2002 ANNUAL REPORT

REPUBLIC
BANCORP

The following table sets forth Republic's selected consolidated historical financial information from 1998 through 2002. 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,				
(dollars in thousands, except per share data)	**2002**	2001	2000	1999	1998
Income Statement Data:					
Interest income	**$ 106,101**	$ 117,396	$ 118,660	$ 97,157	$ 92,667
Interest expense	**41,761**	57,917	66,851	49,552	50,174
Net interest income	**64,340**	59,479	51,809	47,605	42,493
Provision for loan losses	**3,338**	3,493	1,382	1,806	3,110
Non-interest income	**24,522**	19,741	8,859	10,084	11,396
Gain on sale of deposits	**–**	–	–	–	4,116
Non-interest expense	**53,839**	50,340	40,029	37,383	33,533
Income before taxes	**31,685**	25,387	19,257	18,500	21,362
Net income	**20,489**	16,808	12,921	12,252	13,756
Balance Sheet Data:					
Total assets	**$ 1,752,706**	$ 1,590,831	$ 1,508,072	$ 1,368,983	$ 1,207,684
Total securities	**288,459**	293,945	275,568	214,558	216,921
Total loans, net	**1,299,915**	1,176,094	1,136,531	1,031,512	870,031
Allowance for loan losses	**10,148**	8,607	7,862	7,862	7,862
Total deposits	**1,040,190**	866,358	863,761	800,909	747,147
Repurchase agreements and other short-term borrowings	**224,929**	282,023	263,001	215,718	148,659
Other borrowed funds	**319,299**	296,950	246,050	231,383	190,222
Total stockholders' equity	**150,796**	125,115	116,942	103,770	103,842
Per Share Data:					
Basic Class A Common earnings per share	**$ 1.23**	$ 1.04	$ 0.78	$ 0.73	$ 0.87
Basic Class B Common earnings per share	**1.21**	1.03	0.77	0.72	0.86
Diluted Class A Common earnings per share	**1.20**	1.01	0.76	0.71	0.83
Diluted Class B Common earnings per share	**1.19**	0.99	0.75	0.69	0.82
Book value (1)	**8.80**	7.75	7.06	6.46	6.03
Cash dividends declared per Class A Common	**0.21**	0.18	0.15	0.12	0.11
Cash dividends declared per Class B Common	**0.19**	0.16	0.14	0.11	0.10
Performance ratios:					
Return on average assets	**1.25%**	1.10%	0.89%	0.98%	1.20%
Return on average common equity	**14.44**	13.85	11.77	11.90	15.82
Net interest margin	**4.07**	4.04	3.71	3.96	3.84
Efficiency ratio	**61**	62	66	65	62(2)
Asset quality ratios:					
Non-performing assets to total loans	**0.78%**	0.48%	0.40%	0.38%	0.63%
Net loan charge-offs to average loans	**0.15**	0.23	0.12	0.19	0.40
Allowance for loan losses to total loans	**0.77**	0.73	0.69	0.76	0.89
Allowance for loan losses to non-performing loans	**103**	154	193	213	158
Capital ratios:					
Average stockholders' equity to average total assets	**8.65%**	7.96%	7.58%	8.27%	7.58%
Tier 1 leverage ratio	**9.02**	8.36	8.13	8.61	9.29
Tier 1 risk-based capital ratio	**12.77**	12.44	12.01	13.36	14.63
Total risk-based capital ratio	**13.64**	13.26	12.78	14.28	15.68
Dividend payout ratio	**17**	17	19	16	13
Other key data:					
End-of-period full-time equivalent employees	**570**	532	462	467	425
Number of bank offices	**25**	22	22	21	19

(1) Exclusive of accumulated other comprehensive income.

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

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 and Republic Bank & Trust Company of Indiana (collectively "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 but not limited to delinquency trends and the adequacy of the allowance for loan losses), corporate objectives, the Company's interest rate sensitivity model 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 acceptance of the Bank's products and services; and, the extent and timing of legislative or regulatory actions and reforms.

HIGHLIGHTS

Republic reported another solid year of earnings during 2002 as net income reached $20.5 million during the year compared to $16.8 million for 2001, an increase of 22%. Diluted earnings per Class A Common shares increased 19% to $1.20 for the year. On a percentage basis, the increase in diluted earnings per Class A Common shares increased less than net income primarily due to the conversion of Republic's guaranteed preferred beneficial interests in the Company's subordinated debentures. The rise in earnings for 2002 was primarily attributable to increased net interest income, increased income associated with the Company's tax refund processing subsidiary – Refunds Now, gains on the sale of loans into the secondary market, and service charges on deposits. Republic's book value per common share, exclusive of accumulated other comprehensive income, increased from $7.75 at December 31, 2001 to $8.80 per share at December 31, 2002. Following is a brief description of a few Company highlights during 2002:

1) Net interest income grew 8.2% during the year as a further decline in short-term market interest rates led to a continued downward repricing in the Company's short-term interest bearing liabilities. Republic also continued its strategy initiated in 2001 of extending maturities on advances from the Federal Home Loan Bank (FHLB) in order to mitigate the risk of future increases in market interest rates.

2) Republic reported another strong year in its mortgage banking operations as favorable long-term market interest rates, coupled with the Company's promotion of its "$999" maximum closing costs product, led to strong gains on the sale of 1-4 family, fixed-rate residential real estate loans into the secondary market.

3) Refunds Now reported record earnings during 2002 due to a substantial increase in transaction volume related to new sales. Overall, the number of tax preparers serviced by Refunds Now increased 17% during 2002 compared to the number serviced in 2001.

4) Service charges on deposit accounts grew significantly during the year as the Company added approximately 17,500 new checking accounts. A large number of these new accounts were added in conjunction with the Company's promotion of its "$999" maximum closing cost, fixed-rate mortgage product, which requires a primary checking account to receive the favorable closing cost rate. The Bank's "Overdraft Honor" program also played a positive role in the overall increase in service charges on deposits during 2002.

5) Loans increased $124 million as Republic retained approximately $60 million in fixed-rate, 15-year residential real estate loans, which the Company has traditionally sold into the secondary market. Republic also experienced a $34 million increase in home equity loans outstanding as the Company added 2,900 new home equity lines of credit during 2002. These new lines of credit were added primarily from cross-selling opportunities in conjunction with the Company's "$999" maximum closing cost, fixed-rate mortgage product.

6) The Company entered into two new arrangements to provide deferred deposit services in at least two additional states, beginning in December. Management believes these transactions could become a meaningful component of the Company's overall profitability over the next few years.

7) Republic opened three new banking centers during 2002 and announced plans for an additional six banking centers to be opened in 2003 as the Company continued to take advantage of opportunities to increase market share as a consequence of the recent sale of two Kentucky-based community bank competitors.

Net income for the year 2001 was $16.8 million, up $3.9 million over the same period in 2000. Earnings per Class A Common share increased from $0.76 at December 31, 2000 to $1.01 for the year 2001. Republic's increased earnings were primarily due to increases in net interest income, service charges on deposit accounts and gain on sale of loans into the secondary market.

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

Table 1 - Summary

Years Ended December 31, *(dollars in thousands)*	**2002**	2001	2000
Net income	**$ 20,489**	$ 16,808	$ 12,921
Diluted Class A earnings per share	**1.20**	1.01	0.76
Return on Average Assets (ROA)	**1.25%**	1.10%	0.89%
Return on Average Equity (ROE)	**14.44**	13.85	11.77

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Republic's consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported periods.

Management continually evaluates the Company's accounting policies and estimates it uses to prepare the consolidated financial statements. In general, management's estimates are based on historical experience, on information from regulators and third party professionals and on various assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Republic believes its critical accounting policies and estimates include the valuation of the allowance for loan losses. Based on management's calculation, an allowance of $10 million or 0.77% of total loans was an adequate estimate of losses within the loan portfolio as of December 31, 2002. This estimate resulted in a provision for loan losses on the income statement of $3.3 million during 2002. If the mix and amount of future write-off percentages differ significantly from those assumptions used by management in making its determination, the allowance for loan losses and provision for loan losses on the income statement could be materially affected. For further discussion of the allowance for loan losses and a detailed description of the methodology management uses in determining the adequacy of the allowance see section titled *Allowance and Provision for Loan Losses* on page 28 of this annual report.

DEFERRED DEPOSIT TRANSACTIONS

Deferred deposits are transactions in which a customer typically receives a cash advance against his or her next pay-check in exchange for a postdated check for the advanced amount plus a fixed fee. The advance provider agrees to delay presentment of the check for payment until the advance due date, generally about two weeks from the advance date. On or before the advance due date the customer can present cash in person for the amount of the advance plus a fee and receive his postdated check in return. If the customer does not return to reclaim his check by the advance due date, the check is deposited.

The Company has been conducting a deferred deposit transaction business, in conjunction with third party originators, on a limited basis since August 2001. The Company recently entered into two new contracts with third party originators and service providers in order to significantly expand its deferred deposit transaction business. The Company's total deferred deposit outstandings averaged under $500,000 during 2002. Management projects these outstandings could reach or exceed $8 million by the end of the first quarter of 2003, although one of the Company's third party originators is entering a new territory, and depending upon its success, outstandings originated through this relationship may exceed these projections. Based on accounting principles generally accepted in the United States, these transactions are recorded as loans on the Company's financial statements and the corresponding fees are recorded as a component of interest income on loans.

The third parties with whom the Company does business have at times experienced legal and or regulatory obstacles in some states in which they do business. These obstacles have included, without limitation, litigation and government enforcement actions. In some states, laws have been enacted or amended to prohibit or limit their ability to conduct business without a financial institution partner. In addition, the Comptroller of the Currency has effectively prohibited national banks from conducting this business. This has provided opportunities for state-chartered commercial banks to enter the business and earn additional income with minimal capital outlays.

The legal and regulatory climate for this product continues to change. In January 2003, the FDIC issued draft guidance on examinations of bank deferred deposit activities which the FDIC characterizes as presenting substantial credit risks for lenders, as well as increased transaction, legal and reputation risks when a third party arrangement is used. The FDIC draft guidance proposes, among other items, that banks hold significantly more capital than would be required for other subprime type loans, perhaps as much as 100% of deferred deposit transactions outstanding, that allowances for loan and lease losses be adequate and take into account that many such transactions remain outstanding beyond their initial term due to roll-overs, that deferred deposit transactions be classified "substandard," and that transactions that have been outstanding for more than 60 days generally be classified as "loss". The draft guidance also proposes limits on the ability of a borrower to renew or roll over a deferred deposit transaction and on the number of transactions that can be made to a customer within a given period of time. The draft guidance requires examiners to assess the bank's risk management program for third party marketing and servicing relationships, including the bank's due diligence process for selecting a third party marketing and servicing provider and its monitoring of the third party's activities and performance, and to closely scrutinize the bank's compliance with consumer protection laws and regulations.

The Company believes that it has adequately considered and addressed the risks associated with its deferred deposit transaction business, including the risks addressed in the FDIC draft examination guidelines, and that the Company's size, technological resources and experience in the successful management of non-traditional product lines, among other factors, will enable the Company to effectively manage and control its participation in the deferred deposit transaction business. There can be no assurance, however, that the FDIC or others will not impose additional limitations on or prohibit insured banks from engaging altogether in deferred deposit transactions, or that the Bank's ability to continue to engage in the business profitably or at all will not be negatively impacted by compliance with applicable laws, regulations and guidelines.

Refunds Now®

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. Based on accounting principles generally accepted in the United States, fees from RALs are included as a component of 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.

RAL fees, net of tax preparer rebates, were $3.3 million in 2002 compared to $3.1 million in 2001 and $2.4 million in 2000. ERC fees, net of tax preparer rebates, were $3.2 million in 2002 compared to $2.1 million in 2001 and $1.1 million in 2000. The rise in fee income was the result of an increase in volume as total tax offices serviced by Refunds Now increased 17% during the 2002 tax season compared to the 2001 tax season. While the transaction volume is primarily a first quarter event, the tax preparer contracts are actively solicited by the Refunds Now sales force throughout the year for the coming tax filing season. Republic anticipates that its track record of increased product volume from Refunds Now will continue in 2003; however, management's projections of losses from RALs remain difficult to predict due primarily to the significant reliance by the Company on third party government information used to underwrite RALs. *(For further analysis see section titled Allowance and Provision for Loans Losses on page 28 of this annual report.)*

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 2002, net interest income was $64.3 million, up $4.8 million over the $59.5 million attained during 2001. Republic was primarily able to increase its net interest income through balance sheet growth, particularly through growth in mortgage-backed securities and loans. *(For further analysis see Volume/Rate Variance Analysis on page 24 of this annual report.)*

While the loan portfolio decreased slightly during the first six months of 2002, the Company experienced strong growth in the loan portfolio during the last six months of 2002, principally in residential real estate loans, commercial real estate loans and home equity lines of credit. Cash received during 2002 from the sale of loans into the secondary market as well as sales, calls and prepayments on investment securities was reinvested by the Company into mortgage-backed security products. The increases in the balances of loans and mortgage-backed securities were the significant factors in the Company's overall increase in net interest income comparing 2002 to 2001.

Although, net interest income was higher during 2002 compared to 2001, continued downward repricing of the Bank's adjustable rate mortgage portfolio and the early prepayment of higher yielding portfolio loans without a corresponding dollar for dollar downward repricing of the Bank's interest bearing liabilities during the year limited the Company's ability to increase net interest income through changes in rate. As a result, management elected to retain $60 million in fixed rate, 15-year residential real estate loans beginning in October 2002. The Company funded these loans through FHLB advances with $10 million borrowed on an overnight basis and the remaining $50 million borrowed with terms of two to six years. Management anticipates earning an approximate spread of 2.25% during the first year of this transaction, which will positively affect the Company's net interest income but will negatively impact the Company's net interest spread and net interest margin.

The Company also sold approximately $56 million in mortgage-backed investment securities and CMOs during 2002 in anticipation of rapid prepayments due to declining long-term market interest rates. These securities had a bond equivalent yield of 5.55% at the time of sale. As an additional response to declining long-term market interest rates and to reduce future borrowing costs, Republic prepaid a $25 million advance from the Federal Home Loan Bank with a coupon of 6.40%. Management anticipates an overall positive effect on net interest income over the next twelve months as a result of these transactions.

Republic's increase in net interest income resulting from changes in volume during 2001 occurred primarily from growth in the loan portfolio during the latter half of 2000, as well as an increase in RALs during the 2001 tax season.

Republic also experienced an increase of approximately $11 million in the average outstandings of loans available for sale during 2001, which are included as a part of total loans on the average balance sheet and volume/rate analyses. On the liability side, Republic pursued a strategy during 2001 of extending maturities, primarily through advances at the Federal Home Loan Bank, and not actively pursuing higher cost certificates of deposit. This strategy resulted in many of the Bank's clients electing to move maturing CD's into short-term, interest bearing money market CD accounts in anticipation of future interest rate increases. As a result, the change in interest expense due to volume was only a slight increase as the reduction in CD's was offset by the increase in the money market certificate of deposit accounts, along with other borrowings.

