they are committed to be released to participant accounts. Dividends on allocated ESOP shares reduce retained earnings; dividends on unearned ESOP shares reduce debt and accrued interest.

**Financial Instruments** – Financial instruments include off-balance sheet credit instruments, such as commitments to fund loans and standby letters of credit. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

**Earnings per Share** – Earnings per share is based on income (in the case of Class B Common Stock, less the dividend preference on Class A Common Stock) divided by the weighted average number of shares outstanding during the period. Earnings per share assuming dilution shows the effect of additional common shares issuable under stock options, convertible preferred stock and guaranteed preferred beneficial interests in Republic's subordinated debentures. All per share amounts have been restated to reflect the stock splits occurring during the periods presented.

**Comprehensive Income** – Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale which are also recognized as separate components of equity.

**Segment Information** – Segments are parts of a company evaluated by management with separate financial information. Republic's internal information is primarily reported and evaluated in three lines of business – banking, mortgage banking and Refunds Now.

**Acquisition** – During 1998, Republic acquired Refunds Now, Inc. for 230,000 shares of Class B Common Stock. Refunds Now provides electronic tax return filing and refund anticipation loan services through independent tax preparer locations nationwide. The transaction was accounted for using the pooling of interests method. As reflected in the consolidated statements of stockholders' equity and cash flows, prior periods have not been restated for the acquisition as the impact to those periods is not material. As of and for the year ended 1998, Refunds Now had \$507,000 in total assets and net income of \$169,000.

**Current Accounting Issues** – Beginning January 1, 2001, a new accounting standard will require all derivatives to be recorded at fair value. Unless designated as hedges, changes in these fair values will be recorded in the income statement. Fair value changes involving hedges will generally be recorded by offsetting gains and losses on the hedge and on the hedged item, even if the fair value of the hedged item is not otherwise recorded. Republic periodically enters into non-exchange traded mandatory forward sales contracts in conjunction with its mortgage banking operations. These contracts, considered derivatives, typically last 90 days and are used to hedge the risk of interest rate changes between the time of the commitment to make a loan to a borrower at a stated rate and when the loan is sold. Republic had \$2.5 million in mandatory forward sales contracts at December 31, 2000 with an unrecorded fair value of \$22,000. These contracts were adjusted to fair value on January 1, 2001 resulting in an increase in other assets and other income. As allowed in conjunction with the adoption of this standard, on January 1, 2001, Republic transferred substantially all of its securities in the held to maturity portfolio into the available for sale portfolio. As a result of this transfer and the corresponding adjustment to fair value, securities increased \$414,000, other assets decreased \$132,000, and accumulated other comprehensive income increased \$273,000.

**Reclassifications** – Certain amounts presented in prior periods have been restated to conform with the year 2000 presentation.

## 2. Restrictions On Cash And Due From Banks

Republic is required by the Federal Reserve Bank to maintain average reserve balances. Cash and due from banks in the consolidated balance sheet includes \$1.5 million of reserve balances at December 31, 2000.

### 3. Securities

Securities available for sale:

As of December 31, 2000 <i>(in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Securities and U.S. Government Agencies	\$ 87,251	\$ 246	\$ (188)	\$ 87,309
Mortgage-backed securities	65,904	57	(405)	65,556
Corporate bonds	19,205		(395)	18,810
Other securities	125			125
Total securities available for sale	<b>\$ 172,485</b>	<b>\$ 303</b>	<b>\$ (988)</b>	<b>\$ 171,800</b>

As of December 31, 1999 <i>(in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Securities and U.S. Government Agencies	\$ 99,019	\$ 3	\$ (1,993)	\$ 97,029
Mortgage-backed securities	69,292		(2,952)	66,340
Corporate bonds	19,266		(1,008)	18,258
Total securities available for sale	<b>\$ 187,577</b>	<b>\$ 3</b>	<b>\$ (5,953)</b>	<b>\$ 181,627</b>

Securities to be held to maturity:

As of December 31, 2000 <i>(in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Securities and U.S. Government Agencies	\$ 40,375	\$ 207	\$ (1)	\$ 40,581
Obligations of state and political subdivisions	275	2		277
Mortgage-backed securities	63,118	345	(139)	63,324
Total securities to be held to maturity	<b>\$ 103,768</b>	<b>\$ 554</b>	<b>\$ (140)</b>	<b>\$ 104,182</b>

As of December 31, 1999 <i>(in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Securities and U.S. Government Agencies	\$ 25,353	\$	\$ (134)	\$ 25,219
Obligations of state and political subdivisions	3,775	89		3,864
Mortgage-backed securities	3,803		(50)	3,753
Total securities to be held to maturity	<b>\$ 32,931</b>	<b>\$ 89</b>	<b>\$ (184)</b>	<b>\$ 32,836</b>

Securities having an amortized cost of \$255.7 million and \$164.7 million and fair value of \$255.4 million and \$160.6 million at December 31, 2000 and 1999, respectively, were pledged to secure public deposits, securities sold under agreements to repurchase and for other purposes, as required or permitted by law. Gross losses of \$161,000 were recognized in 2000 from proceeds of \$28 million on sales of available for sale securities. In 1999, gross gains of \$185,000 and losses of \$1,000 were recognized from proceeds of \$20 million on sales of available for sale securities.

