REPUBLIC BANCORP INC
Form 10-Q
May 15, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-Q

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For the Quarter Ended March 31, 2001 Commission File Number 0-15734

REPUBLIC BANCORP INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Michigan | 38-2604669 |
| (State of other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

1070 East Main Street, Owosso, Michigan 48867
(Address of principal executive offices)

(517) 725-7337
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 day

YES X NO
----- -----

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

Common Stock Outstanding as of April 30, 2001:

Common Stock, $5 Par Value 49,459,054 Shares

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PART I - FINANCIAL INFORMATION
ITEM 1 - Financial Statements

REPUBLIC BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)

| (Dollars in thousands) | March 31, 2001 | Decemb 200 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents..................................... | $ 119,289 | $ 8 |
| Mortgage loans held for sale.................................. | 577,212 | 38 |
| Securities available for sale (amortized cost of $209,102 and $212,183, respectively).......................... | 208,914 | 21 |
| Loans......................................................... | 3,631,631 | 3,77 |
| Less allowance for loan losses............................... | (28,794) | (2 |
| Net loans..................................................... | 3,602,837 | 3,74 |
| Premises and equipment........................................ | 35,021 | 3 |
| Mortgage servicing rights..................................... | 33,457 | 5 |
| Other assets.................................................. | 92,892 | 10 |
| Total assets.............................................. | $4,669,622 | $4,61 |
| LIABILITIES | | |
| Noninterest-bearing deposits.................................. | $ 302,572 | $ 26 |

| | | |
|---|---|---|
| Interest-bearing deposits: | | |
| NOW accounts | 142,066 | 15 |
| Savings and money market accounts | 671,132 | 59 |
| Certificates of deposit | 1,714,711 | 1,72 |
| Total interest-bearing deposits | 2,527,909 | 2,46 |
| Total deposits | 2,830,481 | 2,72 |
| Federal funds purchased and other short-term borrowings | 3,416 | |
| FHLB advances | 1,338,762 | 1,38 |
| Accrued expenses and other liabilities | 137,909 | 12 |
| Long-term debt | 38,500 | 4 |
| Total liabilities | 4,349,068 | 4,28 |
| Preferred stock of subsidiary | 28,719 | 2 |
| SHAREHOLDERS' EQUITY | | |
| Preferred stock, $25 stated value: $2.25 cumulative and convertible; 5,000,000 shares authorized, none issued and outstanding | - | |
| Common stock, $5 par value, 75,000,000 shares authorized; 49,542,000 and 49,424,000, issued and outstanding, respectively | 247,711 | 24 |
| Capital surplus | 44,671 | 4 |
| Retained earnings | (424) | |
| Accumulated other comprehensive loss | (123) | |
| Total shareholders' equity | 291,835 | 29 |
| Total liabilities and shareholders' equity | $4,669,622 | $4,61 |

See notes to consolidated financial statements.



REPUBLIC BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

| | Three Months Ended March 31, | |
|---|---|---|
| (In thousands, except per share data) | 2001 | 2000 |
| Interest Income: | | |
| Loans, including fees | $ 84,923 | $ 76,480 |
| Investment securities | 3,542 | 3,758 |
| Total interest income | 88,465 | 80,238 |
| Interest Expense: | | |
| Deposits | 33,014 | 27,819 |
| Short-term borrowings | 524 | 1,095 |
| FHLB advances | 20,247 | 17,754 |
| Long-term debt | 727 | 859 |

| | | |
|---|---|---|
| Total interest expense | 54,512 | 47,527 |
| Net interest income | 33,953 | 32,711 |
| Provision for loan losses | 2,000 | 1,600 |
| Net interest income after provision for loan losses | 31,953 | 31,111 |
| Non-interest Income: | | |
| Service charges | 1,651 | 1,779 |
| Mortgage loan production revenue | 16,650 | 14,722 |
| Net mortgage servicing revenue (loss) | (199) | 3,977 |
| Gain on sale of securities | 367 | 107 |
| Other non-interest income | 852 | 913 |
| Total non-interest income | 19,321 | 21,498 |
| Non-interest Expense: | | |
| Salaries and employee benefits | 16,669 | 19,822 |
| Occupancy expense of premises | 3,400 | 3,535 |
| Equipment expense | 2,375 | 2,253 |
| Other non-interest expense | 7,961 | 9,183 |
| Restructuring costs to exit mortgage servicing business | 19,000 | - |
| Total non-interest expense | 49,405 | 34,793 |
| Income before income taxes | 1,869 | 17,816 |
| Provision for income taxes | 389 | 5,843 |
| Income before preferred stock dividends | 1,480 | 11,973 |
| Dividends on preferred stock | 681 | 681 |
| Net income | $ 799 | $11,292 |
| Basic earnings per share | $ .02 | $ .22 |
| Diluted earnings per share | $ .02 | $ .22 |
| Average common shares outstanding - diluted | 50,117 | 50,136 |
| Cash dividends declared per common share | $ .085 | $ .077 |

See notes to consolidated financial statements.