The increase in net interest income resulting from changes in rate during 2001 occurred as the Federal Reserve decreased short-term interest rates throughout the year. All categories of interest income experienced a reduction due to rate and primarily all categories of interest expense experienced a reduction due to rate as well. Because Republic's interest bearing liabilities generally have a shorter repricing frequency than its interest earning assets, the overall effect to the Company was an increase in net interest income due to an improved spread. *(For further discussion see Asset/Liability Management and Market Risk on page 34 of this annual report.)*

Table 2 provides detailed information as to average balances, interest income/expense, and rates by major balance sheet category for 2000 through 2002. 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 Years Ended December 31,

	2002			2001			2000		
	Average Balance	**Interest**	**Average Rate**	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS									
Earning assets:									
U.S. Treasury and Government									
Agency Securities	**$ 44,856**	**$ 1,710**	**3.81%**	$ 66,247	$ 3,574	5.39%	$ 121,296	$ 7,155	5.90%
State and political subdivision securities	**158**	**8**	**5.06**	232	11	4.74	1,954	181	9.26
Mortgage-backed securities	**244,863**	**10,509**	**4.29**	159,495	8,606	5.40	116,764	7,956	6.81
Corporate Bonds	**–**	–	–	10,239	595	5.81	18,216	1,106	6.07
Federal Home Loan Bank Stock	**17,975**	**833**	**4.63**	16,914	1,140	6.74	15,721	1,151	7.32
Federal funds sold and other	**53,560**	**887**	**1.66**	34,254	1,146	3.35	11,140	689	6.18
Total loans and fees(1)	**1,220,046**	**92,154**	**7.55**	1,185,945	102,324	8.63	1,111,356	100,422	9.04
Total earning assets	**1,581,458**	**106,101**	**6.71**	1,473,326	117,396	7.97	1,396,447	118,660	8.50
Less: Allowance for loan losses	**(9,125)**			(8,061)			(7,862)		
Non-earning assets:									
Cash and due from banks	**30,181**			27,756			25,785		
Bank premises and equipment, net	**21,298**			19,462			19,580		
Other assets	**15,985**			12,497			14,422		
Total assets	**$1,639,797**			$1,524,980			$1,448,372		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest bearing liabilities:									
Transaction accounts	**$ 168,414**	**$ 1,639**	**0.97%**	$ 100,055	$ 1,101	1.10%	$ 86,961	$ 1,754	2.02%
Money market accounts	**222,373**	**2,992**	**1.35**	225,830	7,737	3.43	171,748	8,464	4.93
Individual retirement accounts	**36,713**	**1,665**	**4.54**	33,612	1,972	5.87	30,884	1,811	5.86
Certificates of deposits and other time deposits	**384,341**	**16,523**	**4.30**	379,057	21,896	5.78	441,581	25,492	5.77
Repurchase agreements and other short-term borrowings	**225,671**	**3,246**	**1.44**	251,068	8,529	3.40	243,582	13,819	5.67
Other borrowings	**291,756**	**15,696**	**5.38**	282,879	16,682	5.90	249,315	15,511	6.22
Total interest bearing liabilities	**1,329,268**	**41,761**	**3.14**	1,272,501	57,917	4.55	1,224,071	66,851	5.46
Non-interest bearing liabilities									
Non-interest bearing deposits	**150,481**			116,409			101,584		
Other liabilities	**18,140**			14,748			12,983		
Stockholders' equity	**141,908**			121,322			109,734		
Total liabilities and stockholders' equity	**$1,639,797**			$1,524,980			$1,448,372		
Net interest income		**$ 64,340**			$59,479			$51,809	
Net interest spread			**3.57%**			3.42%			3.04%
Net interest margin			**4.07%**			4.04%			3.71%

(1) The amount of fee income included in interest on loans was $5,512; $5,593 and $3,520 for the years ended December 31, 2002, 2001 and 2000, respectively.

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

	Year Ended December 31, 2002 compared to Year Ended December 31, 2001 Increase/(Decrease)			Year Ended December 31, 2001 compared to Year Ended December 31, 2000 Increase/(Decrease)		
	Total Net	**Due To**		Total Net	Due To	
(in thousands)	**Change**	**Volume**	**Rate**	Change	Volume	Rate
Interest income:						
U.S. Treasury and Government Agency Securities	**$ (1,864)**	**$ (977)**	**$ (887)**	$(3,581)	$(3,014)	$ (567)
State and political subdivision securities	**(3)**	**(4)**	**1**	(170)	(109)	(61)
Mortgage backed securities	**1,903**	**3,924**	**(2,021)**	650	2,525	(1,875)
Corporate Bonds	**(595)**	**(595)**		(511)	(465)	(46)
Federal Home Loan Bank stock	**(307)**	**68**	**(375)**	(11)	84	(95)
Federal funds sold and other	**(259)**	**474**	**(733)**	457	892	(435)
Total loans and fees	**(10,170)**	**2,874**	**(13,044)**	1,902	6,558	(4,656)
Total increase (decrease) in interest income	**(11,295)**	**5,764**	**(17,059)**	(1,264)	6,471	(7,735)
Interest expense:						
Interest bearing transaction accounts	**538**	**678**	**(140)**	(653)	234	(887)
Money market accounts	**(4,745)**	**(117)**	**(4,628)**	(727)	2,252	(2,979)
Individual retirement accounts	**(307)**	**170**	**(477)**	161	160	1
Certificates of deposit and other time deposits	**(5,373)**	**301**	**(5,674)**	(3,596)	(3,612)	16
Repurchase agreements and other short-term borrowings	**(5,283)**	**(789)**	**(4,494)**	(5,290)	413	(5,703)
Other borrowings	**(986)**	**511**	**(1,497)**	1,171	2,010	(839)
Total increase (decrease) in interest expense	**(16,156)**	**754**	**(16,910)**	(8,934)	1,457	(10,391)
Increase (decrease) in net interest income	**$ 4,861**	**$ 5,010**	**$ (149)**	$ 7,670	$ 5,014	$ 2,656

Non-Interest Income

Table 4 - Analysis of Non-Interest Income

(dollars in thousands)	Year Ended December 31,			Percent Increase/(Decrease)	
	2002	2001	2000	**2002/2001**	2001/2000
Service charges on deposit accounts	**$ 8,314**	$ 6,267	$ 4,410	**33%**	42%
Electronic refund check fees	**3,198**	2,087	1,070	**53**	95
Title insurance commissions	**2,129**	1,515	298	**41**	408
Net gain on sale of mortgage loans	**6,998**	6,191	1,417	**13**	337
Net gain (loss) on available for sale securities	**1,559**	1,864	(161)	**(16)**	NM
Debit card interchange fee income	**1,441**	1,020	760	**41**	34
Other	**883**	797	1,065	**11**	(25)
Total	**$ 24,522**	$ 19,741	$ 8,859	**24**	123

Service charges on deposit accounts increased 33% during 2002 compared to 2001, due primarily to an increase in the Company's checking account base in conjunction with the Bank's "Overdraft Honor" program, which permits selected clients to overdraft their accounts up to $500 for the Bank's customary fee. Total overdraft fees increased from $4.8 million in 2001 to $6.5 million in 2002 while the total number of accounts eligible for the "Overdraft Honor" program increased to 32,000 at December 31, 2002. Additionally, the Company's total number of customer checking accounts, exclusive of commercial accounts, increased from 34,000 at December 31, 2001 to 42,000 at December 31, 2002. The increase in the number of retail checking accounts was primarily attributable to the success of the Company's "$999" maximum closing-costs, a secondary market loan product, which requires a primary checking account in order for the customer to receive the discounted closing fees. The continued success of the "$999" program could significantly impact the growth of the Company's checking account base in the future. In addition, the increase in the Company's checking account base is also

positively affected by the number of new banking centers, direct mail solicitations and other marketing initiatives. Republic opened three new banking centers in 2002 and announced plans for six new banking centers to be opened during 2003, which should positively affect the number of customer checking accounts.

The factors listed in the preceding paragraph that resulted in the increase in the number of customer checking accounts during 2002 are the same or similar to the factors which resulted in the increase of customer checking accounts during 2001. Service charges on deposits during 2001 were positively affected by the Company's "$999" promotion and the "Overdraft Honor" program. Overdraft related fees increased $1.8 million during 2001 as the Company added over 11,800 new customer retail checking accounts during the year. At December 31, 2001 the Bank had nearly 25,000 accounts eligible for the "Overdraft Honor" program.

Electronic refund check (ERC) fees, which are substantially received during the first quarter of the year increased $1.1 million for 2002 compared to 2001. This increase was due primarily to a large increase in overall ERC volume compared to the prior year resulting from successful marketing efforts during 2001. The Company also experienced significant growth in ERC fees during 2001 compared to 2000 due primarily to the same circumstances. *(For further information see section titled Refunds Now on page 22 of this annual report.)*

Title insurance commissions increased $614,000 for the year ended December 31, 2002, compared to the same period in 2001. Title insurance commissions are earned when title insurance policies are sold to clients on newly originated real estate secured loans. Since a substantial portion of these commissions is earned on policies relating to 1-4 family, secondary-market real estate loans, the income closely correlates to secondary-market loan origination volume, which was $791 million during 2002 compared to $548 million during 2001. Management anticipates that title insurance commissions will stay at or near current levels during the first quarter of 2003, given the amount of secondary market loans in process at year-end 2002.

Title insurance commissions increased $1.2 million for 2001 over 2000. Because the Bank first began offering this product on July 1, 2000, the 2000 amount reflects only six months of activity. As a result, title insurance commissions for 2001 reflect a significant increase over 2000. The large volume of refinance activity in 1-4 family, secondary-market real estate loans during 2001 also contributed to the increase for the year.

Net gain on sale of loans increased $800,000 during 2002 to $7.0 million. Further reductions in long-term market interest rates during 2002 resulted in an increase in consumer refinance activity for the year. As a percentage of loans sold, net gains decreased to 0.92% in 2002 compared to 1.20% in 2001. The decrease in gains as a percentage of loans sold was primarily attributable to a management decision to offer more attractive pricing on its fixed-rate, residential real estate products in order to gain market share. While attractive pricing reduces the Company's gains on its sold loans, management believes that the ability to cross-sell other bank products to customers of its residential real estate products will improve the Company's long-term profitability. The Company potentially could have achieved higher gains as a percentage of loans sold with a risk of lower origination volume by offering less attractive pricing to its loan customers. The Company has also traditionally sold the vast majority of its loans servicing released and has been cautious of retaining large amounts of servicing due to the market volatility of the value of the servicing portfolio caused by the potential for rapid prepayments in a declining market interest rate environment. Management anticipates that origination volume of secondary market loans in the first quarter of 2003 will likely remain at or above the record level achieved during 2002, however, an increase in long-term interest rates during the year could have a significant negative impact on secondary market origination volume.

On July 1, 2002, Republic became subject to new accounting guidance for certain commitments to originate loans. The new guidance requires loan commitments related to the origination of mortgage loans held for sale to be accounted for as derivative instruments. To offset the interest rate risk of these loan commitments, Republic enters into forward agreements to sell loans for corresponding amounts and terms, which are also considered derivatives. Because the fair value of the loan commitment and sales agreement derivatives substantially offset the impact of adopting this guidance was not material and substantially all of the gain on sale generated from mortgage banking activities is recorded when closed loans are delivered into the sales agreements.

Net gain on sale of loans increased 337% during 2001 as declining market interest rates prompted an increase in consumer refinance activity of 1-4 family, fixed-rate residential loans. Revenue from mortgage banking activities, principally gains on sale of loans, increased as a result of higher secondary market sales volume. As a percentage of loans sold, net gains on sale decreased to 1.20% in 2001 compared to 1.26% in 2000. This reduction was due primarily to the "$999" promotional mortgage loan product that reduced the amount of fees charged to the client. Although the reduced fees lowered the net margin on average loan sales, the promotional program generated significant origination volume. Overall, the Bank originated $548 million in mortgage loans held for sale during 2001 compared to $110 million during 2000.

Net gain on sale of securities was $1.6 million for 2002 compared to $1.9 million during 2001 with a loss of $161,000 in 2000. Management elected to sell $56 million of the Company's mortgage-backed securities during 2002 to mitigate the risk of prepayment of these securities. *(For further discussion see section titled Investment Securities on page 31 of this annual report.)*

A declining interest-rate environment during 2001 led to a positive change in the market value of the available for sale securities portfolio with an increase in the risk of prepayment on certain mortgage-backed products. As a result, management elected to sell a large amount of mortgage-backed securities during 2001. Republic received proceeds of $122 million on securities available for sale during 2001 resulting in overall gains of approximately $1.6 million. Republic also had $63 million in securities that were called during 2001 resulting in recognized gains of an additional $257,000.

Interchange fee income from the Company's debit card product increased $421,000 during 2002 to $1.4 million and $260,000 during 2001 to $1.0 million. Debit card fee income is generated from interchange fees paid for usage by the Company's customers. The rise in income was due substantially to an increase in the Company's checking account base, which is the primary source of debit card customers. In addition, the Company actively promoted its customers use of the debit card through various marketing promotions throughout 2001 and 2002.

Non-Interest Expense

Table 5 - Analysis of Non-Interest Expense

Year Ended December 31, *(dollars in thousands)*	**2002**	2001	2000	Percent Increase/(Decrease) **2002/2001**	2001/2000
Salaries and employee benefits	**$28,039**	$25,943	$20,519	**8%**	26%
Occupancy and equipment	**9,984**	9,073	8,825	**10**	3
Communication and transportation	**2,329**	2,319	2,084	**0**	11
Marketing and development	**2,934**	2,839	1,555	**3**	83
Bankshares tax	**1,727**	1,513	1,339	**14**	13
Supplies	**1,139**	1,170	994	**(3)**	18
FHLB prepayment penalty	**1,381**	1,049	–	**32**	NM*
Outsourced technology services	**1,575**	1,134	1,028	**39**	10
Other	**4,731**	5,300	3,685	**(11)**	44
Total	**$53,839**	$50,340	$40,029	**7%**	26%

*Not meaningful

The increase in salaries and benefits was primarily attributable to annual merit increases and associated incentive compensation accruals, additional seasonal staff at Refunds Now and a modest increase to staff to support secondary market origination volume. The Company also experienced increased staffing and occupancy expenses in association with the opening of three new banking centers during 2002. Overall, total full-time equivalent employees (FTEs) increased to 570 at December 31, 2002 from 532 at December 31, 2001. Management expects a continued increase in salary and occupancy expenses over the next year due to the planned opening of at least six new banking centers during 2003 with the potential for additional locations under active, ongoing review.

Similar to 2002, salary and employee benefits also increased for 2001. The increase was attributable to annual merit increases and associated incentive compensation accruals, additions to senior level commercial lending and cash management professional sales staff, additions to staff and overtime at Refunds Now and a significant addition to staff and overtime to support the strong secondary market loan origination volume during the year. Total FTEs increased to 532 at December 31, 2001 from 462 at December 31, 2000.

The Company and its principal bank subsidiary do not pay a state income tax in Kentucky; however, a tax is assessed by the state based on average equity over the previous five years. Republic Bank & Trust Company also pays a deposit tax to the various municipalities in which it is located based on total deposits at that location as of June 30th of each year. Both of these taxes are classified as bankshares tax on the Company's financial statements. This category increased for both 2001 and 2002 due to growth in deposits, as well as an increase in Republic Bank & Trust Company's average five-year equity. The growth in average five-year equity resulted primarily from earnings and the proceeds generated by the Company's initial public offering in July 1998.

The Company recognized prepayment penalties of $1.6 million and $1.1 million on the early termination of advances from the Federal Home Loan Bank during 2002 and 2001, respectively. The Company elected to incur these penalties in order to refinance a portion of its advances from the Federal Home Loan Bank into lower-cost borrowings with extended maturities, taking advantage of the favorable interest rate environment at the time. *(For further information see section titled FHLB borrowings on page 33 of this annual report.)*

Outsourced technology services represents expenses incurred by the Company for third party processing of merchant credit card transactions for a large cash management client, website hosting for republicbank.com and wire transfer services. This category increased 39% for 2002 compared to 2001. The increase was attributable to higher rates paid by the Company for merchant credit card processing. The Company also had higher fees for its website hosting due to an increase in the number of clients utilizing republicbank.com. In August 2001 the Company began utilizing a third party wire system in order to maximize the efficiency and security of the Bank's wire transfer services. As a result, the Company incurred additional expense for five months during 2001 compared to 12 months during 2002.

Other expenses decreased $569,000 during 2002 compared to 2001. The decrease was primarily attributable to legal expenses associated with certain patent litigation at Refunds Now which the Company incurred during 2001. This litigation was settled during 2001. *(For further discussion, see Part II, Item 1, Legal proceedings of the Form 10-K.)*

FINANCIAL CONDITION

Loan Portfolio

Net loans, primarily consisting of secured real estate loans, increased by $124 million to $1.3 billion at December 31, 2002.

Commercial real estate loans are concentrated primarily within the Bank's existing markets, and are principally comprised of loans secured by multi-family investment properties, single-family developments, medical facilities, small business owner-occupied offices, retail properties and, to a lesser extent, golf courses. These loans typically have interest rates that are initially fixed for one to seven years with the remainder of the loan term subject to repricing based on various market indices. In order to reduce the negative effect of refinance activity within the portfolio during a declining interest rate environment, the Company requires an early termination penalty on substantially all commercial real estate loans for a portion of the fixed-term period. Overall, commercial real estate loans increased $53 million from December 31, 2001. Republic maintained its strict underwriting standards, which includes personal guarantees on substantially all commercial real estate loans, and pricing requirements during 2002 despite competitive pressures in both areas. As a result, the commercial real estate portfolio experienced modest growth compared to prior years. Management anticipates offering a reduced closing-costs commercial real estate product during 2003 and plans to aggressively market this product through various media outlets, while maintaining its traditional underwriting standards.