The amortized cost and fair value of securities, by contractual maturity, are as follows:

December 31, 2000, <i>(in thousands)</i>	Securities to be held to maturity		Securities available for sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 10,047	\$ 10,059	\$ 40,618	\$ 40,489
Due after one year through five years	30,603	30,799	65,838	65,630
Due after five through ten years			100	100
Due after ten years			25	25
Mortgage-backed securities	63,118	63,324	65,904	65,556
Total	<b>\$ 103,768</b>	<b>\$ 104,182</b>	<b>\$ 172,485</b>	<b>\$ 171,800</b>

### 4. LOANS

December 31, <i>(in thousands)</i>	2000	1999
Residential real estate	\$ 633,328	\$ 636,012
Commercial real estate	256,834	163,064
Real estate construction	77,437	63,928
Commercial	30,008	31,411
Consumer	31,121	39,435
Home equity	115,467	103,833
Other	1,541	2,973
Total loans	<b>1,145,736</b>	1,040,656
Less:		
Unearned interest income and unamortized loan fees	1,343	1,282
Allowance for loan losses	7,862	7,862
Loans, net	<b>\$ 1,136,531</b>	\$ 1,031,512

Activity in the allowance for loan losses is summarized as follows:

December 31, <i>(in thousands)</i>	2000	1999	1998
Balance, beginning of year	\$ 7,862	\$ 7,862	\$ 8,176
Provision for loan losses charged to income	1,382	1,806	3,110
Charge-offs	(2,290)	(2,398)	(3,924)
Recoveries	908	592	500
Balance, end of year	<b>\$ 7,862</b>	\$ 7,862	\$ 7,862

Information about Republic's investment in impaired loans is as follows:

December 31, <i>(in thousands)</i>	2000	1999	1998
Year-end loans with no allocated allowance for loan losses	\$ 0	\$ 0	\$ 0
Year-end loans with allocated allowance for loan losses	767	1,043	1,116
Total	\$ 767	\$ 1,043	\$ 1,116
Amount of the allowance for loan losses allocated	\$ 385	\$ 700	\$ 100
Average of impaired loans during the year	714	1,043	1,116
Interest income recognized during impairment	0	92	100
Cash-basis interest income recognized	0	92	100
Nonperforming loans were as follows:			
Loans past due 90 days still on accrual	984	968	1,731
Nonaccrual loans	3,100	2,721	3,258

Nonperforming loans includes impaired loans and smaller balance homogeneous loans as defined in note 1.

Loans made to executive officers and directors of Republic and their related interests in the ordinary course of business, subject to substantially the same credit policies as other loans and current in their terms, are as follows:

Period	Balance, Beginning Of Period	Change in Related Party Status	New Loans <i>(in thousands)</i>	Repayments	Balance, End Of Period
Year ended December 31, 2000	\$ 6,526	\$ 9,123	\$ 4,834	\$ (3,107)	\$ 17,376

## 5. LOAN SERVICING

Republic was servicing loans for others (primarily FHLMC) totaling \$187 million and \$199 million at December 31, 2000 and 1999, respectively. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and processing foreclosures.

## 6. PREMISES AND EQUIPMENT

December 31, <i>(in thousands)</i>	2000	1999
Land	\$ 2,054	\$ 1,502
Office buildings and improvements	11,356	11,348
Furniture, fixtures and equipment	19,068	20,666
Leasehold improvements	2,120	1,994
Total premises and equipment	34,598	35,510
Less accumulated depreciation and amortization	15,025	16,524
Net premises and equipment	\$ 19,573	\$ 18,986

## 7. DEPOSITS

Time deposits of \$100,000 or more were approximately \$106 million and \$92 million at year-end 2000 and 1999.

At December 31, 2000, the scheduled maturities of time deposits of \$100,000 or more are as follows:

		Weighted Average Rate
Less than 1 year	\$ 68,188	6.23%
Over 1 year through 3 years	37,539	6.52
Over 3 years through 5 years	586	6.33
Total	\$ 106,313	

## 8. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND OTHER SHORT TERM BORROWINGS

These liabilities consist of short-term excess funds from correspondent banks, repurchase agreements and overnight liabilities to deposit customers arising from Republic's cash management program. While effectively deposit equivalents, the overnight liabilities to customers are in the form of repurchase agreements or liabilities secured by insurance policies purchased by Republic. Repurchase agreements collateralized by securities are treated as financings; accordingly, the securities involved with the agreements are recorded as assets and are held by a safekeeping agent and the obligations to repurchase the securities are reflected as liabilities. All securities underlying the agreements were under Republic's control.

Information concerning securities sold under agreements to repurchase and liabilities secured by insurance policies at year end 2000 and 1999 is as follows:

December 31, <i>(in thousands)</i>	2000	1999
Average outstanding balance during the year	\$ 243,582	\$ 129,903
Average interest rate during the year	5.67%	4.35%
Maximum month end balance during the year	\$ 264,682	\$ 217,143

Included in December 31, 2000 balances is \$108 million related to three major customer relationships.

## 9. OTHER BORROWED FUNDS

December 31, <i>(in thousands)</i>	2000	1999
Federal Home Loan Bank convertible fixed rate advance (see comment below)	\$ 10,000	\$ 10,000
Federal Home Loan Bank variable interest rate advances, with weighted average interest rate of 6.73% at December 31, 2000, due through 2002	40,000	110,000
Federal Home Loan Bank fixed interest rate advances, with weighted average interest rate of 6.37% at December 31, 2000, due through 2026	196,050	111,383
	\$ 246,050	\$ 231,383

During December 1998, Republic entered into a convertible fixed rate advance maturing in 10 years with the Federal Home Loan Bank (FHLB) totaling \$10 million. The advance was fixed for 3 years at 4.61%. At the end of the fixed term, the FHLB has the right to convert the fixed rate advance on a quarterly basis to a variable rate advance tied to the three month LIBOR index. The advance can be prepaid at any quarterly date without penalty, but may not be prepaid at any time during the fixed rate term.

The Federal Home Loan Bank advances are collateralized by a blanket pledge of eligible real estate loans with an unpaid principal balance of greater than 135% of the total commitment. Republic has available collateral to borrow an additional \$118 million from the Federal Home Loan Bank. Republic also has unsecured lines of credit totaling \$40 million and secured lines of credit of \$100 million available through various financial institutions.