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REPUBLIC BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

| Three Months Ended March 31 (In thousands) | 2001 | |
|---|---|---|
| Cash Flows From Operating Activities: | | |
| Net income | $ 799 | $ 1 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |

| | | |
|---|---|---|
| Depreciation and amortization.................................. | 2,357 | |
| Amortization and write-down of mortgage servicing rights......... | 19,477 | |
| Net gain on sale of securities available for sale................ | (367) | |
| Net gain on sale of mortgage servicing rights................... | (10,161) | ( |
| Net gain on sale of loans....................................... | (501) | |
| Origination of mortgage loans held for sale..................... | (1,278,811) | (73 |
| Proceeds from sales of mortgage loans held for sale............. | 1,086,806 | 76 |
| Net decrease in other assets.................................... | 7,140 | |
| Net increase in other liabilities............................... | 12,119 | 1 |
| Other, net...................................................... | (673) | ( |
| Total adjustments............................................. | (162,614) | 4 |
| Net cash provided by operating activities..................... | (161,815) | 5 |
| Cash Flows From Investing Activities: | | |
| Proceeds from sale of securities available for sale................ | 80,689 | |
| Proceeds from maturities/payments of securities available for sale............................................... | 1,566 | |
| Purchases of securities available for sale......................... | (78,784) | ( |
| Proceeds from sale of consumer loans............................... | 39,485 | |
| Proceeds from sale of SBA and residential real estate loans........ | 25,857 | 4 |
| Net decrease (increase) in loans made to customers................ | 74,669 | (20 |
| Proceeds from sale of mortgage servicing rights.................... | 30,940 | 2 |
| Additions to mortgage servicing rights............................. | (21,917) | (1 |
| Proceeds from sale of fixed assets................................. | - | |
| Net cash used in investing activities......................... | 152,505 | (14 |
| Cash Flows From Financing Activities: | | |
| Net increase (decrease) in deposits................................ | 101,955 | (2 |
| Net increase in short-term borrowings.............................. | 1,687 | |
| Net increase (decrease) in short-term FHLB advances................ | 1,000 | (14 |
| Proceeds from long-term FHLB advances.............................. | 40,000 | 37 |
| Payments on long-term FHLB advances................................ | (85,751) | (11 |
| Payments on long-term debt......................................... | (9,000) | |
| Net proceeds from issuance of common shares........................ | 1,910 | |
| Repurchase of common shares........................................ | (1,374) | ( |
| Dividends paid..................................................... | (4,205) | ( |
| Net cash provided by financing activities..................... | 46,222 | 8 |
| Net (decrease) increase in cash and cash equivalents............... | 36,912 | (1 |
| Cash and cash equivalents at beginning of period................... | 82,377 | 8 |
| Cash and cash equivalents at end of period......................... | $ 119,289 | $ 7 |

See notes to consolidated financial statements.

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REPUBLIC BANCORP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## Note 1 - Basis of Presentation

The accompanying unaudited consolidated financial statements of Republic Bancorp Inc. and Subsidiary (the "Company") have been prepared in accordance with generally accepted accounting principles in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes necessary for a comprehensive presentation of financial position, results of operations and cash flow activity required by generally accepted accounting principles for complete financial statements. In the opinion of management, all normal recurring adjustments necessary for a fair presentation of results have been included. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Certain amounts in prior periods have been reclassified to conform to the current year's presentation.

Note 2 - Principles of Consolidation

The consolidated financial statements include the accounts of the parent company, Republic Bancorp Inc., and its wholly-owned banking subsidiary, Republic Bank (including its subsidiaries D&N Capital Corporation, Quincy Investment Services, Inc. and Market Street Mortgage Corporation). D&N Capital Corporation and Quincy Investment Services, Inc. are wholly-owned subsidiaries and Market Street Mortgage Corporation is an 80% majority-owned mortgage company subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Note 3 - Consolidated Statements of Cash Flows

Supplemental disclosures of cash flow information for the three months ended March 31, include:

| (In thousands) | 2001 | 2000 |
|---|---|---|
| Cash paid during the period for: | | |
| Interest........................ | $54,328 | $45,973 |
| Income taxes.................... | $ 2,323 | 2,500 |
| Non-cash investing activities: | | |
| Loan charge-offs................ | $ 1,989 | $ 1,101 |

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Note 4 - Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

| (Dollars in thousands, except per share data) | Three Months Ended March 31, 2001 | 2000 |
|---|---|---|
| Numerator for basic and diluted earnings per share: | | |

| | | |
|---|---|---|
| Net income | $ 799 | $ 11,292 |
| Denominator for basic earnings per share-- weighted-average shares | 49,497,664 | 49,737,851 |
| Effect of dilutive securities: | | |
| Employee stock options | 578,912 | 126,715 |
| Warrants | 40,663 | 271,383 |
| Dilutive potential common shares | 619,575 | 398,098 |
| Denominator for diluted earnings per share--adjusted weighted-average shares for assumed conversions | 50,117,239 | 50,135,949 |
| Basic earnings per share | $ .02 | $ .22 |
| Diluted earnings per share | $ .02 | $ .22 |