Similar to commercial real estate loans, residential real estate loans typically have fixed interest rate periods of one to seven years with the remainder of the loan term subject to repricing based on various market indices. These loans also carry an early termination penalty during a portion of their fixed rate periods in order to lessen the overall negative effect to the Company of refinancings in a declining interest rate environment. Despite early termination penalties on many of its portfolio residential real estate loans, the Company continued to experience a high level of refinance activity into fixed-rate secondary market products during 2002. Overall, residential real estate loans increased by a modest $26 million during 2002. Responding to the high level of refinance activity within the portfolio, management elected to hold $60 million of 15-year, fixed-rate secondary market eligible loans within the Company's portfolio during the fourth quarter of 2002. To mitigate the interest rate risk, the Company borrowed $60 million in FHLB advances with laddered maturities to fund these loans. Subject to favorable market conditions, the Company may once again elect to hold a portion of its 15-year, fixed rate loan originations during 2003 with matched funding from the Federal Home Loan Bank. The Company also continued to moderate the pricing of its 1-4 family adjustable-rate portfolio loan products during 2002 in an effort to maintain its residential real estate outstandings.

The consumer loan portfolio principally consists of various short-term, unsecured loans to individual clients. Also included in this category are deferred deposit transactions, which are considered loans under accounting principles generally accepted in the United States. The Company had approximately $3 million in deferred deposit transactions outstanding at December 31, 2002, and expects this balance to steadily increase throughout 2003. *(For further discussion, see section titled Deferred Deposit Transactions on page 21 of this annual report.)*

Home equity loans increased $34 million during 2002 to $159 million. The rise in outstandings was primarily the result of increased cross-sale opportunities in conjunction with the origination of fixed-rate secondary market loan products as part of the Company's "partnership package". As part of the partnership package, the Company's fixed-rate, secondary market loan clients are routinely approved for a home equity line of credit. As a result, the Company opened approximately 2,900 new home equity lines of credit during 2002. At December 31, 2002, Republic clients had $145 million of home equity lines of credit available for use.

Table 6 - Loans by Type

As of December 31, *(in thousands)*	**2002**	2001	2000	1999	1998
Real Estate					
Residential	**$ 597,797**	$ 571,959	$ 633,328	$ 636,012	$ 520,583
Commercial	**413,115**	360,056	256,834	163,064	118,293
Construction	**68,020**	70,870	77,437	63,928	47,396
Commercial	**33,341**	30,627	30,008	31,411	26,381
Consumer	**39,347**	26,905	32,662	42,408	59,874
Home Equity	**159,261**	125,360	115,467	103,833	106,845
Total Loans	**$1,310,881**	$1,185,777	$1,145,736	$1,040,656	$ 879,372

Mortgage loans held for sale is primarily comprised of fixed-rate, 1-4 family residential loans the Company intends to sell into the secondary market. Management has traditionally elected to sell the majority of its fixed-rate, 1-4 family residential loans into the secondary market in order to reduce its exposure to market interest rate risk. Mortgage loans held for sale increased to $66 million at December 31, 2002 due primarily to an increase in 1-4 family secondary market loan originations during the second half of 2002. *(See discussion of gain on sale of loans in section titled Non-interest Income on page 25 of this annual report.)*

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

Table 7 - Selected Loan Distribution

As of December 31, 2002 *(in thousands)*	Total	One Year Or Less	Over One Through Five Years	Five Years
Fixed rate maturities:				
Real estate				
Residential	**$ 112,782**	**$ 15,756**	**$ 25,997**	**$ 71,029**
Commercial	**35,612**	**9,855**	**8,050**	**17,707**
Construction	**1,070**	**405**	**632**	**33**
Commercial	**13,812**	**6,509**	**6,877**	**426**
Consumer	**36,687**	**25,406**	**6,529**	**4,752**
Home equity	**1,029**	**831**	**179**	**19**
Total Fixed	**$ 200,992**	**$ 58,762**	**$ 48,264**	**$ 93,966**
Variable rate repricing:				
Real estate				
Residential	**$ 485,015**	**$ 193,573**	**$ 252,720**	**$ 38,722**
Commercial	**377,503**	**113,582**	**250,286**	**13,635**
Construction	**66,950**	**65,594**	**1,356**	**–**
Commercial	**19,529**	**16,908**	**2,621**	**–**
Consumer	**2,660**	**1,657**	**908**	**95**
Home equity	**158,232**	**158,232**	**–**	**–**
Total Variable	**$ 1,109,889**	**$ 549,546**	**$ 507,891**	**$ 52,452**

Allowance and Provision for Loan Losses

Republic maintains an allowance for probable credit losses inherent in the Company's loan portfolio. Management evaluates the adequacy of the allowance for loan losses on a quarterly basis and regularly presents and discusses the analysis with the board of directors. Management estimates the allowance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations, estimated collateral values, economic conditions, regulatory guidance and other factors. While management estimates the allowance for loan losses, in part, based on historical losses within each loan category, estimates for losses within the commercial real estate portfolio are more dependent upon credit analysis and recent payment performance due to the fact that the Company only began actively pursuing commercial real estate loans within the last five years. Allocations of the allowance may be made for specific loans or loan categories, but the entire allowance is available for any loan that may be charged off. Loan losses are charged against the allowance when management deems a loan uncollectible.

Management makes allocations within the allowance for specifically classified loans regardless of loan amount, collateral or loan type. Loans that are past due 90 days or more and that are not specifically classified are uniformly assigned a risk-weighted percentage ranging from 15% to 100% of the loan balance based upon loan type. Management evaluates the remaining loan portfolio by utilizing the historical loss rate for each respective loan type. Both an average five-year loss rate and a loss rate based on heavier weighting of the previous two years' loss experience are utilized in the analysis. Specialized loan categories are evaluated by utilizing subjective factors in addition to a historical loss calculation to determine a loss allocation for each of those types. Because this analysis or any similar analysis is an imprecise measure of loss, the allowance is typically subject to additional adjustments. Therefore, management will also take into account other significant factors as may be necessary or prudent in order to reflect, properly, potential losses in the total loan portfolio.

The total allowance for loan losses increased $2 million from December 31, 2001 to $10 million at December 31, 2002. The increase in the allowance for loan losses was due to growth in commercial real estate lending, an overall change in the product mix within the loan portfolios including growth in deferred deposit transactions, and to account for the modest increase in non-performing loans. Management believes, based on information presently available, that it has adequately provided for loan losses at December 31, 2002. Management continues to closely monitor the commercial real estate loan portfolio in particular, recognizing that commercial real estate loans generally carry a greater risk of loss than residential real estate loans.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Similar to 2001, the Company experienced a modest provision for loan losses during the year of 2002. For the twelve months ended December 31, 2002, the provision for loan losses was $3.3 million compared to $3.5 million during the year of 2001. Included in the provision for loan losses were $47 thousand and $1.0 million for Refund Anticipation Loans (RALs) during 2002 and 2001, respectively. The substantial decrease in losses associated with RALs during 2002 was primarily the result of a significant reduction of errors in information received from government entities, which is used to underwrite RALs. The Company also received better than expected cross-collection of prior year losses. This is largely due to the unusually high charge-offs experienced during 2001 that in turn led to increased recovery opportunities during the 2002 tax season. Management does not believe, however, that this low loss rate can be sustained in future periods and expects a loss rate in 2003 closer to historical percentages.

The provision for loan losses was $3.5 million during 2001 compared to $1.4 million during 2000. The higher provision for loan losses in 2001 was primarily attributable to an increase in losses associated with the higher volume of RALs at Refunds Now as well as an increase in losses in the 1-4 family residential and commercial real estate portfolios.

Table 8 - Summary of Loan Loss Experience

Year Ended December 31, *(dollars in thousands)*	**2002**	2001	2000	1999	1998
Allowance for loan losses at beginning of year	**$ 8,607**	$ 7,862	$ 7,862	$ 7,862	$ 8,176
Charge-offs:					
Real estate					
Residential	**(706)**	(798)	(241)	(404)	(165)
Commercial	**(420)**	(703)	(571)	(77)	(500)
Construction	**(255)**	(8)	(115)	(61)	(352)
Commercial	**(444)**	(114)	(51)	(97)	(79)
Consumer	**(705)**	(818)	(734)	(1,508)	(2,828)
Home equity	**(164)**	(182)	(78)	(51)	–
Tax refund loans	**(1,482)**	(1,550)	(500)	(200)	–
Total	**(4,176)**	(4,173)	(2,290)	(2,398)	(3,924)
Recoveries:					
Real estate					
Residential	**88**	40	34	15	7
Commercial	**159**	313	5	–	–
Construction	**12**	–	–	–	–
Commercial	**271**	24	15	8	4
Consumer	**412**	502	616	557	489
Home equity	**2**	65	9	–	–
Tax refund loans	**1,435**	481	229	12	–
Total	**2,379**	1,425	908	592	500
Net loan charge-offs	**(1,797)**	(2,748)	(1,382)	(1,806)	(3,424)
Provision for loan losses	**3,338**	3,493	1,382	1,806	3,110
Allowance for loan losses at end of year	**$10,148**	$ 8,607	$ 7,862	$ 7,862	$ 7,862
Ratios:					
Allowance for loan losses to total loans	**0.77%**	0.73%	0.69%	0.76%	0.89%
Net loan charge-offs to average loans outstanding for the period	**0.15**	0.23	0.12	0.19	0.40
Allowance for loan losses to non-performing loans	**103**	154	193	213	158

Table 9 depicts management's allocation of the allowance for loan losses by loan type. Allowance 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

	2002		2001		2000	
As of December 31, *(dollars in thousands)*	**Allowance**	**Percent of Loans to Total Loans**	Allowance	Percent of Loans to Total Loans	Allowance	Percent of Loans to Total Loans
Real estate:						
Residential	**$ 1,283**	**46%**	$ 892	48%	$ 1,597	55%
Commercial	**6,986**	**31**	5,761	30	4,322	22
Construction	**764**	**5**	759	6	953	7
Commercial	**322**	**3**	458	3	385	3
Consumer	**700**	**3**	647	2	517	3
Home Equity	**93**	**12**	90	11	88	10
Total	**$10,148**	**100%**	$ 8,607	100%	$ 7,862	100%

Asset Quality

Loans, including impaired loans under SFAS 114 and 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 periodically and charged off when they reach 120 days past due or earlier if they are deemed uncollectible. At December 31, 2002, Republic had $122,000 in consumer loans 90 days or more past due compared to $89,000 at December 31, 2001.

The Bank's level of delinquent loans decreased to 1.02% at December 31, 2002, down from 1.73% at December 31, 2001. The improvement is primarily attributable to a small number of real estate secured loans that reached maturity and were pending refinance by the Company or another financial institution at December 31, 2001. A majority of these loans were either paid off by the borrower or refinanced by the Company during 2002, thus resolving their prior past-due status.

Republic experienced an increase in total non-performing loans from $5.6 million at December 31, 2001 to $9.9 million at December 31, 2002. The increase in non-accrual loans was spread across all major real estate secured lending categories. The increase in loans past due 90-days or more was primarily attributable to one commercial real estate loan which matured prior to year-end 2002 and was in the process of being refinanced by the Company. Management believes that substantially all loans in the non-performing category are well secured with a minimal risk of a material loss. Management does not consider the increase in non-performing loans indicative of any adverse change in the overall asset quality of the Company's total loan portfolio, however, the increase in non-performing loans was taken into consideration in establishing the Company's allowance for loan losses.

Table 10 - Non-Performing Assets

As of December 31, *(dollars in thousands)*	**2002**	2001	2000	1999	1998
Loans on non-accrual status(1)	**$ 7,967**	$ 5,056	$ 3,100	$ 2,721	$ 3,258
Loans past due 90 days or more	**1,915**	521	984	968	1,731
Total non-performing loans	**9,882**	5,577	4,084	3,689	4,989
Other real estate owned	**320**	149	478	218	540
Total non-performing assets	**$10,202**	$ 5,726	$ 4,562	$ 3,907	$ 5,529
Percentage of non-performing loans to total loans	**0.75%**	0.47%	0.36%	0.35%	0.57%
Percentage of non-performing assets to total loans	**0.78**	0.48	0.40	0.38	0.63

(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, which are a component of loans on non-accrual status, increased from $104,000 at December 31, 2001 to $1.2 million at December 31, 2002.

Investment Securities

Table 11 - Invetsment Securities Portfolio

December 31, *(in thousands)*	**2002**	2001	2000	1999	1998
Securities Available for Sale:					
U.S. Treasury and government agencies	**$ 51,123**	$ 32,023	$ 87,309	$ 97,029	$123,976
Mortgage-backed securities, including CMOs	**151,924**	179,576	65,556	66,340	47,806
Corporate bonds	**–**	–	18,810	18,258	15,154
Other securities	**–**	–	125	–	–
Total Securities Available for Sale	**203,047**	211,599	171,800	181,627	186,936
Securities to be Held to Maturity:					
U.S. Treasury and government agencies	**8,175**	50,995	40,375	25,353	25,422
States and political subdivisions	**100**	200	275	3,775	4,077
Mortgage-backed securities, including CMOs	**77,137**	31,151	63,118	3,803	486
Total Securities to be Held to Maturity	**85,412**	82,346	103,768	32,931	29,985
Total	**$288,459**	$293,945	$275,568	$214,558	$216,921

The investment portfolio primarily consists of U.S. Treasury and other U.S. Government Agency obligations including mortgage-backed securities and collateralized mortgage obligations (CMOs). The mortgage-backed securities (MBSs) consist of 15-year fixed, 7-year balloons, 5-year balloons, 7/1 and 5/1 Adjustable Rate Mortgages (ARMs) as well as other adjustable rate mortgage securities, underwritten and guaranteed by GNMA, FHLMC and FNMA. CMOs held in the investment portfolio are substantially all floating rate securities that adjust monthly. In addition to economic and market conditions, the overall management strategy of the investment portfolio is determined by, among other factors, loan demand, deposit mix, liquidity and collateral needs, the Company's interest rate risk position and the overall structure of the balance sheet. As of December 31, 2002, investment securities with a fair value of $257 million and amortized cost of $253 million were utilized to secure deposits, securities sold under agreements to repurchase and FHLB advances.

Securities available for sale decreased from $212 million at December 31, 2001 to $203 million at December 31, 2002. The decrease in the available for sale portfolio was primarily in CMOs, which decreased $52 million. The decrease in CMOs was due to prepayments on the underlying collateral resulting from a declining interest rate environment. The decline in CMOs was partially offset by a $86.6 million increase in agency mortgage-backed securities. The Company also sold approximately $56 million in mortgage-backed investment securities during the third quarter of 2002 in anticipation of rapid prepayments due to declining long-term market interest rates. These securities had a bond equivalent yield of 5.55% at the time of sale and the Company recognized a gain on sale of $1.6 million. Management anticipates CMOs and mortgage-backed securities held in the portfolio as of December 31, 2002 may experience rapid prepayments during the first quarter of 2003 given the low interest rate environment at the time. If these prepayments do occur, the overall yield on the investment portfolio could be negatively impacted.

Securities in the to be held to maturity portfolio increased from $82 million at December 31, 2001 to $85 million at December 31, 2002. The Company reallocated funds during 2002 from a maturing $50 million short-term Treasury bill into floating rate CMOs which reprice monthly. Because management viewed these CMOs as a good long-term investment due to their floating rate structure and attractive interest rate spread compared to U.S. government securities, they were classified as to be held to maturity.

Table 12 - Securities Available for Sale

As of December 31, 2002 ***(dollars in thousands)***	**Amortized Cost**	**Fair Value**	**Average Maturity in Years**	**Weighted Average Yield**
U.S. Treasury and U.S. Government Agencies:				
Within one year	**$ 4,998**	**$ 5,163**	**0.80**	**5.46%**
Over one through five years	**45,177**	**45,960**	**1.82**	**3.86**
Total U.S. Treasury and Government Agencies	**50,175**	**51,123**	**1.72**	**4.02**
Total mortgage-backed securities and CMOs	**148,936**	**151,924**	**5.02**	**4.63**
Total securities available for sale	**$199,111**	**$203,047**	**4.19**	**4.47**

Table 13 - Securities to be Held to Maturity

As of December 31, 2002 *(in thousands)*	Amortized Cost	Fair Value	Average Maturity in Years	Weighted Average Yield
U.S. Treasury and U.S. Government Agencies:				
Within one year	**$ 1,000**	**$ 999**	**0.85**	**2.12%**
Over one through five years	**2,179**	**2,200**	**1.29**	**3.00**
Over five through ten years	**4,996**	**4,996**	**9.84**	**2.78**
Total U.S. Treasury and Government Agencies	**8,175**	**8,195**	**6.46**	**2.76**
Obligations of states and political subdivision:				
Within one year	**100**	**102**	**0.67**	**4.70**
Total obligations of state and political subdivisions	**100**	**102**	**0.67**	**4.70**
Total mortgage-backed securities and CMOs	**77,137**	**77,186**	**6.71**	**2.89**
Total securities to be held to maturity	**$85,412**	**$85,483**	**6.68**	**2.88**

Deposits

Total deposits were $1.0 billion at December 31, 2002 compared to $866 million at December 31, 2001. Non-interest bearing deposits increased $46 million since December 31, 2001 to $175 million. This increase is related to management's continued focus on gathering lower cost funds through the Company's free checking promotions and Cash Management services. Because these accounts are typically transaction based, they are likely to have fluctuating balances from period to period. Non-interest bearing deposits also include various escrow accounts, which are subject to balance fluctuations from period to period as well.