Aggregate future principal payments on borrowed funds as of December 31, 2000 are as follows:

Year	(in thousands)
2001	\$ 29,284
2002	95,000
2003	85,000
2004	
2005 and thereafter	36,766
	<u>\$ 246,050</u>

## 10. GUARANTEED PREFERRED BENEFICIAL INTERESTS

In February 1997, Republic Capital Trust (RCT), a trust subsidiary of Republic Bancorp, Inc., completed the private placement of 64,520 shares of cumulative trust preferred securities (Trust Preferred Securities) with a liquidation preference of \$100 per security. Each security can be converted into ten shares of Class A Common Stock at the option of the holder. The proceeds of the offering were loaned to Republic Bancorp, Inc. in exchange for subordinated debentures with terms that are similar to the Trust Preferred Securities. Distributions on the securities are payable quarterly at the annual rate of 8.5% of the liquidation preference and are included in interest expense in the consolidated financial statements.

The Trust Preferred Securities are subject to mandatory redemption, in whole or in part, upon repayment of the subordinated debentures at maturity or their earlier redemption at the liquidation preference. The subordinated debentures are redeemable prior to the maturity date of April 1, 2027 at the option of Republic on or after April 1, 2002, or upon the occurrence of specific events, defined within the trust indenture. Republic has the option to defer distributions on the subordinated debentures from time to time for a period not to exceed 20 consecutive quarters. If distributions are deferred, Republic is prohibited from paying dividends to its Class A and Class B Common stockholders.

## 11. INCOME TAXES

Income tax expense is summarized as follows:

Year Ended December 31, (in thousands)	2000	1999	1998
Current	\$ 5,904	\$ 5,692	\$ 6,918
Deferred expense (benefit)	432	556	688
Total	<u>\$ 6,336</u>	<u>\$ 6,248</u>	<u>\$ 7,606</u>

The provision for income taxes differs from the amount computed at the statutory rate as follows:

Years Ended December 31,	2000	1999	1998
Federal statutory rate	35.0%	35.0%	35.0%
Increase (decrease) resulting from:			
Tax-exempt interest income	(0.3)	(0.2)	(0.1)
Other	(1.7)	(1.0)	0.7
Effective rate	<u>33.0%</u>	<u>33.8%</u>	<u>35.6%</u>

The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities are as follows:

December 31, (in thousands)	2000	1999
Deferred tax assets:		
Depreciation	\$ 592	\$ 691
Allowance for loan losses	1,832	1,829
Unrealized securities losses	233	2,023
Total deferred tax assets	<u>2,657</u>	<u>4,543</u>
Deferred tax liabilities:		
FHLB dividends	1,667	1,276
Loan fees	155	210
Mortgage servicing	218	182
Other	455	491
Total deferred tax liabilities	<u>2,495</u>	<u>2,159</u>
Net deferred tax asset, included in other assets	<u>\$ 162</u>	<u>\$ 2,384</u>

## 12. EARNINGS PER SHARE

A reconciliation of the combined Class A and B Common Stock numerators and denominators of the earnings per share and earnings per share assuming dilution computations is presented below.

Class A and B shares participate equally in undistributed earnings. The difference in earnings per share between the two classes of common stock results solely from the 10% per share dividend premium paid on Class A Common Stock over that paid on Class B Common Stock as discussed in Note 13. The aggregate dividend premium paid on Class A Common Stock for 2000, 1999 and 1998 was \$199,000, \$156,000 and \$136,000, or approximately one and one-half cents on basic earnings per share.

### Basic

Years Ended December 31, (in thousands)	2000	1999	1998
Earnings Per Share			
Net Income available to common shares outstanding	\$ 12,921	\$ 12,252	\$ 13,756
Weighted average shares outstanding	<u>16,621</u>	<u>16,769</u>	<u>15,886</u>

### Earnings Per Share, Basic

Class A	\$ 0.78	\$ 0.73	\$ 0.87
Class B	0.77	0.72	0.86

### Diluted

Years Ended December 31, (in thousands)	2000	1999	1998
Earnings Per Share Assuming Dilution			
Net Income	\$ 12,921	\$ 12,252	\$ 13,756
Add: Interest expense, net of tax benefit, on assumed conversion of guaranteed preferred beneficial interests in Republic's subordinated debentures	348	354	356
Net Income available to common shareholder assuming conversion	<u>\$ 13,269</u>	<u>\$ 12,606</u>	<u>\$ 14,112</u>



Years Ended December 31, <i>(in thousands)</i>	2000	1999	1998
Weighted average shares outstanding	16,621	16,769	15,886
Add dilutive effects of assumed conversion and exercise:			
Convertible guaranteed preferred beneficial interest in Republic's subordinated debentures	635	635	645
Stock options	246	496	498
Weighted average shares and dilutive potential shares outstanding	17,502	17,900	17,029
Earnings Per Share, Diluted			
Class A	\$ 0.76	\$ 0.71	\$ 0.83
Class B	0.75	0.69	0.82

Stock options for 282,500 and 238,000 shares of Class A Common Stock were excluded from the 2000 and 1999 earnings per share assuming dilution because their impact was antidilutive.

### 13. STOCKHOLDERS' EQUITY

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

On June 30, 1998, the shareholders approved an amendment to Republic's Articles of Incorporation to increase the authorized Class A Common Stock to 30,000,000 shares and the authorized Class B Common Stock to 5,000,000 shares. Concurrently, the shareholders approved a 2-for-1 stock split affecting both classes of Common Stock. All per share amounts have been retroactively restated to reflect the split.

On July 21, 1998, Republic issued 2 million shares of Class A Common Stock in an initial public offering at \$13.00 per share.

**Dividend Limitations** - Banking regulations limit the amount of dividends that may be paid to the Parent Company without prior approval of the Bank's regulatory agency. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, as defined, combined with the retained net profits of the preceding two years, less any dividends declared during those periods. At December 31, 2000, the Bank had \$24 million of retained earnings available for such purposes.

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

Quantitative measures established by regulation to ensure capital adequacy require the Parent Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). As of December 31, 2000, the Parent Company and the Bank meet all capital adequacy requirements to which they are subject.