Note 5 - Comprehensive Income

The following table sets forth the computation of comprehensive income:

| (In thousands) | Three Months Ended March 31, 2001 | 2000 |
|---|---|---|
| Net income | $ 799 | $11,292 |
| Unrealized holding gains (losses) on securities, net of tax | $ 326 | $ (99) |
| Reclassification adjustment for gains included in net income, net of tax | (239) | (70) |
| Net unrealized gains (losses) on securities, net of tax | 87 | (169) |
| Comprehensive income | $ 886 | $11,123 |

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Note 6 - Segment Information

The Company's operations are managed as two major business segments: (1) commercial and retail banking and (2) mortgage banking. The commercial and retail banking segment consists of commercial lending to small- and medium-sized companies, primarily in the form of commercial real estate and Small Business Administration (SBA) loans; mortgage portfolio lending; home equity lending; and the deposit-gathering function. The mortgage banking segment is comprised of mortgage loan production and mortgage loan servicing.

The following table presents the financial results of each business segment for the three months ended March 31, 2001 and 2000.

| | Commercial and Retail Banking | | Mortgage Banking | |
|---|---|---|---|---|
| | Three Months Ended, | | Three Months Ended, | |
| (In thousands) | March 31, 2001 | March 31, 2000 | March 31, 2001 | March 31, 2000 |
| Interest income | $76,030 | $69,360 | $12,435 | $10,878 |
| Interest expense | 45,288 | 39,432 | 9,224 | 8,095 |
| Net interest income(1) | 30,742 | 29,928 | 3,211 | 2,783 |
| Provision for loan losses | 2,000 | 1,600 | - | - |
| Noninterest income | 2,870 | 2,799 | 16,451 | 18,699 |
| Noninterest expense | 14,237 | 15,951 | 16,168(2) | 18,842 |
| Income before taxes | $17,375 | $15,176 | $ 3,494 | $ 2,640 |
| Preferred stock dividend | $ 681 | $ 681 | $ - | $ - |
| Income taxes | $ 5,816 | $ 4,919 | $ 1,223 | $ 924 |
| Depreciation and amortization | $ 1,393 | $ 1,354 | $ 4,376 | $ 2,764 |
| Capital expenditures | $ 931 | $ 192 | $ 79 | $ 2,997 |
| Identifiable assets (in millions) | $ 3,854 | $ 3,855 | $ 816 | $ 553 |
| Efficiency ratio | 42.82% | 48.90% | 82.23%(2) | 87.71% |

(1) Net interest income for the mortgage banking segment is generated from the interest earned on mortgage loans held for sale, less the interest expense incurred on short-term borrowings used to fund loan production and servicing acquisitions. The Company's internal funds transfer pricing charges the mortgage banking segment an interest rate based on its overall cost of funds for the loans held for sale balances and an interest rate based on the prime rate to fund its servicing portfolio and operations.

(2) Excludes impact of $19.0 million charge related to the exit of the residential mortgage servicing business.

Note 7 - Subsequent Event

On April 16, 2001, the Company announced that it had executed a definitive agreement for the sale of Market Street Mortgage Corporation for $20 million in cash and stock to NetBank, Inc. Market Street Mortgage, headquartered in Clearwater, Florida, is a retail mortgage lender with 42 offices in 11 states. The sale is expected to close later in the second quarter, subject to regulatory approvals. Based upon the current stock price of NetBank, the Company expects to record a gain of approximately $12-$14 million, which is net of transaction costs and closing adjustments. In conjunction with the sale of Market Street Mortgage, the Company is separately selling its $1.8 billion mortgage servicing portfolio and exiting the servicing business.

Note 8 - Accounting and Financial Reporting Developments

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, which was amended in June 1999 by Statement No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133, and in June 2000 by Statement No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities and is required to be adopted by the Company in years beginning after June 15, 2000. The Statement requires companies to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

The Company implemented FAS 133, as amended effective January 1, 2001. The cumulative effect of the adoption of FAS 133 was not material. For the quarter ended March 31, 2001, the Company's hedging policies using mandatory forward commitments, as they relate to Interest Rate Lock Commitments and mortgage loans held for sale, were highly effective. Therefore, FAS 133's impact on net income was immaterial.

ITEM 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

EARNINGS PERFORMANCE

The Company reported record net operating income for the quarter ended March 31, 2001 of $13.1 million, a 16% increase over the $11.3 million earned in the first quarter of 2000. Diluted operating earnings per share for the first quarter of 2001 were $.26, an increase of 17% over the $.22 earned in 2000. Annualized operating returns on average assets and shareholders' equity for the first three months of 2001 were 1.13% and 16.75%, respectively.

To better understand underlying trends and performance, net operating earnings for the first quarter of 2001 exclude $19.0 million of pre-tax charges related to the exit of the Company's residential mortgage servicing business. These charges include a write-down of mortgage servicing rights of $16.1 million, transaction costs associated with the servicing portfolio sale of approximately $2.0 million and costs associated with winding down the servicing operation of approximately $900,000. Severance and employee benefit accruals were immaterial. The sale and related wind down of the loan servicing operation is expected to take place during the second and third quarter of 2001. The accrued expenses for these items will be utilized during the same period. Including these charges, the Company reported net income for the quarter of $799,000 or $.02 per share.