The Bank's interest-bearing demand accounts, primarily NOW and money markets, increased $175 million during 2002 as the Company heavily promoted the "High Interest Checking" NOW product and the "Premier First" money market product through direct advertising and premium rate offerings. A significant portion of the increase in these products were from funds transferred from other Republic Bank accounts such as money market certificates of deposit and securities sold under agreements to repurchase. New products with premium rate offerings, while attracting client funds from outside the Company, also negatively impact Republic's deposit products paying lower rates of interest. The Company also had an increase in jumbo certificates of deposit during 2002 as this product was heavily promoted in the banking centers and through Internet banking at various times throughout the first half of the year.

Table 14 - Deposits

December 31, *(in thousands)*	**2002**	2001	2000	1999	1998
Demand (NOW, SuperNOW and Money Market)	**$ 360,777**	$ 185,447	$ 206,511	$ 204,071	$ 179,804
Savings	**23,993**	16,293	12,584	12,158	12,330
Money market certificates of deposit	**80,190**	155,601	76,818	43,152	35,139
Individual retirement accounts	**37,530**	34,299	32,933	29,380	23,353
Certificates of deposit, $100,000 and over	**111,204**	87,154	106,313	91,848	77,365
Other certificates of deposit	**249,798**	258,012	321,185	319,558	309,938
Brokered deposits	**1,238**	–	100	16,486	28,873
Total interest bearing deposits	**864,730**	736,806	756,444	716,653	666,802
Total non-interest bearing deposits	**175,460**	129,552	107,317	84,256	80,345
Total	**$1,040,190**	$ 866,358	$ 863,761	$ 800,909	$ 747,147

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

Securities sold under agreements to repurchase and other short-term borrowings decreased $57 million. Approximately $45 million of this decline was due to a switch in product type by several clients into the Company's higher yielding "Premier First" money market product. The remaining decline was primarily due to decreases in a small number of the Company's larger cash management accounts. Because these accounts are transaction based, they are inherently subject to large periodic balance changes.

FHLB Borrowings

FHLB borrowings increased by $22 million during the year to $319 million at December 31, 2002. The increase in borrowings was primarily the result of the $60 million in new advances the Company entered into during the fourth quarter of 2002 to fund the newly originated 15-year, fixed-rate loans that were held within the portfolio. The weighted-average cost of these advances was 3.23% with a weighted-average maturity of 3.6 years. The increase in FHLB borrowings as a result of this transaction was partially offset by the maturity of a $30 million advance during August 2002 with a coupon of 6.96%. The Company also elected to prepay a $25 million advance with a coupon of 6.40% during September of 2002 recognizing a one-time penalty of $1.4 million.

Approximately $115 million of the Company's advances are fixed with original maturities ranging from two through five years. Of these fixed rate advances, $60 million is scheduled to mature in January 2003 with a coupon of 5.88%. Management will likely refinance these advances on an overnight basis in the near-term. Subject to market conditions, management may elect to extend the maturities on these advances for a longer-term at some time during 2003.

The remaining $204 million in the Company's borrowings consists of convertible advances with original fixed-rate periods ranging from one to five years and original maturities ranging from three to ten years. At the end of their respective fixed-rate periods, the Federal Home Loan Bank has the right to convert the borrowings to floating-rate advances tied to LIBOR. If the FHLB elects to convert the debt to a floating rate instrument, Republic also has the right to pay off the advances without penalty. The Company has $10 million in these advances that are currently eligible to be converted on their quarterly repricing date. Based on market conditions at this time, management does not believe these advances are likely to be converted in the near-term. *(See Note 9 regarding FHLB borrowings.)*

Liquidity

Republic maintains sufficient liquidity to fund loan demand and routine deposit withdrawal activity. Liquidity is managed by retaining sufficient liquid assets in the form of investment securities and core deposits to meet demand. Funding and cash flows can also be realized by the sale of securities in the available-for-sale portion of the investment portfolio, principal paydowns on loans and mortgage-backed securities and proceeds realized from the loans held-for-sale category. Republic's banking centers and its Internet site, republicbank.com, also provide access to retail deposit markets. These retail deposits, if offered at attractive rates, have historically been a source of funding when needed. Traditionally, the Bank has also utilized borrowings from the FHLB to supplement its funding requirements. At December 31, 2002, the Bank had $42 million of borrowing capacity with the FHLB. While Republic utilizes numerous funding sources in order to meet liquidity requirements, the Company also has $40 million in approved unsecured line of credit facilities available at December 31, 2002 through various third party sources.

Capital

Total stockholders' equity increased from $125 million at December 31, 2001 to $151 million at December 31, 2002. The increase in stockholders' equity was primarily attributable to net income earned during 2002. There was also a positive impact on accumulated other comprehensive income as a result of the increased value of the available for sale securities portfolio. In addition, stockholders' equity increased as a result of stock options exercised by Republic's employees and directors and a $5.1 million conversion of the Company's guaranteed preferred beneficial interests in Republic's subordinated debentures into Class A Common Stock. These debentures were already previously included as a component of capital for regulatory purposes. *(For further discussion of the Company's guaranteed preferred beneficial interests in Republic's subordinated debentures see Note 10 of the consolidated financial statements included in this annual report.)*

In 1998 and 1999, Republic Bancorp's board of directors approved a Class A share repurchase program of 500,000 shares. Through December 31, 2002, Republic purchased approximately 471,000 shares with a weighted-average cost of $10.12, and a total cost of $4.8 million. The Company was authorized to buy back an additional 29,000 shares of Class A Common Stock under this program as of December 31, 2002.

Regulatory agencies measure capital adequacy within a framework that makes capital requirements, in part, dependent on the individual risk profiles of financial institutions. Republic continues to exceed the regulatory requirements for 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. Republic's average capital to average assets ratio was 8.65% at December 31, 2002 compared to 7.96% at December 31, 2001. *(For further analysis, see Note 13 of the consolidated financial statements included in this annual report.)*

Off Balance Sheet Arrangements and Aggregate Contractual Obligations

Table 15 – Off balance sheet items

(by thousands)	Maturity by Period: Less than 1 year	Greater than 1 year to 3 years	Greater than 3 years to 5 years	Greater than 5 years	Total
Stand-by letters of credit	$ 2,519	$ 13,460	$ 14,727	$ 1,836	$ 32,542
Lease commitments	2,568	4,394	2,334	15,466	24,762
FHLB letters of credit	80,000	13,137	14,725	–	107,862
Commitments to extend credit	241,801	11,633	274	3,913	257,621
Mortgage Banking Commitments					–
Rate-lock commitments	161,648	–	–	–	161,648
Mandatory forward sales contracts	195,809	–	–	–	195,809

Stand-by letters of credit represent commitments by the Company to repay a third-party beneficiary when a customer fails to repay a loan or debt instrument. 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. In addition to credit risk, the Company also has liquidity risk associated with stand-by letters of credit because funding for these obligations could be required immediately.

Lease commitments represents the total minimum lease payments under noncancelable operating leases.

The Company obtained letters of credit from the FHLB to be used as collateral on public funds deposits and as credit enhancements for client bond offerings. Approximately $28 million of these letters of credit at December 31, 2002 were used as credit enhancements for client bond offerings. The remaining $80 million was used to collateralize a public funds deposit, which the Company classifies as a short-term borrowing. These letters of credit reduce Republic's available borrowing line at the Federal Home Loan Bank by $108 million.

Commitments to extend credit are loan commitments, which assure a borrower of financing for a specified period of time at a specified rate on a loan Republic intends to hold in its portfolio. The risk to Republic under such commitments is limited to 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. This 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 mortgage banking activities generally includes two types of commitments by the Company. The first is a rate lock commitment with the client. In a rate-lock commitment, a client while in process of obtaining approval for a fixed-rate secondary market loan can, at his own determination, fix or "lock in" his rate on the loan. The commitments are generally for periods of 60 to 90 days and are at market rates. To mitigate risk from market interest rate fluctuations and to deliver these loans into the secondary market, Republic generally enters into mandatory forward sales contracts on rate-lock commitments. The Company also has mandatory sales contracts covering loans held for sale, which no longer represent a rate-lock commitment.

Asset/Liability Management and Market Risk

Asset/liability management control is designed to ensure safety and soundness, maintain liquidity and regulatory capital standards, and achieve acceptable net interest income. Interest rate risk is the exposure to adverse changes in 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 implement appropriate funding and balance sheet strategies. Management considers interest rate risk to be Republic's most significant market risk.

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. 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 and loan rates and their related balances in relation to changes in interest rates are also incorporated into the model. These assumptions are inherently uncertain and, as a result, the model cannot precisely measure future net interest income or precisely predict the impact of fluctuations in market interest rates on net interest income. Actual results will differ from the model's simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and the application and timing of various management strategies.

Republic's interest sensitivity profile reflected little change from December 31, 2001 to December 31, 2002. Given a sustained 100 basis point downward shock to the yield curve used in the simulation model, Republic's base net interest income would decrease by an estimated 1.09% at December 31, 2002 compared to a decrease of 1.22% at December 31, 2001.

Given a 100 basis point increase in the yield curve Republic's base net interest income would decrease by an estimated 2.48% at December 31, 2002 compared to a decrease of 2.41% at December 31, 2001.

Historically, Republic's net interest margin declined in a rising interest rate environment. While this fact remains, the Company improved its risk position in 2001 from rising interest rates by extending advances from the Federal Home Loan Bank. The Company has generally maintained this improved risk position during 2002. In a declining interest rate environment, the Company's net interest income historically increased. Given the low level of market interest rates as of December 31, 2002, however, the Company may not experience a corresponding improvement in net interest income from a further decline in market interest rates as the interest paid on selected deposit products may not be subject to further material reductions.

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.

Tables 16 and 17 illustrate Republic's estimated annualized earnings sensitivity profile based on the asset/liability model as of year-end 2002 and year-end 2001, respectively:

Table 16 - Interest Rate Sensitivity for 2002

(dollars in thousands)	Decrease in Rates: 200 Basis Points	Decrease in Rates: 100 Basis Points	Base	Increase in Rates: 100 Basis Points	Increase in Rates: 200 Basis Points
Projected interest income					
Short-term investments	$ 66	$ 67	$ 266	$ 549	$ 665
Investments	8,520	9,304	11,173	12,890	14,588
Loans, excluding fees	81,382	84,232	86,552	90,437	94,513
Total interest income	89,968	93,603	97,991	103,876	109,766
Projected interest expense					
Deposits	16,289	17,675	19,681	24,476	29,199
Securities sold under agreements to repurchase	793	1,161	2,870	5,485	8,077
Other borrowed funds	13,877	13,877	13,877	13,877	14,060
Total interest expense	30,959	32,713	36,428	43,838	51,336
Net interest income	$ 59,009	$ 60,890	$61,563	$ 60,038	$ 58,430
Change from base	$ (2,554)	$ (673)		$ (1,525)	$ (3,133)
% Change from base	(4.15)%	(1.09)%		(2.48)%	(5.09)%

Table 17 - Interest Rate Sensitivity for 2001

(dollars in thousands)	Decrease in Rates: 200 Basis Points	Decrease in Rates: 100 Basis Points	Base	Increase in Rates: 100 Basis Points	Increase in Rates: 200 Basis Points
Projected interest income					
Short-term investments	$ 165	$ 360	$ 969	$ 1,614	$ 1,893
Investments	9,374	10,540	11,958	13,333	15,064
Loans, excluding fees	82,075	85,238	88,517	92,130	95,945
Total interest income	91,614	96,138	101,444	107,077	112,902
Projected interest expense					
Deposits	16,068	17,550	20,071	23,919	27,642
Securities sold under agreements to repurchase	2,550	3,355	5,286	8,505	11,730
Other borrowed funds	15,871	15,992	16,113	16,124	16,204
Total interest expense	34,489	36,897	41,470	48,548	55,576
Net interest income	$ 57,125	$ 59,241	$ 59,974	$ 58,529	$ 57,326
Change from base	$ (2,849)	$ (733)		$ (1,445)	$ (2,648)
% Change from base	(4.75)%	(1.22)%		(2.41)%	(4.42)%

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 closing 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.

	2002			
	Market Value		**Dividend**	
Quarter Ended	**High**	**Low**	**Class A**	**Class B**
March 31	**$ 13.72**	**$ 10.55**	**$ 0.044**	**$ 0.040**
June 30	**12.65**	**10.56**	**0.055**	**0.050**
September 30	**13.18**	**10.44**	**0.055**	**0.050**
December 31	**12.25**	**10.28**	**0.055**	**0.050**

	2001			
	Market Value		Dividend	
Quarter Ended	High	Low	Class A	Class B
March 31	$ 9.19	$ 6.19	$ 0.044	$ 0.040
June 30	13.18	8.13	0.044	0.040
September 30	14.51	10.70	0.044	0.040
December 31	13.99	12.10	0.044	0.040

There is no established public trading market for the Class B Common Stock. At February 12, 2003, the Class A Common Stock was held by 813 shareholders of record, and the Class B Common Stock was held by 208 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.

NEW ACCOUNTING PRONOUNCEMENTS

See discussion in Note 1 to financial statements for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The information for this item is incorporated by reference to the *Asset /Liability Management and Market Risks* section on page 34 through 35 of Part 1, Item 2., *Management's Discussion and Analysis of Financial Condition and Results of Operations,* of this report.

Item 4. Controls and Procedures Disclosure

Within the 90-day period prior to the filing date of this report, an evaluation was carried out under the supervision and with the participation of Republic's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934). Based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are, to the best of their knowledge, effective to ensure that information required to be disclosed by Republic in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to the date of their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that there were no significant changes in Republic's internal controls or in other factors that could significantly affect its internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

CROWE CHIZEK

REPORT OF INDEPENDENT AUDITORS

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, 2002 and 2001, 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, 2002. 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 auditing standards generally accepted in the United States of America. 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, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ending December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP

Louisville, Kentucky
January 10, 2003

CONSOLIDATED BALANCE SHEETS

December 31, *(in thousands, except share data)*	2002	2001
ASSETS:		
Cash and cash equivalents	**$ 39,853**	$ 35,569
Securities available for sale	**203,047**	211,599
Securities to be held to maturity	**85,412**	82,346
Mortgage loans held for sale	**65,695**	35,492
Loans, less allowance for loan losses of $10,148 and $8,607 (2002 and 2001)	**1,299,915**	1,176,094
Federal Home Loan Bank stock	**18,324**	17,375
Premises and equipment, net	**23,152**	19,590
Other assets and accrued interest receivable	**17,308**	12,766
TOTAL	**$ 1,752,706**	$ 1,590,831
LIABILITIES:		
Deposits:		
Non-interest bearing	**$ 175,460**	$ 129,552
Interest bearing	**864,730**	736,806
Securities sold under agreements to repurchase and other short term borrowings	**224,929**	282,023
FHLB borrowings	**319,299**	296,950
Guaranteed preferred beneficial interests in Republic's subordinated debentures	**–**	5,852
Other liabilities and accrued interest payable	**17,492**	14,533
Total liabilities	**1,601,910**	1,465,716
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
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, 14,852,153 shares (2002) and 14,027,284 shares (2001) issued and outstanding; Class B common stock, no par value, 5,000,000 shares authorized, 1,979,414 shares (2002) and 2,078,731 shares (2001) issued and outstanding	**4,120**	3,953
Additional paid-in capital	**39,174**	33,017
Retained earnings	**107,567**	90,873
Unearned shares in employee stock ownership plan	**(2,663)**	(3,005)
Accumulated other comprehensive income	**2,598**	277
Total stockholders' equity	**150,796**	125,115
TOTAL	**$ 1,752,706**	$ 1,590,831

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, *(in thousands, except per share data)*	2002	2001	2000
INTEREST INCOME:			
Loans, including fees	**$ 92,154**	$ 102,324	$ 100,422
Securities			
Taxable	**12,219**	12,775	16,309
Non-taxable	**8**	11	89
Other	**1,720**	2,286	1,840
Total interest income	**106,101**	117,396	118,660
INTEREST EXPENSE:			
Deposits	**22,819**	32,706	37,521
Securities sold under agreements to repurchase	**3,246**	8,529	13,819
FHLB borrowing	**15,696**	16,682	15,511
Total interest expense	**41,761**	57,917	66,851
NET INTEREST INCOME	**64,340**	59,479	51,809
PROVISION FOR LOAN LOSSES	**3,338**	3,493	1,382
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**61,002**	55,986	50,427
NON-INTEREST INCOME:			
Service charges on deposit accounts	**8,314**	6,267	4,410
Electronic refund check fees	**3,198**	2,087	1,070
Title insurance commissions	**2,129**	1,515	298
Net gain on sale of mortgage loans	**6,998**	6,191	1,417
Net gain (loss) on sale of securities	**1,559**	1,864	(161)
Debit card interchange fee income	**1,441**	1,020	760
Other	**883**	797	1,065
Total non-interest income	**24,522**	19,741	8,859
NON-INTEREST EXPENSE:			
Salaries and employee benefits	**28,039**	25,943	20,519
Occupancy and equipment	**9,984**	9,073	8,825
Communication and transportation	**2,329**	2,319	2,084
Marketing and development	**2,934**	2,839	1,555
Bankshares tax	**1,727**	1,513	1,339
Supplies	**1,139**	1,170	994
FHLB prepayment penalty	**1,381**	1,049	
Outsourced technology services	**1,575**	1,134	1,028
Other	**4,731**	5,300	3,685
Total non-interest expense	**53,839**	50,340	40,029
INCOME BEFORE INCOME TAXES	**31,685**	25,387	19,257
INCOME TAXES	**11,196**	8,579	6,336
NET INCOME	**$ 20,489**	$ 16,808	$ 12,921
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:			
Change in unrealized gain on securities	**$ 3,334**	$ 1,948	$ 3,368
Reclassification of realized amount	**(1,013)**	(1,219)	106
Net unrealized gain recognized in comprehensive income	**2,321**	729	3,474
COMPREHENSIVE INCOME	**$ 22,810**	$ 17,537	$ 16,395
EARNINGS PER SHARE, BASIC			
Class A	**$ 1.23**	$ 1.04	$ 0.78
Class B	**1.21**	1.03	0.77
EARNINGS PER SHARE ASSUMING DILUTION			
Class A	**1.20**	1.01	0.76
Class B	**1.19**	0.99	0.75

See accompanying notes.