The most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum Total Risk-Based, Tier I Risk-Based, and Tier I Leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's capital rating.

	Actual		Minimum Requirement For Capital Adequacy Purposes		Minimum Requirement To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>(dollars in thousands)</i>						
<b>As of December 31, 2000</b>						
Total Risk Based Capital (to Risk Weighted Assets)						
<b>Consolidated</b>	\$ 130,968	12.78%	\$ 82,012	8%	\$ 102,516	10%
Bank only	126,710	12.36	82,006	8	102,508	10
Tier I Capital (to Risk Weighted Assets)						
<b>Consolidated</b>	123,106	12.01	41,006	4	61,509	6
Bank only	118,848	11.59	41,003	4	61,505	6
Tier I Leverage Capital (to Average Assets)						
<b>Consolidated</b>	123,106	8.13	60,599	4	75,748	5
Bank only	118,848	7.84	60,599	4	75,749	5
<b>As of December 31, 1999</b>						
Total Risk Based Capital (to Risk Weighted Assets)						
<b>Consolidated</b>	\$ 121,892	14.28%	\$ 68,285	8%	\$ 85,356	10%
Bank only	117,665	13.79	68,281	8	85,351	10
Tier I Capital (to Risk Weighted Assets)						
<b>Consolidated</b>	114,030	13.36	34,142	4	51,213	6
Bank only	109,803	12.86	34,140	4	51,211	6
Tier I Leverage Capital (to Average Assets)						
<b>Consolidated</b>	114,030	8.61	49,804	4	62,254	5
Bank only	109,803	8.29	49,799	4	62,249	5
On February 12, 2001, Republic initiated a Dutch auction tender offer. The table below demonstrates the maximum pro forma effect on regulatory capital of the offer assuming the Company purchases, pursuant to the offer, up to 1,000,000 of the outstanding shares of the Class A Common Stock, up to \$10 per share. See Note 21 on page 56 of this annual report for additional information on the offer.						
						Pro Forma \$10.0 million
						Amount Ratio
						<i>(dollars in thousands)</i>
<b>As of December 31, 2000 (unaudited)</b>						
Total Risk Based Capital (to Risk Weighted Assets)						
<b>Consolidated</b>			\$ 120,893	11.79%		
Bank only			116,635	11.38		
Tier I Capital (to Risk Weighted Assets)						
<b>Consolidated</b>			113,031	11.03		
Bank only			108,773	10.61		
Tier I Leverage Capital (to Average Assets)						
<b>Consolidated</b>			113,031	7.51		
Bank only			108,773	7.23		

Republic has reserved the right to increase the number of shares purchased by approximately 295,000 shares. The purchase of additional shares in the tender offer will have the effect of reducing the pro forma capital ratios shown above.

## 14. STOCK OPTION PLAN

Under a stock option plan, certain key employees and directors are granted options to purchase shares of Republic's common stock at fair value at the date of the grant. Options granted become fully exercisable at the end of two to six years of continued employment and must be exercised within one year.

A summary of Republic's stock option activity, and related information for the years ended December 31 follows:

	2000				1999			
	Options Class A Shares	Weighted Average Exercise Price	Options Class B Shares	Weighted Average Exercise Price	Options Class A Shares	Weighted Average Exercise Price	Options Class B Shares	Weighted Average Exercise Price
Outstanding beginning of year	1,126,000	\$ 7.08	48,000	\$ 3.84	1,217,500	\$ 7.03	52,500	\$ 3.83
Granted	137,000	6.21			7,000	10.63		
Exercised	(90,000)	3.28	(18,000)	3.28	(22,500)	3.61	(4,500)	3.61
Forfeited	(127,500)	7.82			(76,000)	7.52		
Outstanding year end	<u>1,045,500</u>	<u>\$ 7.20</u>	<u>30,000</u>	<u>\$ 4.18</u>	<u>1,126,000</u>	<u>\$ 7.08</u>	<u>48,000</u>	<u>\$ 3.84</u>
Exercisable (vested) end of year	30,000	\$ 5.53	6,000	\$ 5.53	—		—	

	1998			
	Options Class A Shares	Weighted Average Exercise Price	Options Class B Shares	Weighted Average Exercise Price
Outstanding beginning of year	993,000	\$ 5.36	57,000	\$ 3.81
Granted	281,000	12.52		
Exercised	(32,500)	4.34	(4,500)	3.61
Forfeited	(24,000)	5.97		
Outstanding year end	<u>1,217,500</u>	<u>\$ 7.03</u>	<u>52,500</u>	<u>\$ 3.83</u>
Exercisable (vested) end of year	—		—	

Options outstanding at year-end 2000 were as follows.

	Outstanding		Outstanding	
	Class A	Class B	Class A	Class B
	Number	Weighted Average Remaining Contractual Life	Number	Weighted Average Remaining Contractual Life
<b>Range of Exercise Prices</b>				
\$3.28 - \$5.97	635,000	2.40	30,000	1.00
\$6.00 - \$13.00	410,500	3.65		
Outstanding	<u>1,045,500</u>	<u>2.89</u>	<u>30,000</u>	<u>1.00</u>

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, and has been determined as if Republic had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model. The weighted average assumptions for options granted during the year and the resulting estimated weighted average fair values per share used in computing pro forma disclosures are as follows:

December 31,	2000	1999	1998
Assumptions:			
Risk-free interest rate	5.33%	5.08%	5.53%
Expected dividend yield	2.36	1.03	.89
Expected life (years)	6.00	6.00	5.94
Expected common stock market price volatility	27%	17%	13%
Estimated fair value per share	\$ 1.78	\$ 2.78	\$ 3.21

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period on an accelerated basis. Republic's pro forma information follows (in thousands except for earnings per share information):

December 31,	2000	1999	1998
Pro forma net income	\$ 12,568	\$ 11,874	\$ 13,461
Pro forma earnings per share			
Class A	.76	.71	.85
Class B	.74	.70	.84
Pro forma earnings per share assuming dilution			
Class A	.74	.69	.81
Class B	.73	.68	.80

Future pro forma net income will be negatively impacted should Republic choose to grant additional options.