RESULTS OF OPERATIONS

Mortgage Banking

The following discussion provides information that relates specifically to the Company's mortgage banking line of business, which generates revenue from mortgage loan production and mortgage loan servicing activities. Mortgage banking revenue represents the largest component of the Company's total noninterest income.

The Company closed $1.4 billion in single-family residential mortgage loans in the first quarter of 2001, up 60% compared to $851 million closed in the same period last year. Mortgage loan volumes during 2001 increased primarily due to the declining interest rate environment which has resulted in a higher level of mortgage refinance activity. Refinancings for the first quarter of 2001 represented approximately 54% of total closings compared to 12% in the first quarter of 2000.



The following table summarizes the Company's income from mortgage banking activities:

| | Three Months Ended March 31, | |
|---|---|---|
| (In thousands) | 2001 | 2000 |
| Mortgage loan production revenue (1).............. | $16,650 | $14,722 |
| Net mortgage loan servicing revenue (expense) (2).. | (199) | 2,877 |
| Gain on bulk sales of mortgage servicing rights.... | - | 1,100 |
| Total mortgage banking revenue................. | $16,451 | $18,699 |

(1) Includes fee revenue derived from the loan origination process (i.e., points collected), gains on the sale of mortgage loans and the related mortgage servicing rights released concurrently with the underlying loans sold, net of commissions and incentives paid of $7.2 million and $3.8 million for 2001 and 2000, respectively.
(2) Includes servicing fees, late fees and other ancillary charges, net of amortization of mortgage servicing rights.

For the three months ended March 31, 2001, mortgage banking revenue decreased $2.2 million, or 12%, to $16.5 million from $18.7 million a year earlier. The decrease is primarily the result of decreases in net mortgage loan servicing revenue of $3.1 million for the first quarter of 2001 compared to 2000 and no gain on the bulk sales of mortgage servicing rights in 2001 compared to $1.1 million in 2000. These decreases were off set by a $1.9 million or 13% increase in mortgage production revenue. The increase in mortgage loan production revenue was primarily a result of higher mortgage loan production and the resulting sales of loans in the secondary market. Total loans sold during the quarter were $1.1 billion compared to $768 million during the first quarter of 2000. The ratio of mortgage production revenue to mortgage loans sold was 2.14% in the first quarter of 2001 compared to 2.41% in the first quarter of 2000.

Net mortgage loan servicing revenue was a net loss of $199,000 for the quarter ended March 31, 2001 compared to a revenue of $2.9 million for the quarter ended March 31, 2000. The decrease in revenue reflects an increase in amortization of mortgage servicing rights of $1.6 million from the first quarter of 2000 to $3.4 million during the first quarter of 2001. The increase in amortization expense was the result of the increase in residential mortgage loan refinance activity during 2001 and corresponding increase in mortgage prepayments of the Company's servicing portfolio. The decrease in net mortgage loan servicing revenue also reflects a reduction in the average mortgage loan servicing portfolio as loans serviced for others averaged $2.1 billion for the first quarter of 2001 compared to $2.9 billion for 2000.

As discussed earlier, at the end of the first quarter of 2001 the Company elected to exit the residential mortgage servicing business. Mortgage servicing rights were reduced by $16.1 million at March 31, 2001 to reflect the current market value of the servicing portfolio. A sale agreement regarding Market Street's mortgage servicing portfolio was subsequently signed in April 2001 with an unaffiliated company. The significant decrease in the value of the servicing portfolio from December 31, 2000 was a result of dramatic increases in the prepayment speed assumption (PSA) during the first quarter of 2001, as well as an over 120 basis points decrease in the earnings rate received on escrow balances. These changes were a result of the decline in short-term interest rates occurring during the quarter due to the Federal Reserve Board's action to lower the federal funds rate. The impairment reserve on the Company's mortgage servicing rights balance at December 31, 2000 was $6.6 million.

The Company expects to sell all mortgage servicing rights concurrently with the sale of the underlying loans. The Company did not have any bulk sales of mortgage servicing rights in the first three months of 2001. In the first quarter of 2000, bulk sales of mortgage servicing rights with principal balances of $361 million, resulted in a gain of $1.1 million.



Commercial and Retail Banking

The remaining disclosures and analyses within Management's Discussion and Analysis regarding the Company's results of operations and financial condition relate principally to the commercial and retail banking line of business.

## Net Interest Income

The following discussion should be read in conjunction with Tables I on the following page, which provides detailed analyses of the components impacting net interest income for the three months ended March 31, 2001 and 2000.

Net interest income, on a fully taxable equivalent (FTE) basis, was $34.2 million for the first quarter of 2001 compared to $32.7 million for the first quarter of 2000. The increase was primarily the result of an increase in the Company's average interest-earning assets of $362 million. The average portfolio loan balance increased $307 million, or 9% during the first quarter of 2001 compared to 2000. This increase reflects a $256 million, or 28% increase in average commercial loans, a $122 million, or 7% increase in residential real estate mortgage loans, net of a $71 million, or 10% decrease in installment loans. In addition, the average balance of mortgage loans held for sale increased $66 million, or 15% for the first quarter of 2001 compared to 2000. Funding the growth in portfolio loans and mortgage loans held for sale were increases in the Company's savings and time deposits and FHLB advances.