(in thousands, except share data)	Common Stock Class A Shares	Common Stock Class B Shares	Amount	Additional Paid In Capital	Retained Earnings	Unearned Shares in Employee Stock Ownership Plan	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
BALANCE, January 1, 2000	14,536	2,142	$ 4,099	$ 33,617	$ 73,600	$ (3,620)	$ (3,926)	$ 103,770
Stock options exercised, net of shares redeemed	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							3,474	3,474
Net Income					12,921			12,921
BALANCE, December 31, 2000	14,512	2,105	$ 4,079	$ 33,294	$ 83,345	$ (3,324)	$ (452)	$ 116,942
Stock options exercised, net of shares redeemed	155	22	44	808	(385)			467
Repurchase of Class A Common	(763)		(182)	(1,521)	(6,113)			(7,816)
Conversion of Class B Common to Class A Common	48	(48)						
Conversion of Capital Trust Preferred to Class A Common	50		12	488				500
Commitment of 24,649 shares to be released under the Employee Stock Ownership Plan	25			(52)		319		267
Dividends declared Common:								
Class A ($ 0.176 per share)					(2,449)			(2,449)
Class B ($ 0.160 per share)					(333)			(333)
Net changes in accumulated other comprehensive income							729	729
Net income					16,808			16,808
BALANCE, December 31, 2001	14,027	2,079	$ 3,953	$ 33,017	$ 90,873	$ (3,005)	$ 277	$ 125,115
Stock options exercised, net of shares redeemed	**203**	**3**	**49**	**1,258**	**(203)**			**1,104**
Repurchase of Class A Common	**(15)**		**(3)**	**(29)**	**(131)**			**(163)**
Conversion of Class B Common to Class A Common	**103**	**(103)**						
Conversion of Capital Trust Preferred to Class A Common	**508**		**121**	**4,956**				**5,077**
Commitment of 26,499 shares to be released under the Employee Stock Ownership Plan	**26**			**(28)**		**342**		**314**
Dividends declared Common:								
Class A($ 0.209 per share)					**(3,081)**			**(3,081)**
Class B($ 0.190 per share)					**(380)**			**(380)**
Net changes in accumulated other comprehensive income (loss)							**2,321**	**2,321**
Net income					**20,489**			**20,489**
BALANCE, December 31, 2002	**14,852**	**1,979**	**$ 4,120**	**$ 39,174**	**$ 107,567**	**$ (2,663)**	**$ 2,598**	**$150,796**

YEARS ENDED DECEMBER 31, *(in thousands)*	**2002**	2001	2000
OPERATING ACTIVITIES:			
Net income	**$ 20,489**	$ 16,808	$ 12,921
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization, net	**4,262**	3,736	4,132
FHLB stock dividends	**(949)**	(1,204)	(1,117)
Provision for loan losses	**3,338**	3,493	1,382
Net gain on sale of mortgage loans	**(6,998)**	(6,191)	(1,417)
Net (gain) loss on sale of securities	**(1,559)**	(1,864)	161
Proceeds from sale of mortgage loans held for sale	**767,452**	523,663	113,768
Origination of mortgage loans held for sale	**(790,657)**	(547,735)	(110,172)
Employee Stock Ownership Plan expense	**314**	267	170
Changes in assets and liabilities:			
Accrued interest receivable and other assets	**(4,967)**	2,267	(1,196)
Accrued interest payable and other liabilities	**2,729**	2,622	998
Net cash provided by (used in) operating activities	**(6,546)**	(4,138)	19,630
INVESTING ACTIVITIES:			
Purchases of securities available for sale	**(333,751)**	(248,731)	(61,159)
Purchases of securities to be held to maturity	**(101,590)**	(80,845)	(88,109)
Proceeds from maturities of securities to be held to maturity	**98,474**	139	17,438
Proceeds from maturities and paydowns of securities available for sale	**288,937**	191,715	48,248
Proceeds from sales of securities available for sale	**58,227**	122,516	27,569
Net increase in loans	**(127,929)**	(43,680)	(107,842)
Net purchases of premises and equipment, net	**(7,560)**	(3,955)	(4,613)
Net cash used in investing activities	**(125,192)**	(62,841)	(168,468)
FINANCING ACTIVITIES:			
Net increase in deposits	**134,348**	2,597	62,852
Net increase (decrease) in securities sold under agreements to repurchase and other short-term borrowings	**(17,610)**	19,022	47,283
Payments on other borrowed funds	**(70,258)**	(99,837)	(305,531)
Proceeds from other borrowed funds	**92,607**	150,737	320,198
Repurchase of Class A common stock	**(163)**	(7,816)	(1,008)
Redemption of the Company's guaranteed preferred beneficial interests in Republic's subordinated debentures	**(775)**	–	–
Proceeds from common stock options exercised	**1,104**	467	100
Cash dividends paid	**(3,231)**	(2,837)	(2,368)
Net cash provided by financing activities	**136,022**	62,333	121,526
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,284**	(4,646)	(27,312)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**35,569**	40,215	67,527
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 39,853**	$ 35,569	$ 40,215
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	**$ 38,036**	$ 59,076	$ 66,361
Income taxes	**11,600**	8,701	6,284
SUPPLEMENTAL NONCASH DISCLOSURES:			
Transfers from loans to other real estate owned	**770**	624	1,441
Transfers of securities to be held to maturity to securities available for sale	**–**	102,153	–
Conversion of the Company's guaranteed preferred beneficial interests in Republic's subordinated debentures to Class A Common Stock	**5,077**	–	–
Client transfers from securities sold under agreements to repurchase to deposits	**39,484**	–	–

See accompanying notes.

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 and Republic Bank & Trust Company of Indiana (together referred to as "Bank"), Republic Capital Trust and Republic Mortgage Company (collectively "Republic" or "the Company"). 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, LLC. All significant intercompany balances and transactions have been eliminated.

Republic operates 26 banking centers, primarily in the retail banking industry and conducts its operations predominately in metropolitan Louisville, central Kentucky, southern Indiana 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 accounting principles generally accepted in the United States of America 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 the 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 or 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.

In conjunction with Republic's adoption of new guidance regarding accounting for derivative instruments and hedging activities, on January 1, 2001 Republic transferred substantially all of its securities classified as held to maturity at that date to available for sale.

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. To deliver closed loans to the secondary market and to control its interest rate risk prior to sale, Republic enters non-exchange traded mandatory forward sales derivative contracts. The aggregate market value of mortgage loans held for sale considers the price of the sales contracts.

On July 1, 2002, Republic became subject to new accounting guidance for certain commitments to originate loans. The new guidance requires loan commitments related to the origination of mortgage loans held for sale to be accounted for as derivative instruments. Republic's commitments are for fixed rated mortgage loans, generally lasting 60 to 90 days and are at market rates when initiated. Considered derivatives, Republic had commitments to originate $161 million in loans as of December 31, 2002, which it intends to sell after the loans are closed. Because sales contract derivatives are entered into for amounts and terms offsetting the interest rate risk of loan commitment derivatives and both are carried at their fair value with changes included in earnings and substantially offset, the impact of adopting this guidance was not material. Substantially all of the gain on sale generated from mortgage banking activities continues to be recorded when closed loans are delivered into the sales contracts.

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 rates 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 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 incurred credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. Management estimates the necessary allowance balance using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations, estimated collateral values, economic conditions, regulatory guidance and other factors. Allocations of the allowance may be made for specific loans or loan categories, but the entire allowance is available for any loan that may be charged off. Loan losses are charged against the allowance when management deems a loan uncollectible.

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 using the intrinsic value method. No stock-based compensation cost is reflected in net income, as all options granted had an exercise price equal to or greater than the market price of the underlying common stock at date of grant. The following table illustrates the effect on net income and earnings per share if expense was measured using the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation.

(dollars in thousands,except per share data)	**2002**	2001	2000
Net income as reported	**$20,489**	$16,808	$12,921
Deduct:			
Stock-based compensation expense determined under fair value based method	**645**	153	353
Pro forma net income	**$19,844**	$16,655	$12,568
Basic earnings per share as reported			
Class A	**$ 1.23**	$ 1.04	$ 0.78
Class B	**1.21**	1.03	0.77
Pro forma basic earnings per share			
Class A	**1.19**	1.00	0.76
Class B	**1.18**	0.99	0.74
Diluted earnings per share as reported			
Class A	**1.20**	1.01	0.76
Class B	**1.19**	0.99	0.75
Pro forma diluted earnings per share			
Class A	**1.17**	0.96	0.74
Class B	**1.15**	0.95	0.73

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:

	2002	2001	2000
Assumptions:			
Risk-free interest rate	**4.83%**	4.99%	5.33%
Expected dividend yield	**1.97**	2.37	2.36
Expected life (years)	**5.95**	6.00	6.00
Expected common stock market price volatility	**32%**	34%	27%
Estimated fair value per share	**$3.41**	$2.46	$1.78

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. The difference between market price and the cost of shares committed to be released is recorded as an adjustment to paid in capital. 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.

Derivatives - Republic only uses derivative instruments as described in "Mortgage Banking Activities."

Earnings per Share - Earnings per share are 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 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.

Reclassifications - Certain amounts presented in prior periods have been restated to conform with the current year presentation.

New Accounting Pronouncements - On January 1, 2002, Republic adopted a new accounting standard for disclosing losses on debt extinguishment. Prior standards required all such losses to be reported separately as extraordinary items, whereas under the new standard, these losses are to be reported as extraordinary item only if the circumstances in which the debt was extinguished merit such disclosure. As part of its ongoing asset and liability management, Republic periodically retires certain debt obligations prior to maturity, which under the new standard is not considered extraordinary. As such, the prepayment penalties incurred by Republic in 2002 on early retirement of FHLB advances were reported as a separate caption included in non-interest expense. The prepayment penalties incurred in 2001 were restated to conform with the 2002 presentation.

On July 1, 2002, Republic became subject to new accounting guidance for certain commitments to originate loans as described in "Mortgage Banking Activities."

Effective in 2002, a new accounting standard relating to changes in accounting for business combinations and intangible assets resulted in no effect to the Company since there are no intangible assets included on the balance sheet nor any recent acquisitions by the Company.

New accounting standards on asset retirement obligations, restructuring activities and exit costs were issued in 2002. Management determined that when the new accounting standards are adopted in 2003 they will not have a material impact on the Company's financial condition or results of operations.

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 $3.0 million of reserve balances at December 31, 2002.

3. SECURITIES

Securities available for sale:

December 31, 2002 *(in thousands)*	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Treasury securities and U.S. government agencies	**$ 50,175**	**$ 948**	**$ –**	**$ 51,123**
Mortgage-backed securities	**148,936**	**2,990**	**(2)**	**151,924**
Total securities available for sale	**$ 199,111**	**$ 3,938**	**$ (2)**	**$ 203,047**

December 31, 2001 *(in thousands)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and U.S. government agencies	$ 31,542	$ 481	$ –	$ 32,023
Mortgage-backed securities	179,636	798	(858)	179,576
Total securities available for sale	$ 211,178	$ 1,279	$ (858)	$ 211,599

Securities to be held to maturity:

December 31, 2002 *(in thousands)*	**Amortized Cost**	**Gross Unrecognized Gains**	**Gross Unrecognized Losses**	**Fair Value**
U.S. Treasury securities and U.S. government agencies	**$ 8,175**	**$ 20**	**$ –**	**$ 8,195**
Obligations of state and political subdivisions	**100**	**2**		**102**
Mortgage-backed securities	**77,137**	**115**	**(66)**	**77,186**
Total securities to be held to maturity	**$ 85,412**	**$ 137**	**$ (66)**	**$ 85,483**

December 31, 2001 *(in thousands)*	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
U.S. Treasury securities and U.S. government agencies	$ 50,995	$ –	$ (37)	$ 50,958
Obligations of state and political subdivisions	200	3	–	203
Mortgage-backed securities, including CMOs	31,151	10	(7)	31,154
Total securities to be held to maturity	$ 82,346	$ 13	$ (44)	$ 82,315

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

December 31 *(in thousands)*	**2002**	2001
Amortized cost	**$ 253,266**	$ 233,600
Fair value	**257,053**	233,900
Sale of securities available for sale		
Proceeds on sales	**58,228**	122,516
Proceeds on calls	**26,500**	63,000
Gross gains	**1,559**	1,864

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

	Securities available for sale		**Securities to be held to maturity**	
December 31, 2002 *(in thousands)*	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	**$ 4,998**	**$ 5,163**	**$ 1,100**	**$ 1,101**
Due after one year through five years	**45,177**	**45,960**	**2,179**	**2,200**
Due after five through ten years	**–**	**–**	**4,996**	**4,996**
Mortgage-backed securities, including CMOs	**148,936**	**151,924**	**77,137**	**77,186**
Total	**$ 199,111**	**$ 203,047**	**$ 85,412**	**$ 85,483**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. LOANS

December 31, *(in thousands)*	**2002**	2001
Residential real estate	**$ 597,797**	$ 571,959
Commercial real estate	**413,115**	360,056
Real estate construction	**68,020**	70,870
Commercial	**33,341**	30,627
Consumer	**39,347**	26,905
Home equity	**159,261**	125,360
Total loans	**1,310,881**	1,185,777
Less:		
Unearned interest income		
and unamortized loan fees	**818**	1,076
Allowance for loan losses	**10,148**	8,607
Loans, net	**$ 1,299,915**	$ 1,176,094

Republic utilizes eligible real estate loans to collateralize advances and letters of credit from the Federal Home Loan Bank. At December 31, 2002 and 2001, Republic had $541 million and $526 million in first lien, 1-4 family residential real estate loans pledged to secure advances and letters of credit from the Federal Home Loan Bank. The Company also had $38 million and $12 million in multi-family, commercial real estate loans pledged at December 31, 2002 and 2001, and $115 million in home equity lines of credit pledged at December 31, 2002.