## 15. EMPLOYEE BENEFIT PLANS

Republic maintains a 401(k) plan for full-time employees who have been employed for 1,000 hours in a plan year and have reached the age of 21. Participants in the plan may elect to contribute from 1% to 15% of their annual compensation. Republic matches 50% of participant contributions up to 5% of each participant's annual compensation. Republic's contribution may increase if the Bank achieves certain operating ratios. Republic's matching contributions were \$269,000; \$446,000 and \$372,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

On January 29, 1999, Republic formed an Employee Stock Ownership Plan (ESOP) for the benefit of its employees. The ESOP borrowed \$3.9 million from the Parent Company and directly and indirectly purchased 300,000 shares of Class A Common Stock from Republic's largest beneficial owner at a market value of \$12.91 per share. The purchase price, determined by an independent pricing committee, was the average closing price for the thirty trading days immediately prior to the transaction. Shares in the ESOP are allocated to eligible employees based on principal payments over the term of the loan, which is ten years. Participants become fully vested in allocated shares after five years of credited service and may receive their distributions in the form of cash or stock.

During 2000 and 1999, 22,930 shares and 19,612 shares were allocated to participants in the plan resulting in compensation expense of \$170,000 and \$205,000 respectively. At year-end 2000 the fair value of unallocated shares in the plan was approximately \$1.6 million.

The cost of shares acquired by the Employee Stock Ownership Plan but not yet committed to be released to participants is presented in the consolidated balance sheet as a reduction of shareholders equity. Compensation expense is recorded based on the market price of the shares as they are committed to be released for allocation to participant accounts. The difference between market price and the cost of shares committed to be released is recorded as an adjustment to paid in capital.

## 16. LEASES AND TRANSACTIONS WITH AFFILIATES

Republic leases office facilities from Republic's Chairman and from partnerships in which Republic's Chairman and Chief Executive Officer are partners under operating leases. Rent expense for the years ended December 31, 2000, 1999 and 1998 under these leases was \$1,469,000; \$1,320,000; and \$1,251,000, respectively. Total rent expense on all operating leases was \$2,060,000; \$1,747,000; and \$1,563,000 for the years ended December 31, 2000, 1999 and 1998, respectively. The total minimum lease commitments under noncancelable operating leases are as follows:

Year	December 31, 2000,		
	Affiliate	Other (in thousands)	Total
2001	\$ 1,271	\$ 551	\$ 1,822
2002	634	574	1,208
2003	431	560	991
2004	143	488	631
Thereafter	87	1,323	1,410
	<b>\$ 2,566</b>	<b>\$ 3,496</b>	<b>\$ 6,062</b>

A director of the Bank is a partner in a law firm. Fees paid by Republic to this firm totaled \$53,000; \$155,000; and \$207,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Prior to July 1, 2000, Banker's Insurance Agency (BIA), a corporation beneficially owned by Republic's Chairman and CEO, sold title insurance to most of the Bank's mortgage borrowers. Under an agreement between BIA and Republic, Republic personnel performed certain functions for issuance of the policies. BIA recorded title insurance revenues of \$540,000; \$1.1 million and \$1.0 million from Republic loan clients in 2000, 1999 and 1998, respectively. BIA paid Republic \$33,000; \$61,000 and \$27,000 for services performed by Republic employees during the same periods. On July 1, 2000, the Bank began selling title insurance directly to its mortgage borrowers.

## 17. OFF-BALANCE SHEET RISKS, COMMITMENTS AND CONTINGENT LIABILITIES

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

Republic also extends binding commitments to customers and prospective customers. Such commitments assure the borrower of financing for a specified period of time at a specified rate. The risk to Republic under such loan commitments is limited by the terms of the contracts. For example, Republic may not be obligated to advance funds if the customer's financial condition deteriorates or if the customer fails to meet specific covenants. An approved, but unfunded, loan commitment represents a potential credit risk once the funds are advanced to the customer. There is also a liquidity risk since the customer may demand immediate cash that would require funding, and interest rate risk as market interest rates may rise above the rate committed. Republic's liquidity position is managed to meet its need for funds. In addition, since a portion of these loan commitments normally expire unused, the total amount of outstanding commitments at any point in time may not require future funding.

As of December 31, 2000, Republic had outstanding loan commitments totaling \$167 million which includes unfunded home equity lines of credit totaling \$97 million. These commitments generally have variable rates.

At December 31, 2000, Republic's mortgage banking activities included commitments to extend credit, primarily fixed rate mortgage loans, totaling \$22 million. Of these commitments to originate loans, borrowers with commitments totaling \$6 million have elected to wait until closing to lock the rate on their loans. The commitments are generally for a period of 60 to 90 days and are at market rates. To deliver these loans to the secondary market, Republic has \$2.5 million in mandatory and \$8.5 million in best efforts forward commitments outstanding at December 31, 2000.

Standby letters of credit are conditional commitments issued by Republic to guarantee the performance of a customer to a third party. The terms and risk of loss involved in issuing standby letters of credit are similar to those involved in issuing loan commitments and extending credit. Commitments outstanding under standby letters of credit totaled \$4 million at December 31, 2000.