The net interest margin (FTE) was 3.12% for the quarter ended March 31, 2001, a decrease of 9 basis points from 3.21% in 2000. The decrease in the margin was due to the increase in the Company's cost of funds for the first quarter of 2001 exceeding the increase in the interest yield on earning assets.

## Noninterest Expense

Excluding the $19.0 million of charges related to the exit of its residential mortgage servicing business, total non-interest expense for the quarter ended March 31, 2001 decreased $4.4 million, or 13%, to $30.4 million compared to $34.8 million for the first quarter of 2000. The decrease is primarily the result of decreases in salaries and employee benefits and other noninterest expense. These decreases reflect cost savings associated with the integration of D&N Bank and Republic Banc Mortgage Corporation into Republic Bank which took place in December 2000.



Table I - Quarterly Net Interest Income and Rate/Volume Analysis (FTE)

| | Three Months Ended March 31, 2001 | | | Three M March |
|---|---|---|---|---|
| (Dollar amounts in thousands) | Average Balance | Interest | Average Rate | Average Balance |
| Average Assets: | | | | |
| Short-term investments........................ | $ 3,584 | $ 47 | 5.34% | $ 2,743 |
| Mortgage loans held for sale................... | 495,815 | 9,272 | 7.58 | 429,520 |
| Securities available for sale.................. | 198,604 | 3,700 | 7.56 | 210,773 |
| Portfolio loans(1): | | | | |
| Commercial loans........................... | 1,174,373 | 26,252 | 8.94 | 917,924 |
| Residential real estate mortgage loans....... | 1,904,660 | 34,372 | 7.32 | 1,782,894 |
| Installment loans.......................... | 658,601 | 15,027 | 9.25 | 729,686 |
| Total loans, net of unearned income........ | 3,737,634 | 75,651 | 8.17 | 3,430,504 |
| Total interest-earning assets............. | 4,435,637 | 88,670 | 8.07 | 4,073,540 |
| Allowance for loan losses...................... | (29,005) | | | (27,672) |
| Cash and due from banks........................ | 68,553 | | | 60,586 |
| Other assets................................... | 177,950 | | | 190,928 |
| Total assets.............................. | $4,653,135 | | | $4,297,382 |
| Average Liabilities and Shareholders' Equity: | | | | |
| Interest-bearing demand deposits............... | $ 51,629 | $ 221 | 1.73 | $ 109,482 |
| Savings deposits............................... | 792,998 | 6,395 | 3.27 | 711,070 |
| Time deposits.................................. | 1,709,329 | 26,398 | 6.26 | 1,582,490 |
| Total interest-bearing deposits............... | 2,553,956 | 33,014 | 5.24 | 2,403,042 |
| Short-term borrowings.......................... | 36,983 | 524 | 5.67 | 74,971 |
| FHLB advances.................................. | 1,407,204 | 20,247 | 5.76 | 1,213,665 |
| Long-term debt................................. | 40,000 | 727 | 7.27 | 47,500 |
| Total interest-bearing liabilities......... | 4,038,143 | 54,512 | 5.45 | 3,739,178 |
| Noninterest-bearing deposits................... | 199,884 | | | 184,607 |
| Other liabilities.............................. | 88,265 | | | 75,168 |
| Total liabilities......................... | 4,326,292 | | | 3,998,953 |
| Preferred stock of subsidiary.................. | 28,719 | | | 28,719 |
| Shareholders' equity........................... | 298,124 | | | 269,710 |

| | | | | |
|---|---|---|---|---|
| Total liabilities and shareholders' equity. | $4,653,135 | | | $4,297,382 |
| Net interest income/rate spread (FTE)........... | | $34,158 | 2.62% | |
| Net interest margin (FTE)....................... | | | 3.12% | |

| Increase (decrease) due to change in: | Volume(2) | Rate(2) | Net Chan |
|---|---|---|---|
| Short-term investments..................... | $ 10 | $ 1 | $ 11 |
| Mortgage loans held for sale............... | 1,213 | (638) | 575 |
| Securities available for sale.............. | (248) | 206 | (42 |
| Portfolio loans(1): | | | |
| Commercial loans........................ | 5,775 | 473 | 6,248 |
| Residential real estate mortgage loans.. | 1,822 | 482 | 2,304 |
| Installment loans....................... | (1,687) | 1,003 | (684 |
| Total loans, net of unearned income... | 5,910 | 1,958 | 7,868 |
| Total interest income................ | 6,885 | 1,527 | 8,412 |
| Interest-bearing demand deposits........... | (249) | 28 | (221 |
| Savings deposits........................... | 601 | 470 | 1,071 |
| Time deposits.............................. | 1,741 | 2,604 | 4,345 |
| Total interest-bearing deposits........ | 2,093 | 3,102 | 5,195 |
| Short-term borrowings...................... | (536) | (35) | (571 |
| FHLB advances.............................. | 2,828 | (335) | 2,493 |
| Long-term debt............................. | (136) | 4 | (132 |
| Total interest expense............... | 4,249 | 2,736 | 6,985 |
| Net interest income.................. | $ 2,636 | $(1,209) | $ 1,427 |

/(1)/ Non-accrual loans and overdrafts are included in average balances.
/(2)/ Rate/volume variances are proportionately allocated to rate and volume based on the absolute value of the change in each.