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

December 31, *(in thousands)*	**2002**	2001	2000
Balance, beginning of year	**$ 8,607**	$ 7,862	$ 7,862
Provision for loan losses charged to income	**3,338**	3,493	1,382
Charge-offs	**(4,176)**	(4,173)	(2,290)
Recoveries	**2,379**	1,425	908
Balance, end of year	**$ 10,148**	$ 8,607	$ 7,862

Information about Republic's impaired loans is as follows:

As of and for the Year Ended December 31, *(in thousands)*	**2002**	2001	2000
Year-end loans with no allocated allowance for loan losses	**$ –**	$ –	$ –
Year-end loans with allocated allowance for loan losses	**1,152**	104	767
Total	**$ 1,152**	$ 104	$ 767
Amount of the allowance for loan losses allocated	**$ 288**	$ 26	$ 385
Average of impaired loans during the year	**1,369**	707	714
Interest income recognized during impairment	**–**	–	–
Cash-basis interest income recognized	**–**	–	–
Nonperforming loans were as follows:			
Loans past due 90 days still on accrual	**1,915**	521	984
Nonaccrual loans	**7,967**	5,056	3,100

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:

Year ended December 31, 2002 *(in thousands)*	**Balance, Beginning Of Period**	**Change in Related Party Status**	**New Loans**	**Repayments**	**Balance, End Of Period**
	$ 21,565	**$ 227**	**$ 6,348**	**$ (8,595)**	**$19,545**

5. LOAN SERVICING

Republic was servicing loans for others (primarily FHLMC) totaling $288 million and $243 million at December 31, 2002 and 2001. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and processing foreclosures.

Activity for capitalized mortgage servicing rights during 2002 and 2001 were as follows:

December 31, *(in thousands)*	**2002**	2001
Balance January 1	**$ 1,885**	$ 624
Additions	**1,743**	1,548
Amortized to expense	**(746)**	(287)
Balance December 31	**$ 2,882**	$ 1,885
Valuation allowance	**$ –**	$ –

6. PREMISES AND EQUIPMENT

December 31, *(in thousands)*	**2002**	2001
Land	**$ 1,822**	$ 1,822
Office buildings and improvements	**13,877**	11,809
Furniture, fixtures and equipment	**24,625**	19,634
Leasehold improvements	**2,500**	2,037
Total premises and equipment	**42,824**	35,302
Less accumulated depreciation and amortization	**19,672**	15,712
Net premises and equipment	**$ 23,152**	$ 19,590

7. DEPOSITS

Time deposits of $100,000 or more were approximately $111 million and $87 million at year-end 2002 and 2001. At December 31, 2002, the scheduled maturities of time deposits of $100,000 or more are as follows:

(dollars in thousands)	**Amount**	**Weighted Average Rate**
2003	**$ 39,806**	**3.23%**
2004	**17,744**	**3.76**
2005	**8,131**	**4.51**
2006	**22,807**	**3.96**
2007	**22,716**	**4.49**
thereafter	**–**	**–**
Total	**$ 111,204**	**3.81%**

8. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

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 Federal Home Loan Bank letters of credit or private 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 2002 and 2001 are as follows:

December 31, *(in thousands)*	**2002**	2001
Average outstanding balance during the year	**$ 225,671**	$ 251,068
Average interest rate during the year	**1.44%**	3.40%
Maximum month end balance during the year	**$ 294,915**	$ 283,460

9. FHLB BORROWED FUNDS

December 31, *(in thousands)*	2002	2001
Federal Home Loan Bank convertible fixed rate advances with weighted average interest rate of 5.17% (1)	**$ 115,000**	$ 140,000
Federal Home Loan Bank fixed interest rate advances, with weighted average interest rate of 4.60% at December 31, 2002, due through 2031	**204,299**	156,950
	$ 319,299	$ 296,950

(1) Represents convertible advances with the Federal Home Loan Bank (FHLB). These advances have original fixed-rate periods ranging from one to five years and original maturities ranging from three to ten years. At the end of their respective fixed-rate periods, the FHLB has the right to convert the borrowings to floating-rate advances tied to LIBOR. The Company has $10 million in these advances that are currently eligible to be converted on their quarterly repricing date. Based on market conditions at this time, management does not believe these advances are likely to be converted in the near-term.

Federal Home Loan Bank advances are collateralized by a blanket pledge of eligible real estate loans. *(For additional information see Note 4 on Loans).* At December 31, 2002, Republic had available collateral to borrow an additional $42 million from the Federal Home Loan Bank. Republic also has unsecured lines of credit totaling $40 million available through various financial institutions.

Aggregate future principal payments on borrowed funds as of December 31, 2002 are as follows:

Year	***(in thousands)***
2003	**$ 115,000**
2004	**54,000**
2005	**30,000**
2006	**70,000**
2007 and thereafter	**50,299**
	$ 319,299

For purposes of this schedule, the $115 million in convertible fixed-rate advances are assumed to be converted on their applicable quarterly repricing dates. During 2002, the Company prepaid $25 million on 6.40% Federal Home Loan Bank advances due November 20, 2002. This transaction resulted in a penalty of $1,371,000 or $891,000 net of tax (approximately $0.05 per share). In 2001, the Company prepaid $25 million on 6.69% Federal Home Loan Bank advances due October 2002. This transaction resulted in a penalty of $1,049,000 or $686,000 net of tax (approximately $0.04 per share).

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 sole asset of RCT represents the proceeds of the offering loaned to Republic Bancorp, Inc. in exchange for subordinated debentures which have terms that are similar to the Trust Preferred Securities. The subordinated debentures and the related interest expense, payable quarterly at the annual rate of 8.5%, are included in the consolidated financial statements.

As permitted under the agreement, management redeemed these securities on April 1, 2002. Approximately $800,000 of these securities was redeemed for cash while the remaining $5.1 million were converted into 507,700 shares of the Company's Class A Common Stock. This transaction, on an annualized basis, will have a negative impact of approximately $0.03 on basic earnings per share and will have no effect on dilutive earnings per share.

11. INCOME TAXES

Income tax expense is summarized as follows:

Year Ended December 31, *(in thousands)*	2002	2001	2000
Current	**$11,536**	$ 8,687	$ 5,904
Deferred expense (benefit)	**(340)**	(108)	432
Total	**$11,196**	$ 8,579	$ 6,336

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

Years Ended December 31,	2002	2001	2000
Federal statutory rate	**35.0%**	35.0%	35.0%
Increase (decrease) resulting from:			
Tax-exempt interest income	**–**	–	(0.3)
Other	**0.3**	(1.2)	(1.7)
Effective rate	**35.3%**	33.8%	33.0%

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)*	2002	2001
Deferred tax assets:		
Depreciation	**$ 532**	$ 755
Allowance for loan losses	**2,715**	2,097
Accrued expenses	**1,098**	–
Other	**–**	200
Total deferred tax assets	**4,345**	3,052
Deferred tax liabilities:		
FHLB dividends	**2,469**	2,172
Loan fees	**294**	183
Mortgage servicing rights	**1,011**	660
Unrealized securities gains	**1,338**	143
Other	**194**	–
Total deferred tax liabilities	**5,306**	3,158
Net deferred tax liability, included in other assets	**$ (961)**	$ (106)

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 2002, 2001 and 2000 was $279,000, $224,000 and $199,000, or approximately two cents on basic earnings per share.

Basic

Years Ended December 31, *(in thousands, except per share data)*	2002	2001	2000
Earnings Per Share			
Net Income available to common shareholders	**$ 20,489**	$ 16,808	$ 12,921
Weighted average shares outstanding	**16,636**	16,126	16,621
Earnings Per Share, basic			
Class A	**$ 1.23**	$ 1.04	$ 0.78
Class B	**1.21**	1.03	0.77

Diluted

Years Ended December 31, *(in thousands, except per share data)*	2002	2001	2000
Earnings Per Share Assuming Dilution			
Net Income	**$ 20,489**	$ 16,808	$ 12,921
Add: Interest expense, net of tax benefit, on assumed conversion of guaranteed preferred beneficial interests in Republic's subordinated debentures	**79**	332	348
Net Income available to common shareholders, assuming conversion	**$ 20,568**	$ 17,140	$ 13,269

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, *(in thousands, except per share data)*	**2002**	2001	2000
Weighted average shares outstanding	**16,636**	16,126	16,621
Add dilutive effects of assumed conversion and exercise:			
Convertible guaranteed preferred beneficial interest in Republic's subordinated debentures	**146**	610	635
Stock options	**334**	356	246
Weighted average shares and dilutive potential shares outstanding	**17,116**	17,092	17,502
Diluted Earnings Per Share			
Class A	**$ 1.20**	$ 1.01	$ 0.76
Class B	**1.19**	0.99	0.75

Stock options for 191,000 and 203,000 shares of Class A Common Stock were excluded from the 2002 and 2001 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.

Dividend Limitations - Kentucky banking laws limit the amount of dividends that may be paid to Parent Company by Republic Bank & Trust Company without prior approval of the Kentucky Department of Financial Institutions. Under these laws, the amount of dividends that may be paid in any calendar year is limited to current year's net income, as defined in the laws, combined with the retained net income of the preceding two years, less any dividends declared during those periods. At December 31, 2002, Republic Bank & Trust Company had approximately $28 million of retained earnings that could be utilized for payment of dividends if authorized by its board of directors without prior regulatory approval.
Indiana banking laws prohibit the payment of dividends to the Parent Company by Republic Bank & Trust Company of Indiana until May 2004 without prior approval of the Indiana Department of Financial Institutions. These laws also require a minimum Tier I Capital ratio of 8% to be maintained for a period of three years.

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 each 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 each 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, 2002, the Parent Company, Republic Bank & Trust Company and Republic Bank & Trust Company of Indiana meet all capital adequacy requirements to which they are subject.

The most recent notification from the FDIC categorized each bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized each 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 banks' capital ratings.

	Actual		Minimum Requirement For Capital Adequacy Purposes		Minimum Requirement To Be Well Capitalized Under Prompt Corrective Action Provisions	
As of December 31, 2002 *(dollars in thousands)*	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Risk Based Capital (to Risk Weighted Assets)						
Republic Bancorp, Inc.	**$ 158,044**	**13.64%**	**$ 92,679**	**8%**	**$ 115,849**	**10%**
Republic Bank & Trust Co.	**148,318**	**13.07**	**90,814**	**8**	**113,518**	**10**
Republic Bank & Trust Co. of Indiana	**5,512**	**21.52**	**2,049**	**8**	**2,562**	**10**
Tier I Capital (to Risk Weighted Assets)						
Republic Bancorp, Inc.	**147,896**	**12.77**	**46,340**	**4**	**69,509**	**6**
Republic Bank & Trust Co.	**138,456**	**12.20**	**45,407**	**4**	**68,111**	**6**
Republic Bank & Trust Co. of Indiana	**5,226**	**20.40**	**1,025**	**4**	**1,537**	**6**
Tier I Leverage Capital (to Average Assets)						
Republic Bancorp, Inc.	**147,896**	**9.02**	**65,591**	**4**	**81,990**	**5**
Republic Bank & Trust Co.	**138,456**	**8.53**	**64,945**	**4**	**81,181**	**5**
Republic Bank & Trust Co. of Indiana	**5,226**	**23.15**	**903**	**4**	**1,129**	**5**
As of December 31, 2001						
Total Risk Based Capital (to Risk Weighted Assets)						
Republic Bancorp, Inc.	$ 139,093	13.26%	$ 83,943	8%	$ 104,929	10%
Republic Bank & Trust Co.	129,530	12.49	82,980	8	103,725	10
Republic Bank & Trust Co. of Indiana	5,179	43.01	963	8	1,204	10
Tier I Capital (to Risk Weighted Assets)						
Republic Bancorp, Inc.	130,486	12.44	41,972	4	62,958	6
Republic Bank & Trust Co.	121,068	11.67	41,490	4	62,235	6
Republic Bank & Trust Co. of Indiana	5,034	41.81	482	4	722	6
Tier I Leverage Capital (to Average Assets)						
Republic Bancorp, Inc.	130,486	8.36	62,448	4	78,060	5
Republic Bank & Trust Co.	121,068	7.79	62,142	4	77,678	5
Republic Bank & Trust Co. of Indiana	5,034	37.43	538	4	672	5

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:

	2002				2001			
	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	**982,750**	**$ 7.76**	**4,000**	**$ 5.53**	1,045,500	$ 7.20	30,000	$ 4.18
Granted	**873,000**	**10.64**	**–**	**–**	194,750	7.57	–	–
Exercised	**(222,000)**	**5.99**	**(4,000)**	**5.53**	(207,000)	4.72	(26,000)	3.97
Forfeited	**(94,750)**	**8.19**	**–**	**–**	(50,500)	7.95	–	–
Outstanding year end	**1,539,000**	**$ 9.62**	**–**	**–**	982,750	$ 7.76	4,000	$ 5.53
Exercisable (vested) end of year	**149,500**	**$ 5.98**	**–**	**–**	134,500	$ 5.90	4,000	$ 5.53

	2000			
	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
Granted	137,000	6.21	–	–
Exercise	(90,000)	3.28	(18,000)	3.28
Forfeited	(127,500)	7.82	–	–
Outstanding year end	1,045,500	$ 7.20	30,000	$ 4.18
Exercisable (vested) end of year	30,000	$ 5.53	6,000	$ 5.53

Options outstanding at year-end 2002 were as follows:

				Exercisable	
Outstanding Class A	**Remaining Contractual Number**	**Weighted Average Life**	**Weighted Average Price**	**Number**	**Weighted Average Price**
Range of Exercise Prices					
$5.00 - $7.00	**410,250**	**2.34**	**$ 6.19**	**149,500**	**$ 5.98**
$7.01 - $10.00	**85,750**	**4.00**	**8.43**	**–**	**–**
$10.01 - $13.00	**1,043,000**	**5.07**	**11.07**	**–**	**–**
Outstanding	**1,539,000**	**4.28**	**$ 9.62**	**149,500**	**$ 5.98**

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 had the option to contribute from 1% to 25% 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 $637,000; $506,000 and $269,000 for the years ended December 31, 2002, 2001 and 2000.

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.

	2002	2001	2000
Shares allocated to participants in the plan	**26,499**	24,649	22,930
Compensation expense	**$314,000**	$267,000	$170,000

At year-end 2002 the fair value of unallocated shares in the plan was approximately $2.3 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2002, 2001 and 2000 under these leases was $1,501,000; $1,475,000 and $1,469,000. Total rent expense on all operating leases was $2,302,000; $2,092,000 and $2,060,000 for the years ended December 31, 2002, 2001 and 2000, respectively. The total minimum lease commitments under noncancelable operating leases are as follows:

December 31, 2002 ***(in thousands)***	**Affiliate**	**Other**	**Total**
2003	**$ 1,632**	**$ 936**	**$ 2,568**
2004	**1,426**	**1,060**	**2,486**
2005	**969**	**939**	**1,908**
2006	**732**	**816**	**1,548**
Thereafter	**40**	**16,212**	**16,252**
	$ 4,799	**$ 19,963**	**$ 24,762**

A director of Republic Bank & Trust Company is a partner in a law firm. Fees paid by Republic to this firm totaled $91,000; $74,000 and $53,000 for the years ended December 31, 2002, 2001 and 2000.

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 from Republic loan clients in 2000. BIA paid Republic $33,000 for services performed by Republic employees during the same period. 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. This 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, 2002, exclusive of mortgage-banking loan commitments discussed in Note 1, Republic had outstanding loan commitments totaling $258 million which includes unfunded home equity lines of credit totaling $145 million. These commitments generally have variable rates.

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 $33 million at December 31, 2002.

At December 31, 2002, Republic had $108 million in letters of credit from the Federal Home Loan Bank issued on behalf of the Bank's clients. Approximately $28 million of these letters of credit were used as credit enhancements for client bond offerings. The remaining $80 million was used to collateralize a public funds deposit, which the Company classifies in short-term borrowings. These letters of credit reduce Republic's available borrowing line at the Federal Home Loan Bank by $108 million. Republic uses a blanket pledge of eligible real estate loans to secure the letters of credit. *(For additional information see Note 4 on Loans and Note 8 on Short-term borrowings.)*

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, judgment of management is necessarily 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.