**18. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The estimated fair value of financial instruments has been determined by Republic using available market information and appropriate valuation methodologies. However, the judgment of management is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts Republic could realize in a market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

<i>(in thousands)</i>	December 31, 2000		December 31, 1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets:</b>				
Cash and cash equivalents	\$ 40,215	\$ 40,215	\$ 67,527	\$ 67,527
Securities available for sale	171,800	171,800	181,627	181,627
Securities to be held to maturity	103,768	103,904	32,931	32,836
Mortgage loans held for sale	5,229	5,279	7,408	7,462
Loans, net	1,136,531	1,143,537	1,031,512	1,025,216
Federal Home Loan Bank stock	16,171	16,171	15,054	15,054
<b>Liabilities:</b>				
<b>Deposits:</b>				
Certificate of deposit and individual retirement accounts	\$ 460,531	\$ 462,835	\$ 457,272	\$ 459,575
Non interest-bearing accounts	107,317	107,317	84,256	84,256
Transaction accounts	295,913	295,913	259,381	259,381
Securities sold under agreements to repurchase and other short-term borrowings	263,001	263,033	215,718	215,738
Other borrowed funds	246,050	246,784	231,383	227,737
Guaranteed preferred beneficial interests in Republic's subordinated debentures	6,352	6,352	6,352	6,352

**Cash and Cash Equivalents** - The carrying amount is a reasonable estimate of fair value.

**Securities Available for Sale, Securities to be Held to Maturity and Federal Home Loan Bank Stock** - Fair value equals quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. For Federal Home Loan Bank stock, the carrying amount is an estimate of fair value.

**Loans** - The fair value is estimated by discounting the future cash flows using the interest rates at which similar loans would be made to borrowers with similar credit ratings for the same remaining maturities.

**Mortgage Loans Held for Sale** - Estimated fair value is defined as the quoted secondary market price for such loans without regard to Republic's other commitments to make and sell loans.

**Deposits** - The fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the interest rates offered for deposits of similar remaining maturities.

**Securities Sold Under Agreements to Repurchase and Other Short-Term Borrowings** - The carrying amount is management's estimate of fair value.

**Guaranteed Preferred Beneficial Interests** - The fair value is estimated based on the estimated present value of future cash flows using the rates at which similar financings with the same remaining maturities could be obtained.

**Other Borrowed Funds** - The fair value is estimated based on the estimated present value of future cash outflows using the rates at which similar loans with the same remaining maturities could be obtained.

**Commitments to Extend Credit** - The fair value of commitments to extend credit is based upon the difference between the interest rate at which Republic is committed to make the loans and the rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, adjusted for the estimated volume of loan commitments actually expected to close. The fair value of such commitments is not material.

**Commitments to Sell Loans** - The fair value of commitments to sell loans is based upon the difference between the interest rates at which Republic is committed to sell the loans and the quoted secondary market price for similar loans. The fair value of such commitments is not material.

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2000 and 1999. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and, therefore, estimates of fair value may differ significantly from the amounts presented.

**19. PARENT COMPANY CONDENSED FINANCIAL INFORMATION****BALANCE SHEETS**

December 31, <i>(in thousands)</i>	2000	1999
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,780	\$ 1,517
Due from subsidiaries	4,112	4,293
Investment in subsidiaries	119,328	106,219
Other	123	46
Total assets	<u>\$ 125,343</u>	<u>\$ 112,075</u>
<b>Liabilities and stockholders' equity:</b>		
Long-term debt	\$ 6,652	\$ 6,652
Other liabilities	1,749	1,653
Stockholders' equity	116,942	103,770
Total	<u>\$ 125,343</u>	<u>\$ 112,075</u>

## STATEMENTS OF INCOME

<i>(in thousands)</i>	Years Ended December 31,		
	2000	1999	1998
Income and expense:			
Dividends from subsidiary	\$ 3,726	\$ 8,699	\$ 2,826
Interest income	292	281	24
Interest expense	(566)	(567)	(574)
Other expense	(209)	(165)	(73)
Income before income taxes	3,243	8,248	2,203
Income tax benefit	254	220	222
Income before equity in undistributed net income of subsidiaries	3,497	8,468	2,425
Equity in undistributed net income of subsidiaries	9,424	3,784	11,331
Net income	\$ 12,921	\$ 12,252	\$ 13,756

## STATEMENTS OF CASH FLOWS

<i>(in thousands)</i>	Years Ended December 31,		
	2000	1999	1998
Operating activities:			
Net income	\$ 12,921	\$ 12,252	\$ 13,756
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed net income of subsidiaries	(9,424)	(3,784)	(11,331)
Change in due from subsidiary	181	(2,800)	727
Change in other assets	(77)	(27)	1
Change in other liabilities	(21)	(893)	(609)
Net cash provided by operating activities	3,580	4,748	2,544
Investment activities:			
Dividends on unallocated ESOP shares	(41)	(22)	
Purchase of common stock of subsidiary bank			(23,278)
Net cash used in investing activities	(41)	(22)	(23,278)
Financing activities:			
Dividends paid	(2,368)	(1,831)	(1,674)
Proceeds from stock options exercised	100	97	155
Proceeds from issuance of Class A common stock			23,581
Repurchase of Class A common stock	(1,008)	(2,713)	(686)
Net cash provided by (used in) financing activities	(3,276)	(4,447)	21,376
Net increase in cash and cash equivalents	263	279	642
Cash and cash equivalents, beginning of year	1,517	1,238	596
Cash and cash equivalents, end of year	\$ 1,780	\$ 1,517	\$ 1,238

## 20. SEGMENT INFORMATION

The reportable segments are determined by the types of products and services offered, primarily distinguished between banking, mortgage banking operations and tax refund services. Loans, investments, and deposits provide the substantial amount of revenue from the banking operation; servicing fees and loan sales provide the substantial amount of revenue from mortgage banking; and refund anticipation loan fees and electronic refund check fees provide the substantial amount of revenue from tax refund services. All three operations are domestic.

The accounting policies used are the same as those described in the summary of significant accounting policies. Income taxes are allocated and indirect expenses are allocated on revenue. Transactions among segments are made at fair value. Information reported internally for performance assessment follows.