## BALANCE SHEET ANALYSIS

### ASSETS

At March 31, 2001, the Company had $4.67 billion in total assets, an increase of $59 million, or 1%, from $4.61 billion at December 31, 2000. The increase is primarily the result of increases in the Company's mortgage loans held for sale and commercial loans.

### Securities

Investment securities available for sale decreased $3 million, to $209 million, representing 4.5% of total assets at March 31, 2001. At December 31, 2000, the investment securities portfolio totaled $212 million, or 4.6% of total assets. During the first three months of 2001, the company sold $80.3 million of investment securities and realized gross gains and losses on the sales of available for sale securities of $371,000 and $4,000, respectively.

The Company's investment securities portfolio, while serving as a source of earnings and liquidity risk, carries relatively minimal principal risk and contributes to the management of interest rate risk. The portfolio is comprised primarily of municipal securities and collateralized mortgage obligations. The Company's equity securities portfolio consists primarily of Federal Home Loan Bank stock.

The following table details the composition, amortized cost and fair value of the Company's investment securities portfolio at March 31, 2001:

| | Securities Available for Sale | | | |
|---|---|---|---|---|
| (In thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Debt Securities: | | | | |
| U.S. Treasury and Government agency securities.... | $ 6,268 | $ 8 | $165 | $ 6,111 |
| Collateralized mortgage obligations.............. | 53,318 | 48 | 452 | 52,914 |
| Interest-only certificates....................... | 68 | - | - | 68 |
| Mortgage-backed securities....................... | 2,403 | 28 | - | 2,431 |
| Municipal and other securities................... | 70,177 | 452 | 107 | 70,522 |
| Total debt securities.......................... | 132,234 | 536 | 724 | 132,046 |
| Equity securities and investment in FHLB........... | 76,868 | - | - | 76,868 |
| Total securities available for sale............. | $209,102 | $536 | $724 | $208,914 |

Certain securities having a carrying value of approximately $12.3 million and $58.7 million at March 31, 2001 and December 31, 2000, respectively, were pledged to secure FHLB advances and public deposits as required by law.

## Mortgage Loans Held for Sale

Mortgage loans held for sale were $577 million at March 31, 2001, an increase of $192 million, or 50%, from $385 million at December 31, 2000. The increase was primarily due to an increase in residential mortgage loan closings during the first quarter of 2001 over the fourth quarter of 2000 (loans closed generally remain in loans held for sale for 30 to 60 days after closing).

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## Portfolio Loans

Total portfolio loans were $3.63 billion at March 31, 2001, a decrease of $140 million, or 4%, from $3.77 billion at December 31, 2000. The decrease was due to decreases in the residential real estate mortgage loan and consumer indirect loan portfolios which were partially offset by an increase in the commercial loan balance. The residential mortgage portfolio loan balance decreased $146 million, or 7%, since year-end 2000 to $1.82 billion at March 31, 2001. The decrease in residential mortgage loans was due to the significant increase of loans being refinanced from the residential mortgage loan portfolio. The Company refinanced a significant portion of these mortgage portfolio loans, which are subsequently reflected as loans held for sale.

The installment loan portfolio decreased $67 million during the first three months of 2001 due primarily to loan sales and runoff from the indirect consumer loan portfolio. During the first quarter, the Company sold $39 million of indirect marine and RV loans. There was no material gain on the sale. The direct consumer loan portfolio remained consistent with the $459 million balance at December 31, 2000.

The commercial portfolio loan balance increased $73 million during the first three months of 2001, for an annualized growth rate of 26%, reflecting continued strong demand for real estate-secured lending in markets served by the Company. During the three months ended March 31, 2001 and 2000, the Company closed $5.4 million and $7.8 million in Small Business Administration (SBA) loans, respectively. The Company sold $1.6 million and $756,000 of the guaranteed portion of SBA loans in the first three months of 2001 and 2000, respectively, resulting in corresponding gains of $40,000 and $49,000, respectively.