	December 31, 2002		December 31, 2001	
(in thousands)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	**$ 39,853**	**$ 39,853**	$ 35,569	$ 35,569
Securities available for sale	**203,047**	**203,047**	211,599	211,599
Securities to be held to maturity	**85,412**	**85,448**	82,346	82,315
Mortgage loans held for sale	**65,695**	**66,176**	35,492	35,999
Loans, net	**1,299,915**	**1,345,477**	1,176,094	1,210,558
Federal Home Loan Bank stock	**18,324**	**18,324**	17,375	17,375
Liabilities:				
Deposits:				
Non interest-bearing accounts	**$ 175,460**	**$ 175,460**	$ 129,552	$ 129,552
Transaction accounts	**464,961**	**464,959**	357,341	357,341
Certificate of deposit and individual retirement accounts	**399,769**	**410,235**	379,465	384,323
Securities sold under agreements to repurchase and other short-term borrowings	**224,929**	**224,957**	282,023	282,145
Other borrowed funds	**319,299**	**348,226**	296,950	310,420
Guaranteed preferred beneficial interests in Republic's subordinated debentures	**–**	**–**	5,852	5,852

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 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, 2002 and 2001. 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, *(in thousands)*	**2002**	2001
Assets:		
Cash and cash equivalents	**$ 2,538**	$ 1,537
Due from subsidiaries	**3,667**	4,552
Investment in subsidiaries	**146,575**	126,875
Other	**14**	18
Total assets	**$ 152,794**	$ 132,982
Liabilities and stockholders' equity:		
Long-term debt	**$ –**	$ 6,152
Other liabilities	**1,998**	1,715
Stockholders' equity	**150,796**	125,115
Total	**$ 152,794**	$ 132,982

STATEMENTS OF INCOME

Years Ended December 31, *(in thousands)*	**2002**	2001	2000
Income and expense:			
Dividends from subsidiary	**$ 3,406**	$ 15,699	$ 3,726
Interest income	**211**	253	292
Interest expense	**(129)**	(548)	(566)
Other expense	**(589)**	(401)	(209)
Income before income taxes	**2,899**	15,003	3,243
Income tax benefit	**272**	297	254
Income before equity in undistributed net income of subsidiaries	**3,171**	15,300	3,497
Equity in undistributed net income of subsidiaries	**17,318**	1,508	9,424
Net income	**$ 20,489**	$ 16,808	$ 12,921

STATEMENTS OF CASH FLOWS

Years Ended December 31, *(in thousands)*	**2002**	2001	2000
Operating activities:			
Net income	**$ 20,489**	$ 16,808	$ 12,921
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed net income of subsidiaries	**(17,318)**	(1,508)	(9,424)
Change in due from subsidiary	**885**	(440)	181
Change in other assets	**4**	105	(77)
Change in other liabilities	**53**	21	(21)
Net cash provided by operating activities	**4,113**	14,986	3,580
Investment activities:			
Dividends on unallocated ESOP shares	**(47)**	(43)	(41)
Dissolution of Republic Capital Trust common stock	**300**	–	–
Purchase of common stock of subsidiary bank	**–**	(5,000)	–
Net cash provided by (used in) investing activities	**253**	(5,043)	(41)
Financing activities:			
Dividends paid	**(3,231)**	(2,837)	(2,368)
Proceeds from stock options exercised	**1,104**	467	100
Redemption of the Company's guaranteed preferred beneficial interest in Republic's subordinated debentures	**(1,075)**	–	–
Repurchase of Class A common stock	**(163)**	(7,816)	(1,008)
Net cash used in financing activities	**(3,365)**	(10,186)	(3,276)
Net increase (decrease) in cash and cash equivalents	**1,001**	(243)	263
Cash and cash equivalents, beginning of year	**1,537**	1,780	1,517
Cash and cash equivalents, end of year	**$ 2,538**	$ 1,537	$ 1,780

20. SEGMENT INFORMATION

The reportable segments are determined by the type 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 for Republic's segments 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.

	2002			
(in thousands)	**Banking**	**Tax Refund Services**	**Mortgage Banking**	**Consolidated Totals**
Net interest income	**$ 101,513**	**$ 3,563**	**$ 1,025**	**$ 106,101**
Provision for loan losses	**3,265**	**73**	**–**	**3,338**
Electronic refund check fees	**–**	**3,198**	**–**	**3,198**
Net gain on sale of loans	**–**	**–**	**6,998**	**6,998**
Other revenue	**18,349**	**71**	**(4,094)**	**14,326**
Income tax expense	**8,900**	**1,419**	**877**	**11,196**
Segment profit	**16,223**	**2,636**	**1,630**	**20,489**
Segment assets	**1,685,723**	**1,167**	**65,816**	**1,752,706**

	2001			
(in thousands)	Banking	Tax Refund Services	Mortgage Banking	Consolidated Totals
Net interest income	$ 55,264	$ 3,278	$ 937	$ 59,479
Provision for loan losses	2,389	1,104	–	3,493
Electronic refund check fees	–	2,087	–	2,087
Net gain on sale of loans	–	–	6,191	6,191
Other revenue	14,031	36	(2,604)	11,463
Income tax expense	7,415	425	1,102	8,942
Segment profit	13,822	831	2,155	16,808
Segment assets	1,549,346	507	40,978	1,590,831

	2000			
(in thousands)	Banking	Tax Refund Services	Mortgage Banking	Consolidated Totals
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

21. SUMMARY OF QUARTERLY FINANCIAL DATA (UNAUDITED)

Presented below is a summary of the consolidated quarterly financial data for the years ended December 31, 2002 and 2001.

(in thousands, except per share data)	**Fourth Quarter**	**Third Quarter**	**Second Quarter**	**First Quarter**
2002:				
Interest income	**$ 25,498**	**$ 25,647**	**$ 25,627**	**$ 29,329**
Net interest income	**15,533**	**15,232**	**14,965**	**18,610**
Provision for loan losses	**1,849**	**265**	**(1,473)**	**2,697**
Income before income taxes	**6,351**	**7,354**	**7,769**	**10,211**
Net income	**4,092**	**4,731**	**5,007**	**6,659**
Earnings per share:				
Class A Common	**0.24**	**0.28**	**0.30**	**0.41**
Class B Common	**0.24**	**0.28**	**0.29**	**0.41**
Earnings per share assuming dilution:				
Class A Common	**0.24**	**0.28**	**0.29**	**0.40**
Class B Common	**0.23**	**0.27**	**0.29**	**0.39**

(in thousands, except per share data)	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
2001:				
Interest income	$ 26,939	$ 28,288	$ 29,231	$ 32,938
Net interest income	15,023	14,174	14,006	16,276
Provision for loan losses	1,287	569	(152)	1,789
Income before income taxes	5,905	5,645	6,677	7,160
Net income	3,851	3,712	4,421	4,825
Earnings per share:				
Class A Common	0.24	0.23	0.28	0.29
Class B Common	0.24	0.23	0.27	0.29
Earnings per share assuming dilution:				
Class A Common	0.23	0.22	0.27	0.28
Class B Common	0.23	0.22	0.26	0.28

ANNUAL MEETING
The Annual Meeting of Shareholders of Republic Bancorp, Inc. will be held at 10:00 a.m. (EDT), Thursday, April 10, 2003 in the community room of Republic Bank - Springhurst, 9600 Brownsboro Road, Louisville, KY 40241.

FINANCIAL INFORMATION
Shareholders may obtain a free copy of the 2002 Form 10-K including financial statements and schedules required to be filed with the Securities and Exchange Commission by contacting: Kevin Sipes, Executive Vice President and Chief Financial Officer, at the executive office address listed below or by calling 502-560-8628; 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 payments should be sent to the transfer agent at the following address: Computershare Investor Services, PO Box A3480, Chicago, Illinois 60690-3480

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
Republic Bank & Trust Company

Bowling Green		1700 Scottsville Road, Bowling Green, KY 42101	Janet Pierce	270-782-9111
Elizabethtown		690 Ring Road, Elizabethtown, KY 42701	Claudio Monzon	270-769-6356
Frankfort	East	1001 Versailles Road, Frankfort, KY 40601	Rodney Williams	502-695-9000
	West	100 Highway 676, Frankfort, KY 40601		502-875-4300
Lexington	Andover	3098 Helmsdale Place, Lexington, KY 40509		859-264-0990
	Chevy Chase	641 East Euclid Avenue, Lexington, KY 40502	B.J. Webb	859-255-6267
	Harrodsburg Road	2401 Harrodsburg Road, Lexington, KY 40504	Billy Blair	859-224-1183
	Perimeter	651 Perimeter Drive, Lexington, KY 40517	Jenifer Duncan	859-266-1165
	Tates Creek Road*	3608 Walden Drive, Lexington, KY 40517		
Louisville	Baptist Hospital East	3950 Kresge Way, Suite 108, Louisville, KY 40207	Barb Cutter	502-897-3800
	Bardstown Road	2801 Bardstown Road, Louisville, KY 40205	Lisa George	502-459-2200
	Blankenbaker Parkway	11330 Main Street, Middletown, KY 40243	Terri Schumacher	502-254-7555
	Brownsboro Road	4921 Brownsboro Road, Louisville, KY 40222	Eric Higdon	502-339-9700
	Corporate Center	601 West Market Street, Louisville, KY 40202	Chip Hancock	502-584-3600
	Dixie Highway	5250 Dixie Highway, Louisville, KY 40216	Rob Nicolas	502-448-7000
	Fern Creek	10100 Brookridge Village Blvd, Louisville, KY 40291	Jill Napier	502-231-5522
	Fern Valley Road*	3619 Fern Valley Road, Louisville, KY 40219		
	Hikes Point	3902 Taylorsville Road, Louisville, KY 40220	Jacob Call	502-451-2006
	Hurstbourne Parkway	661 South Hurstbourne Parkway, Louisville, KY 40222	Steve DeWeese	502-425-2300
	Jeffersontown*	3811 Ruckriegel Parkway, Louisville, KY 40299		
	Jewish Hospital*	200 Abraham Flexner Way, Louisville, KY 40202		
	Outer Loop	4655 Outer Loop, Louisville, KY 40219	Mary Matheny	502-969-8999
	Poplar Level Road*	1420 Poplar Level Road, Louisville, KY 40217		
	Prospect	9101 US Hwy 42, Prospect, KY 40059	Missy Fultz	502-228-2755
	St. Matthews	3726 Lexington Road, Louisville, KY 40207	Kathy Potts	502-893-2533
	Springhurst	9600 Brownsboro Road, Louisville, KY 40241	Mike Elles	502-339-2200
	West Broadway	2028 W. Broadway, Louisville, KY 40203	Pearlie Walker	502-772-7500
	Owensboro	3550 Frederica Street, Owensboro, KY 42301	Shirley Cecil	270-684-3333
	Shelbyville	1614 Midland Trail, Shelbyville, KY 40065	Tucker Ballinger	502-633-6660

Republic Bank & Trust Company of Indiana

	Clarksville	610 Eastern Boulevard, Clarksville, IN 47129	Kari Thom	812-288-1111
	New Albany	3001 Charlestown Crossing Way, New Albany, IN 47150	Todd Lancaster	812-949-2600

* Projected to open in 2003

Republic Bancorp, Inc. Directors

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

Larry M. Hayes
Deputy Mayor, Louisville Metro

Bill Petter
Vice Chairman, Republic Bancorp, Inc.

Sandra Metts Snowden
President, Realty World – Sandy Metts & 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.

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

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

* Becomes Director Emeritus – April 10, 2003

Republic Bank & Trust Company Directors

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

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

Stan Curtis
Senior Vice President, Hilliard Lyons

Lawrence C. "Lonnie" Falk
Mayor, City of Prospect

George E. Fischer
Retired - Chairman, SerVend International, Inc.

D. Harry Jones
Executive Vice President, Jones Plastic & Engineering Corp.

Thomas M. Jurich
Director of Athletics, University of Louisville

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

Michael T. Rust, FACHE
President, Kentucky Hospital Association

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

A. 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

* Term Expires March 2003
** Republic Bancorp, Inc. Director Nominee

Republic Bank & Trust Company Advisory Directors

Eastern Kentucky Region (Frankfort, Lexington)
Tom Burich
Gordon Duke
Bill Johnson
Jas Sekhon
Dr. Emery Wilson

Western Kentucky (Bowling Green, Elizabethtown, Owensboro)
Mark Harris
Gary Larimore
Dr. William Moss
Bill Osbourne *
Dr. Dattatraya Prajapati
Jody Richards
Kevin Shurn
G. Ted Smith
Jack Wells

Shelbyville
Todd Davis
Dr. Christin E. Honaker

* Term expires February 18, 2003

Republic Bancorp, Inc. Executive Officers

Bernard M. Trager
Chairman

Steven E. Trager
President and Chief Executive Officer

A. Scott Trager
Vice Chairman

Bill Petter
Vice Chairman

Kevin Sipes
Executive Vice President and Chief Financial Officer

Republic Bank & Trust Company Senior Management

Steven E. Trager
Chairman and Chief Executive Officer

A. Scott Trager
President

Bill Petter
Executive Vice President and Chief Operating Officer

David Vest
Executive Vice President and Chief Lending Officer

Kevin Sipes
Executive Vice President and Chief Financial Officer

Jenifer Duncan
Senior Vice President and Regional Chief Operating Officer

Ed McDougal
Senior Vice President and Regional Sales Manager

Claudio Monzon
Senior Vice President and Regional Managing Director of Western Kentucky

Bank Administration
Jeff Nelson
Senior 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

Legal
Mike Ringswald
Senior Vice President 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

Republic Financial Services
Mike Keene
President

Treasury
Greg Williams
Senior Vice President and Chief Investment Officer

Republic Bancorp, Inc.
601 West Market Street
Louisville, KY 40202
(502) 584-3600
or outside Louisville
(888) 584-3600

www.republicbank.com

2 0 0 2 ANNUAL REPORT

REPUBLIC BANCORP

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 subsidiaries, Republic Bank & Trust Company – a Kentucky chartered bank and trust company and Republic Bank & Trust Company of Indiana – an Indiana chartered bank and trust company (collectively "Bank"). Republic's Class A Common Stock trades on the NASDAQ Stock Market ® under the symbol RBCAA.

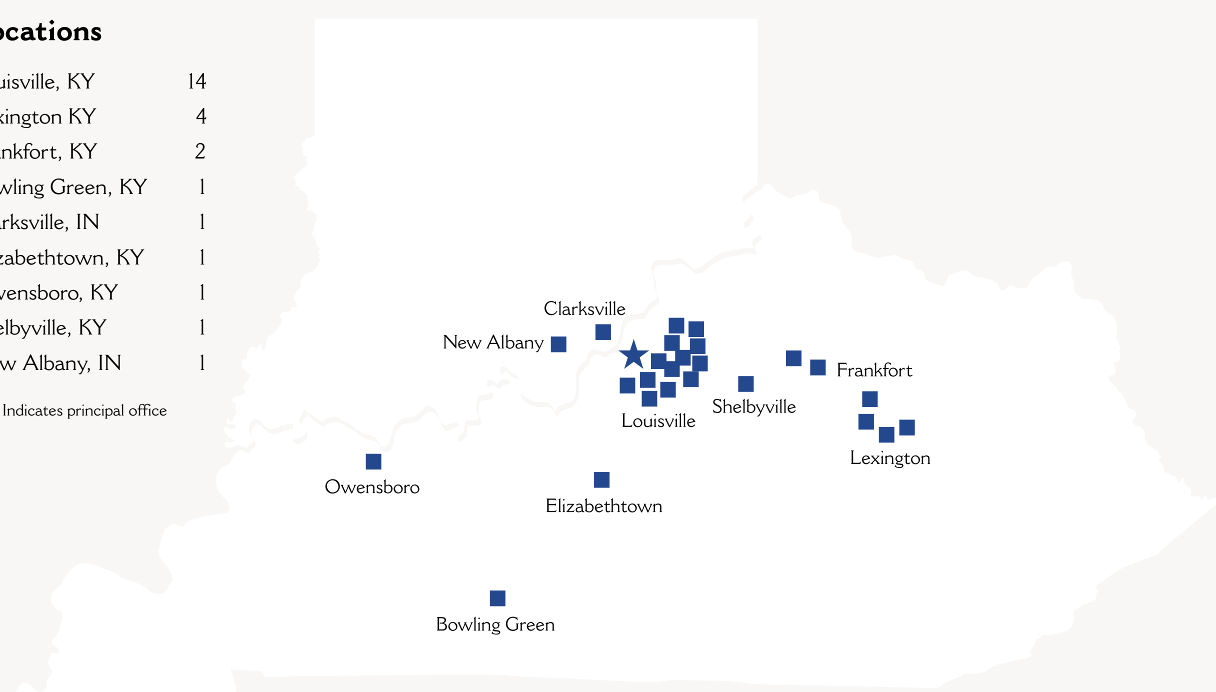
Republic Bancorp, Inc. and all its subsidiaries have 26 full-service banking centers. Republic Bank & Trust Company has 24 full-service banking centers, 14 of which are located in the metropolitan Louisville area, including the Company's principal office. There are four banking centers located in Lexington, Kentucky, two in Frankfort, Kentucky and one each in the Kentucky communities of Bowling Green, Elizabethtown, Owensboro and Shelbyville. We project to open an additional 5 banking centers in 2003. Republic Bank & Trust Company of Indiana has two full-service banking centers located in Clarksville and New Albany, Indiana.

At the close of 2002, Republic had assets of nearly $1.8 billion, making the corporation the second-largest independent bank holding company in Kentucky. And, because Republic is locally headquartered, the money we make in our community, stays in our community.