	2000			
	Banking	Tax Refund Services	Mortgage Banking	Consolidated Totals
	<i>(in thousands)</i>			
Net interest income	\$ 48,770	\$ 2,768	\$ 271	\$ 51,809
Provision for loan losses	1,170	212		1,382
Electronic refund check fees		1,070		1,070
Net gain on sale of loans			1,417	1,417
Other revenue	6,789	136	(553)	6,372
Income tax expense	5,451	714	171	6,336
Segment profit	11,202	1,386	333	12,921
Segment assets	1,497,843	338	9,891	1,508,072
	1999			
	Banking	Tax Refund Services	Mortgage Banking	Consolidated Totals
	<i>(in thousands)</i>			
Net interest income	\$ 46,108	\$ 1,177	\$ 320	\$ 47,605
Provision for loan losses	1,620	186		1,806
Electronic refund check fees		1,238		1,238
Net gain on sale of loans			2,974	2,974
Other revenue	5,535	204	133	5,872
Income tax expense	5,400	461	387	6,248
Segment profit	10,597	904	751	12,252
Segment assets	1,358,311	368	10,304	1,368,983
	1998			
	Banking	Tax Refund Services	Mortgage Banking	Consolidated Totals
	<i>(in thousands)</i>			
Net interest income	\$ 41,800	\$ 326	\$ 367	\$ 42,493
Provision for loan losses	3,110			3,110
Electronic refund check fees		380		380
Net gain on sale of loans			4,326	4,326
Other revenue	10,802	4		10,806
Income tax expense	6,568	190	848	7,606
Segment profit	11,766	345	1,645	13,756
Segment assets	1,162,862	5,700	39,122	1,207,684

**21. SUBSEQUENT EVENT (UNAUDITED)**

On February 12, 2001, Republic initiated an offer to purchase up to 1,000,000 shares of the Company's Class A Common Stock, approximately 7% of the shares outstanding. The offer was made at a purchase price between \$8 and \$10 per share through a modified Dutch auction tender offer. Unless extended, the offer expires March 13, 2001. See Note 13 for the pro forma effect on regulatory capital.

**22. SUMMARY OF QUARTERLY FINANCIAL DATA (UNAUDITED)**

Presented below is a summary of the consolidated quarterly financial data for the years ended December 31, 2000 and 1999.

<i>(dollars in thousands, except per share data)</i>	<b>Fourth Quarter</b>	<b>Third Quarter</b>	<b>Second Quarter</b>	<b>First Quarter</b>
<b>2000:</b>				
Interest income	\$ 30,975	\$ 29,886	\$ 28,717	\$ 29,082
Net interest income	12,558	12,391	12,680	14,180
Provision for loan losses	376	39	432	535
Income before income taxes	4,732	4,590	4,480	5,455
Net income	3,140	3,068	3,062	3,651
Earnings per share:				
Class A Common	.19	.19	.18	.22
Class B Common	.19	.18	.18	.22
Earnings per share assuming dilution:				
Class A Common	.19	.18	.18	.21
Class B Common	.18	.18	.18	.21
<b>1999:</b>				
Interest income	\$ 25,724	\$ 24,192	\$ 23,386	\$ 23,855
Net interest income	12,233	11,626	11,603	12,143
Provision for loan losses	329	204	419	854
Income before income taxes	4,746	4,475	4,211	5,068
Net income	3,113	3,007	2,768	3,364
Earnings per share:				
Class A Common	.19	.18	.17	.20
Class B Common	.18	.18	.16	.20
Earnings per share assuming dilution:				
Class A Common	.18	.17	.16	.19
Class B Common	.18	.17	.16	.19

**ANNUAL MEETING**

The Annual Meeting of Shareholders of Republic Bancorp, Inc. will be held at 10:00 a.m. (EDT), Wednesday, April 18, 2001 in the community room of Republic Bank - Springhurst, 9600 Brownsboro Road, Louisville, KY 40241.

**FINANCIAL INFORMATION**

Shareholders may obtain a free copy of the 2000 Form 10-K including financial statements and schedules required to be filed with the Securities and Exchange Commission by contacting:

Kevin Sipes, Senior Vice President and Chief Financial Officer, at the executive office address listed below by calling 502-561-7199; or Mike Ringswald, Senior Vice President and General Counsel, 502-561-7128.

**STOCK LISTING**

Republic Bancorp, Inc. Class A Common Stock is listed under the symbol "RBCAA" on NASDAQ.

**TRANSFER AGENT**

Inquiries relating to shareholder records, stock transfers, changes of ownership, changes of address and dividend payment should be sent to the transfer agent at the following address:

Computershare Investor Services  
PO Box A3480  
Chicago, Illinois 60690-3480  
312-360-5350

**INDEPENDENT PUBLIC ACCOUNTANTS**

The independent public accountants of Republic Bancorp, Inc. are Crowe, Chizek & Company LLP, Louisville, KY.

**EXECUTIVE OFFICES**

Republic Bancorp, Inc.  
601 West Market Street  
Louisville, Kentucky 40202  
502-584-3600 or outside Louisville 888-584-3600  
info@republicbank.com

**WEB SITE**

www.republicbank.com

**BANKING CENTERS AND CHIEF OPERATING OFFICERS**

Bowling Green	1700 Scottsville Road, Bowling Green, KY 42101	Kirk Pierce	270-782-9111
Elizabethtown	690 Ring Road, Elizabethtown, KY 42701	Ken Logsdon	270-769-6356
Frankfort	1001 Versailles Road, Frankfort, KY 40601		502-695-9000
	100 Highway 676, Frankfort, KY 40601	Brad Smither	502-875-4300
Lexington	3098 Helmsdale Place, Lexington, KY 40509	Craig Dunn	859-264-0990
	641 East Euclid Avenue, Lexington, KY 40502	John Mauldin	859-255-6267
	2401 Harrodsburg Road, Lexington, KY 40504	Billy Blair	859-224-1183
	651 Perimeter Drive, Lexington, KY 40517	Jenifer Duncan	859-266-1165
Louisville	3950 Kresge Way, Suite 108, Louisville, KY 40207	Barb Cutter	502-897-3800
	2801 Bardstown Road, Louisville, KY 40205	Lisa George	502-459-2200
	4921 Brownsboro Road, Louisville, KY 40222	Josh Donley	502-339-9700
	601 West Market Street, Louisville, KY 40202	Chip Hancock	502-584-3600
	5320 Dixie Highway, Louisville, KY 40216	Rob Nicolas	502-448-7000
	7101 Bardstown Road, Louisville, KY 40291	Jill Napier	502-231-5522
	661 S. Hurstbourne Parkway, Louisville, KY 40222	Steve DeWeese	502-425-2300
	4655 Outer Loop, Louisville, KY 40219	Mary Matheny	502-969-8999
	9101 US Hwy 42, Prospect, KY 40059	Missy Fultz	502-228-2755
	3726 Lexington Road, KY 40207	Kathy Potts	502-893-2533
	9600 Brownsboro Road, KY 40241	Steve Brunson	502-339-2200
Owensboro	3550 Frederica Street, Owensboro, KY 42301	Shirley Cecil	270-684-3333
Shelbyville	1614 Midland Trail, Louisville, KY 40065	Mike Tipton	502-633-6660
Loan Office	Clarksville, IN 47129	Colleen Decker	812-288-1111