The following table provides further information regarding the Company's loan portfolio:

| | March 31, 2001 | | December 31, 2000 | |
|---|---|---|---|---|
| (Dollars in thousands) | Amount | Percent | Amount | Percent |
| Commercial loans: | | | | |
| Commercial and industrial......... | $ 78,034 | 2.1% | $ 79,544 | 2.1% |
| Commercial real estate mortgage... | 1,127,591 | 31.1 | 1,052,748 | 27.9 |
| Total commercial loans.......... | 1,205,625 | 33.2 | 1,132,292 | 30.0 |
| Residential real estate mortgages.. | 1,818,102 | 50.1 | 1,964,394 | 52.1 |
| Installment loans: | | | | |
| Consumer direct.................. | 458,928 | 12.6 | 459,359 | 12.2 |
| Consumer indirect................ | 148,976 | 4.1 | 215,631 | 5.7 |
| Total installment loans......... | 607,904 | 16.7 | 674,990 | 17.9 |
| Total portfolio loans........... | $3,631,631 | 100.0% | $3,771,676 | 100.0% |

## Credit Quality

The Company attempts to minimize credit risk in the loan portfolio by focusing primarily on real estate-secured lending (i.e., commercial real estate mortgage loans, commercial real estate construction loans, residential real estate mortgage loans, residential real estate construction loans, and home equity loans). As of March 31, 2001, such loans comprised approximately 92% of total portfolio loans. The Company's general policy is to originate conventional residential real estate mortgages with loan-to-value ratios of 80% or less and SBA-secured loans or real estate-secured commercial loans with loan-to-value ratios of 75% or less and secured by personal guarantees.



The substantial majority of the Company's residential mortgage loan production is underwritten in compliance with the requirements for sale to or conversion to mortgage-backed securities issued by Freddie Mac, the Federal National Mortgage Association (FNMA), or the Government National Mortgage Association (GNMA). The majority of the Company's commercial loans is secured by real estate and is generally made to small and medium-size businesses. These loans are made at rates based on the prevailing prime interest rates of Republic Bank, as well as fixed rates for terms generally ranging from three to five years. Management's emphasis on real estate-secured lending and adherence to conservative underwriting standards is reflected in the Company's historically low net charge-offs.

## Non-Performing Assets

Non-performing assets consist of non-accrual loans and other real estate owned (OREO). OREO represents real estate properties acquired through foreclosure or by deed in lieu of foreclosure. Commercial loans, residential real estate mortgage loans and installment loans are generally placed on non-accrual status when principal or interest is 90 days or more past due, unless the loans are well-secured and in the process of collection. In all cases, loans may be placed on non-accrual status earlier when, in the opinion of management, reasonable doubt exists as to the full, timely collection of interest or principal.

The following table summarizes the Company's non-performing assets and 90-day past due loans:

| (Dollars in thousands) | March 31, 2001 | December 31, 2000 |
|---|---|---|
| Non-Performing Assets: | | |
| Non-accrual loans: | | |
| Commercial | $ 6,111 | $ 5,499 |
| Residential real estate mortgages | 16,681 | 13,429 |
| Installment | 2,383 | 2,167 |
| Total non-performing loans | 25,175 | 21,095 |
| Other real estate owned | 3,314 | 4,906 |
| Total non-performing assets | $28,489 | $26,001 |
| Non-performing assets as a percentage of: | | |
| Portfolio loans and OREO | .78% | .69% |
| Portfolio loans, mortgage loans held for sale and OREO | .68% | .62% |
| Total assets | .61% | .56% |
| Loans past due 90 days or more and still accruing interest: | | |
| Commercial | $ - | $ 209 |
| Residential real estate | - | - |
| Installment | - | - |

| | | |
|---|---|---|
| Total loans past due 90 days or more.................. | $ - | $ 209 |

At March 31, 2001, approximately $37.1 million, or .88% of total loans were 30-89 days delinquent, compared to $45.2 million, or 1.09%, at December 31, 2000.

## Provision and Allowance for Loan Losses

The allowance for loan losses represents the Company's estimate of probable credit losses related to specifically identified loans as well as probable credit losses inherent in the remainder of the loan portfolio that have been incurred as of the balance sheet date. The allowance for loan losses is maintained at an adequate level through



additions to the provision for loan losses. An appropriate level of the general allowance is determined based on the application of projected risk percentages to graded loans by categories. In addition, specific reserves are established for individual loans when deemed necessary by management. Management also considers other factors when determining the unallocated allowance, including loan quality, changes in the size and character of the loan portfolio, consultation with regulatory authorities, amount of nonperforming loans, delinquency trends and economic conditions and industry trends.

SFAS No. 114, Accounting By Creditors for Impairment of a Loan, as amended by SFAS No. 118, considers a loan impaired when it is probable that payment of principal and interest will not be collected in accordance with the contractual terms of the original loan agreement. Consistent with this definition, all non-accrual and restructured loans (with the exception of residential mortgage and consumer installment loans) are impaired. An impaired loan for which it is deemed necessary to record a specific allowance is, typically, written down to the fair value of the underlying collateral at the time it is placed in non-accrual status via a direct charge-off against the allowance for loan losses. Consequently, those impaired loans not requiring a specific allowance represent loans for which the fair value of the underlying collateral equaled or exceeded the recorded investment in the loan. All impaired loans were evaluated using the fair value of the underlying collateral as the measurement method.

It must be understood, however, that inherent risks and uncertainties related to the operation of a financial institution require management to depend on estimates, appraisals and evaluations of loans to prepare the Company's financial statements. Changes in economic conditions and the financial prospects of borrowers may result in abrupt changes to the estimates, appraisals or evaluations used. In addition, if actual circumstances and losses differ substantially from management's assumptions and estimates, the allowance for loan losses may not be sufficient to absorb all future losses, and net income could be significantly impacted.