Locations

Louisville, KY	14
Lexington KY	4
Frankfort, KY	2
Bowling Green, KY	1
Clarksville, IN	1
Elizabethtown, KY	1
Owensboro, KY	1
Shelbyville, KY	1
New Albany, IN	1

★ Indicates principal office



Financial Highlights

(dollars in thousands, except per share data)	**2002**	2001	2000
	Years Ended December 31,		
Income Statement Data:			
Interest income	**$ 106,101**	$ 117,396	$ 118,660
Interest expense	**41,761**	57,917	66,851
Net interest income	**64,340**	59,479	51,809
Provision for loan losses	**3,338**	3,493	1,382
Non-interest income	**24,522**	19,741	8,859
Non-interest expense	**53,839**	50,340	40,029
Income before taxes	**31,685**	25,387	19,257
Net income	**20,489**	16,808	12,921
Balance Sheet Data:			
Total assets	**$1,752,706**	$1,590,831	$1,508,072
Total securities	**288,459**	293,945	275,568
Total loans, net	**1,299,915**	1,176,094	1,136,531
Allowance for loan losses	**10,148**	8,607	7,862
Total deposits	**1,040,190**	866,358	863,761
Repurchase agreements and other short-term borrowings	**224,929**	282,023	263,001
Other borrowed funds	**319,299**	296,950	246,050
Total stockholders' equity	**150,796**	125,115	116,942
Per Share Data:			
Basic Class A Common earnings per share	**$ 1.23**	$ 1.04	$ 0.78
Basic Class B Common earnings per share	**1.21**	1.03	0.77
Diluted Class A Common earnings per share	**1.20**	1.01	0.76
Diluted Class B Common earnings per share	**1.19**	0.99	0.75
Book value (1)	**8.80**	7.75	7.06
Cash dividends declared per Class A Common	**0.21**	0.18	0.15
Cash dividends declared per Class B Common	**0.19**	0.16	0.14
Performance ratios:			
Return on average assets	**1.25%**	1.10%	0.89%
Return on average common equity	**14.44**	13.85	11.77
Net interest margin	**4.07**	4.04	3.71
Efficiency ratio	**61**	62	66

(1) Exclusive of accumulated other comprehensive income.

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On the cover: Mike Keene, President – Republic Financial Services; Carolle Jones Clay, V.P. – Community Relations; Claudio Monzon, Sr. V.P. – Regional Managing Director of Western Kentucky; Amy Lim, V.P. – Commercial Lending

Fellow Shareholders,

"Yes, somebody's listening." That sentence is the new theme line introduced in Republic Bank's 2002 television campaign. It embodies our spirit of responsiveness. And, as you'll see our year unfold in the pages before you, we have responded quite well. We've responded with record income. We've responded with innovative products. We've responded with new twists on existing services. We've responded with a continued commitment to empowering our associates to do whatever it takes to meet and exceed client needs.

Our listening paid off, because 2002 was another record year of earnings at Republic. Our net income for the year was $20.5 million, a substantial increase of $3.7 million over 2001. Diluted earnings per Class A Common stock increased 19% to $1.20. Return on average assets (ROA) and return on average equity (ROE) were 1.25% and 14.44%, respectively, compared to 1.10% and 13.85% during 2001. Success resulted from increases in net interest income, commercial and residential mortgage loan volume, income from Refunds Now® and deposit fees. Our success continued with 17,500 new checking accounts, cash management growth (primarily business deposits) of more than $80 million, and over $1 billion in new loans closed, including almost $300 million in commercial real estate loans.

Mortgage banking performance was certainly strong in 2001, and this past year proved to be even stronger. For two years, the public has asked for long-term, fixed-rate loans due to the historically low interest rate environment. Once again, we listened, responding to the need with exemplary client service and innovative market-leading products such as our "$999" maximum closing cost, residential real estate loan product. The result? We surpassed the mark set in 2001 by originating $791 million in fixed-rate, secondary market loans.

As you can see, our traditional bank products were extremely successful, but we also heard the need to continue development of new products for the underserved and unbanked customer. We responded with "Honor Plus," "UltraCash®," "Currency Connection®," and "Deferred Deposit Transactions."

"Honor Plus" is a card-based demand deposit account with strictly point-of-sale and ATM capabilities, and after twelve months, offers customers eligibility for a traditional checking account. After just three months of operation in all banking centers, we have opened over 1,000 accounts with balances of $436,000.

"UltraCash" is another card-based product that gives clients instant access to their money 24 hours a day, 7 days a week, while eliminating excessive fees typically associated with cashing checks. This product has been popular in building relationships with the Hispanic community. UltraCash currently serves 1,000 households and continues to grow.

"Currency Connection" is also a card-based solution for unbanked individuals who currently receive payroll or government payments via a check. This product, to be offered nationwide, allows their funds to be electronically deposited to an account, which may then be accessed with a card via an ATM or point-of-sale terminal. "Currency Connection" provides safety and security of funds, and eliminates costly check-cashing fees.

"Deferred Deposit Transactions" help customers resolve their short-term cash needs through our affiliation with a base of over 300 stores throughout the country. We expect to cautiously grow the number of customers we serve through an expanded regional store base.

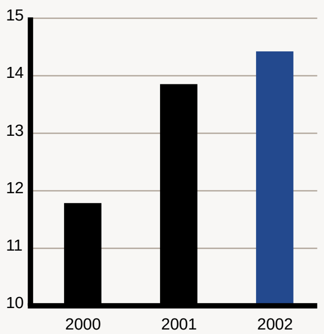
Our success stems not only from listening to our clients, but listening to our hearts, as well. During 2002 we continued to immerse ourselves in community involvement. I am proud and honored that we received The Federal Home Loan Bank of Cincinnati's 2002 Community Partnership Award for affordable housing and community investment achievement, awarded to only one of 750 members from a district comprising Kentucky, Ohio and Tennessee. I am also proud that we were the Presenting Sponsor of the Kentucky Derby Festival's Pegasus Parade, as well as sponsors of charity walks for the American Heart Association, Diabetes Association, Title Sponsor of the Boys and Girls division of the Louisville Invitational Tournament, and countless other activities.

Yes, we listened a lot in 2002. And we responded well. So well, in fact, that we were able to open four new banking centers through March 2003 and have plans to build an additional four new banking centers in Louisville and one in Lexington, with other new locations under review. It's an exciting time for Republic Bank and, with your help and support, our 600+ associates are dedicated to respond strongly and boldly, making Republic a solid financial investment for many years to come.

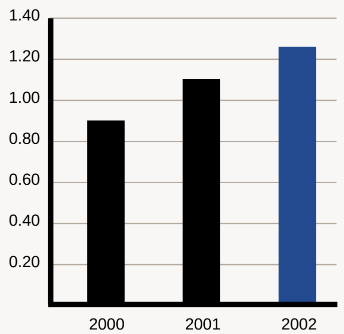
Sincerely,

Steven E. Trager
President and Chief Executive Officer

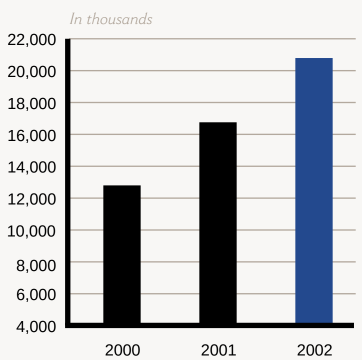
RETURN ON AVERAGE COMMON EQUITY (%)



RETURN ON AVERAGE ASSETS (%)



NET INCOME ($)



New Banking Center Expansion

Andy Mayer, V.P. – Sr. Banking Officer
Rod Gillespie, Sr. V.P. – Facilities, Purchasing & Security
Keri Jones, A.V.P. – Sr. Banking Officer
Jonathan Payne, V.P. – Sr. Banking Officer

Republic opened three new banking centers during 2002 in Louisville and southern Indiana. In March of 2003 the Company opened a new location in Hikes Point in Louisville, and announced plans for 5 more new banking centers in Louisville and Lexington throughout 2003. The Company also continues to actively review the potential for adding new locations in its existing markets going forward.

Republic Bank relies on the contributions and support of many outstanding corporate partners. Their continued commitment, trust and dedication positions us to prosper in the years ahead. Here are just a few of the many that make us successful.

UofL Health Care University Hospital

Kentucky Derby Festival www.kdf.org

Hospice & Palliative Care of Louisville

Louisville

KBA Kentucky Bankers Association

Regional Airport Authority Louisville and Jefferson County®

Owensboro Mercy Health System

Baptist Hospital East

Hospice of the Bluegrass

Western Kentucky University

Hardin County Kentucky

HMH Hardin Memorial Hospital A Regional HealthCare Center

The Southern Baptist Theological Seminary

Janice Kingsolver, V.P. – Loan Operations; Shannon Reid, Sr. V.P. – Loan Administration; Donna Blincoe, V.P. – Loan Operation; Mark Collins, V.P. – Mortgage Banking; David Vest, Executive V.P. – Lending

$999 Maximum Closing Costs

Commercial Lending:
Tom Fangman, V.P.
Andy Powell, Sr. V.P.
Darryl Witten, Sr. V.P.
Craig Dunn, Sr. V.P.
John Mauldin, Sr. V.P.

Thanks to a dedicated lending force armed with the premier product in the market, the "$999" maximum closing costs loan, Republic was identified as the leading producer of residential real estate loans in Jefferson County during 2001. During 2002, Republic dramatically exceeded its 2001 performance. In December of 2002, the Company rolled out a similar "$999" product for its commercial loan program and hopes to make even greater strides in its commercial real estate lending during 2003.

Personal Banking

Sandy Richardson, V.P. – Retail Bank Administration
Denise Brown, V.P. – Retail Bank Administration
Barbara Trager, V.P. – Bank Administration
Jeff Nelson, Sr. V.P. – Bank Administration
Margaret Wendler, V.P. – Training and Retail Sales
Kay Rothman, A.V.P. – Retail Banking Administration
Jeanette Brown, V.P. – Retail Banking Administration

With the sale of two Kentucky-based competitors during 2002, Republic became the "local" bank of choice in many of its markets. As a result, the number of households serviced by the Company increased from 54,045 in 2001 to 61,571 in 2002.

Shellie Pearcy, Internet Banking Manager; Patty Walls, A.V.P. – Overdraft Honor Manager; Rebecca Hamilton, V.P. – Telebanking

Garry Throckmorton, Sr V.P. – Compliance
Andy Parker, V.P. – Commercial Lending
John Mason, Sr. V.P. – Preferred Client Services

Cash Management

Casey Carwile, Cash Management Officer
Genie Stamper, A.V.P. – Cash Management
Cathy Slider, Sr. V.P. – Cash Management
Sharon McGee, A.V.P. – Cash Management
Steve Bates, Cash Management Officer
Logan Hillyard, Cash Management Officer

Republic's Cash Management function continued to make great strides during 2002 as the total commercial account balances increased to over $440 million. The strength of our Business Online Banking product provided support for our existing customer base and attracted new clients, as well. Our local lockbox processing was further enhanced during 2002 with additions to the imaging modules for both retail and wholesale lockboxes. The Company also successfully introduced several new business product offerings including our Premier First Money Market account, Free Business Checking and Billpay for Business during the year with plans to introduce "Business Overdraft Honor" during 2003.

Refunds Now®

Kenny Fox, V.P. – Non Traditional Bank Products
Cheri Shields, A.V.P. – Customer Services Manager
Alan Lodge, Sr. V.P./COO – Refunds Now
Bill Nelson, Sr. V.P. – Sales, Marketing & Customer Service

During 2002, Republic expanded its tax preparer network by over 17%. As a result, Refunds Now generated $6.5 million in revenue, a 25% increase over 2001. Thanks to the technology associated with Refunds Now, the Company was able to add "Currency Connection" to its product list in 2002 and was able to significantly expand its "Deferred Deposit" opportunities during the year.

Community

Michael Sadofsky, Sr. V.P. – Marketing

At Republic, community involvement is not just the right thing to do, it is a way of life. From community cookouts at banking centers, to sponsorship of the "Kentucky Derby Festival Pegasus Parade" and the "Republic Bank Boys' and Girls' Louisville Invitational" basketball tournaments along with countless other activities, Republic's involvement in community activities is second to none.

Mike Rice, V.P. – Tech Support; Brenda Haley, V.P. – Central Operations; Dennis Lanham, V.P. – PC Support; Tom Clausen, Sr. V.P. – Information Technology; Kevin McKay, V.P. – Computer Operations; Mike Mather, V.P. – Systems Programming

It takes many talented professionals to realize the high caliber of service we offer our many clients each and every day. Here are a few of the 600+ associates who help make Republic the most responsive bank in our market.

Duane Wilson, V.P. – Collections
Sandra Lamison, V.P. – Commercial Credit
Debbie Rogers, V.P. – Quality Control
Ann Taber, V.P. – Loan Servicing

BEHIND THE SCENES

Joe Sutter, V.P. – Treasury
Ruth Gillespie, Sr. V.P. – Human Resources
Ann Bauer, V.P. – Internal Audit
Jack Horn, V.P. – Accounting
Mike Ringswald, Sr. V.P. – General Counsel
Greg Williams, Sr. V.P. – Treasury

2002 Financial Review

Steve Trager, President & CEO; Bernard Trager, Chairman; Bill Petter, Vice Chairman; Scott Trager, Vice Chairman; Kevin Sipes, Executive V.P. – CFO

(L. to R.)
Tucker Ballinger – Shelbyville
Rodney Williams – Frankfort
Barb Cutter – Baptist East
B.J. Webb – Chevy Chase
Jill Napier – Fern Creek
Kari Thom – Clarksville
Todd Lancaster – Charlestown Rd.
Lisa George – Bardstown Rd.
Eric Higdon – Brownsboro Rd.
Shirley Cecil – Owensboro
Rob Nicolas – Dixie Hwy
Mike Elles – Springhurst
Jenifer Duncan – Perimeter
Pearlie Walker – W. Broadway
Steve DeWeese – Hurstbourne Pkwy.
Mary Matheny – Outer Loop
Jacob Call – Hikes Point
Janet Pierce – Bowling Green
Missy Fultz – Prospect
Billy Blair – Harrodsburg Rd.
Terri Schumacher – Blankenbaker Pkwy.
Kathy Potts – St. Matthews
Ed McDougal – Regional Sales Manager
Chip Hancock – Corporate Center
Claudio Monzon – Elizabethtown

Overdraft Honor

As a service to our personal checking clients, Republic permits selected clients to overdraft their accounts up to $500 for the Bank's customary fee. This service allows our clients to avoid the headaches and excessive costs of returned checks.

Coin Toss

As an additional benefit to existing clients and a way to introduce potential clients to the Company, Republic installed "Coin Toss" coin counting machines in the lobby of each banking center that are free to the public. This compares to similar coin counting machines at local retailers that charge as much as 9% for a transaction.

Honor Plus

"Honor Plus" is a card-based demand deposit account for clients who do not qualify for a traditional checking account. Clients are able to access their funds through ATMs and retail point of sale transactions. After 12 months in good standing, the Honor Plus client may become eligible for a traditional checking account.

Currency Connection®

Currency Connection is a national, card-based solution for "unbanked" individuals that enables them to receive payroll or government payments via direct deposit. This account can be accessed at an ATM or through a retail point-of-sale transaction.

Ultra Cash®

Ultra Cash is another card-based product designed for clients, who traditionally transact their personal business in cash, offering them security and funds access through ATMs and retail point-of-sale terminals. This product has been well received in the local Hispanic market. As a result, the Company has hired bilingual customer service and call center representatives and made its ATMs and Infoline (VRU) bilingual.

Refunds Now®

Through a nation-wide network of tax preparers, Republic significantly grew its market share of Refund Anticipation Loans and Electronic Refund Checks during 2002. These products allow taxpayers to receive their tax refund checks more quickly through Republic by electronic means rather than the traditional paper-check method.

$999 Mortgage

Beginning in December 2000, Republic capped closing costs at $999 on all fixed-rate residential mortgage loans. This market innovation has enabled the Company to continue to capture a significant share of the home loan refinance activity in 2002. To receive the $999 product, clients were required to maintain a primary checking account with the Bank, and as a result, the Company's checking account base grew dramatically. Also, as part of the "Partnership Package", the Company routinely approved many of these clients for a home equity line-of-credit at no additional cost.

$999 Commercial Lending

During the fourth quarter of 2002, Republic began offering a "$999" commercial real estate product that caps all closing costs, exclusive of title insurance, at $999. Armed with this market leading product, the Company plans to aggressively pursue commercial real estate loans during 2003.

Premier First

Premier First is the Company's premium interest bearing money market account for business clients. This product offers competitive interest rates that are typically tied to traditional market indices. The Premier First money market account is FDIC insured up to $100,000 and is further protected by the financial strength and security of Republic.