## Republic Bancorp, Inc. Directors

**Charles E. "Andy" Anderson**  
President, Anderson Insurance & Financial Services

**Larry M. Hayes**  
President, Midwest Construction, Inc.

**Bill Petter**  
Vice Chairman, Republic Bancorp, Inc.

**Sandra Metts Snowden**  
President, Realty World – Sandy Metts and Associates

**R. Wayne Stratton, CPA**  
Member, Jones, Nale & Mattingly PLC

**Samuel G. Swope**  
Chairman, Swope Automotive Group, Inc.

**Bernard M. Trager**  
Chairman, Republic Bancorp, Inc.

**Scott Trager**  
Vice Chairman, Republic Bancorp, Inc.

**Steven E. Trager**  
President and Chief Executive Officer, Republic Bancorp, Inc.

## Republic Bank & Trust Company Directors

**Phillip D. Bond**  
Vice President, Metro Untied Way, Inc.

**J. Michael Brown**  
Partner, Wyatt, Tarrant & Combs, LLP

**Lawrence C. "Lonnie" Falk**  
President & CEO, Falsoft Ink, Inc.

**George F. Fischer**  
Retired - Chairman, SerVend International, Inc.

**D. Harry Jones**  
Executive Vice President, Jones Plastic & Engineering Inc.

**Bill Petter**  
Executive Vice President and Chief Operating Officer, Republic Bank & Trust Company

**Robert L. Shircliff**  
Senior Vice President, Jewish Hospital HealthCare Services, Inc.

**Susan Stout Tamme**  
President, Baptist Hospital East

**Bernard M. Trager**  
Chairman of the Executive Committee, Republic Bank & Trust Company

**Scott Trager**  
President, Republic Bank & Trust Company

**Steven E. Trager**  
Chairman and Chief Executive Officer, Republic Bank & Trust Company

**Beverly A. Wheatley**  
President, Wheatley Roofing Company, Inc.

**Doug Wise**  
President, Century Investment Group

## Republic Bank & Trust Company Advisory Directors

### Eastern Kentucky Region (Frankfort, Lexington)

Tom Burich  
Gordon Duke  
Bill Johnson  
Jas Sekhon  
Emery Wilson

### Western Kentucky (Bowling Green, Elizabethtown, Owensboro)

Romanza Johnson  
Gary Larimore  
Ross Leazenby\*  
Bill Osbourne  
Jody Richards  
G. Ted Smith  
Charles Stebbins\*  
Jack Wells

### Shelbyville

Mike Casey\*\*  
Todd Davis  
Cherry Settle\*\*  
John Marshall\*\*\*

\* Term expired February 20, 2001

\*\* Term expired February 12, 2001

\*\*\* Term started February 12, 2001

## Republic Bancorp, Inc. Executive Officers

**Bernard M. Trager**  
Chairman

**Steven E. Trager**  
President and Chief Executive Officer

**Scott Trager**  
Vice Chairman

**Bill Petter**  
Vice Chairman

**Kevin Sipes**  
Senior Vice President and Chief Financial Officer

## Republic Bank & Trust Company Senior Management

**Steven E. Trager**  
Chairman and Chief Executive Officer

**Scott Trager**  
President

**Bill Petter**  
Executive Vice President and Chief Operating Officer

**David Vest**  
Executive Vice President and Chief Lending Officer

**Mike Marks**  
Executive Vice President and Regional Sales Manager

**Ed McDougal**  
Senior Vice President and Regional Sales Manager

**Kevin Sipes**  
Senior Vice President and Chief Financial Officer

**BANK ADMINISTRATION**  
**Barbara Trager**  
Vice President

**COMPLIANCE**  
**Garry Throckmorton**  
Senior Vice President

**CASH MANAGEMENT**  
**Cathy Slider**  
Senior Vice President

**COMMERCIAL LENDING**  
**Darryl Witten**  
Senior Vice President

**HUMAN RESOURCES**  
**Ruth Gillespie**  
Senior Vice President

**INFORMATION TECHNOLOGY**  
**Tom Clausen**  
Senior Vice President

**INTERNET BANK**  
**Mike Keene**  
Senior Vice President

**LEGAL**  
**Mike Ringswald**  
Senior Vice President  
Secretary and General Counsel

**LOAN ADMINISTRATION**  
**Shannon Reid**  
Senior Vice President

**MARKETING**  
**Michael Sadofsky**  
Senior Vice President

**PREFERRED CLIENT SERVICES**  
**John Mason**  
Senior Vice President

**PURCHASING & FACILITIES MANAGEMENT**  
**Rod Gillespie**  
Senior Vice President

**REFUNDS NOW**  
**John Aboud**  
President

**TREASURY**  
**Greg Williams**  
Senior Vice President and Chief Investment Officer



**Executive Officers** (left to right)  
Scott Trager, Bernard M. Trager,  
Kevin Sipes, Steven E. Trager and Bill Petter