Gross loan charge-offs increased $900,000 to $2.0 million for the three months ended March 31, 2001 compared to $1.1 million for the same period of 2000. The increase is primarily related to charge-offs of certain commercial loans during the first quarter of 2001. The Company recorded provision for loan losses of $2.0 million for the three months ended March 31, 2001 compared to $1.6 million for 2000.

The following table provides an analysis of the allowance for loan losses:

| (Dollars in thousands) | Three Months Ended March 31, 2001 | 2000 |
|---|---|---|
| Allowance for loan losses: | | |
| Balance at January 1 | $28,450 | $27,128 |
| Loans charged off | (1,989) | (1,101) |
| Recoveries of loans previously charged off | 333 | 324 |
| Net charge-offs | (1,656) | (777) |
| Provision charged to expense | 2,000 | 1,600 |
| Balance at March 31 | $28,794 | $27,951 |
| Annualized net charge-offs as a percentage of average loans (including loans held for sale) | .16% | .08% |
| Allowance for loan losses as a percentage of total portfolio loans outstanding at period-end | .79 | .79 |
| Allowance for loan losses as a percentage of non-performing loans | 114.38% | 160.11% |



Off-Balance Sheet Instruments

At March 31, 2001, the Company had outstanding $599 million of commitments to fund residential real estate loan applications with agreed-upon rates (Interest Rate Lock Commitments). Interest Rate Lock Commitments and holding residential mortgage loans for sale to the secondary market exposes the Company to interest rate risk during the period from application to when the loan is sold to the investors. To minimize this exposure to interest rate risk, the Company enters into firm commitments to sell such mortgage loans and Interest Rate Lock Commitments at specified future dates to various third parties.

At March 31, 2001, the Company had outstanding mandatory forward commitments to sell $1.03 billion of residential mortgage loans, of which $538 million covered mortgage loans held for sale and $496 million covered Interest Rate Lock Commitments. These outstanding forward commitments to sell mortgage loans are expected to settle in the second quarter of 2001 without producing any material gains or losses. At March 31, 2001, the mortgage loans held for sale balance included $39 million of loan products for which the Company did not enter into mandatory forward commitments. The Company's exposure to market risk was not significantly increased, however, since these loans had been committed for bulk sale to third parties prior to March 31, 2001 or were floating rate residential loans.

The Company implemented FAS 133, as amended effective January 1, 2001. The cumulative effect of the adoption of FAS 133 was not material. For the quarter ended March 31, 2001, the Company's hedging policies using mandatory forward commitments, as they relate to Interest Rate Lock Commitments and mortgage loans held for sale, were highly effective. Therefore, FAS 133's impact on net income was immaterial.

## LIABILITIES

Total liabilities were $4.35 billion at March 31, 2001, a $62 million, or 1% increase from $4.29 billion at December 31, 2000. This increase was primarily due to an increase in deposits.

### Deposits

Total deposits increased $102 million, or 4%, to $2.83 billion at March 31, 2001 from $2.73 billion at December 31, 2000. Noninterest bearing deposits increased $35 million for the quarter, while savings and money market accounts increased $81 million.

### Short-Term Borrowings

Short-term borrowings with maturities of less than one year, along with the related average balances and interest rates for the three months ended March 31, 2001 and the year ended December 31, 2000, were as follows:

| | March 31, 2001 | | | December 31, 2000 | | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | Ending Balance | Average Balance | Average Rate During Period | Ending Balance | Average Balance | Ave Rate Pe |
| Federal funds purchased....... | $3,000 | $35,923 | 5.66% | $ - | $53,687 | |
| Other short-term borrowings... | 416 | 1,060 | 6.04 | 1,729 | 1,360 | |
| Total short-term borrowings.. | $3,416 | $36,983 | 5.67% | $1,729 | $55,047 | |

At March 31, 2001 and December 31, 2000, other short-term borrowings consisted of treasury, tax and loan (TT&L) demand notes.



### FHLB Advances

Republic Bank routinely borrows short- and long-term advances from the Federal Home Loan Bank (FHLB) to fund mortgage loan originations and to minimize the interest rate risk associated with certain fixed rate commercial and residential mortgage portfolio loans and investment securities. These advances are generally secured under a blanket security agreement by first mortgage loans with an aggregate book value equal to at least 145% of the advances.

FHLB advances outstanding at March 31, 2001 and December 31, 2000, were as follows:

| | March 31, 20 | |
|---|---|---|
| (Dollars in thousands) | Ending Balance | Av Ra Peri |

| | |
|---|---|
| Short-term FHLB advances | $ 556,000 |
| Long-term FHLB advances | 782,762 |
| Total | $1,338,762 |

The long-term FHLB advances have original maturities ranging from May 2001 to January 2011.

Long-Term Debt

Obligations with original maturities of more than one year consisted of the following:

(Dollars in thousands)

| | |
|---|---|
| 7.17% Senior Debentures due 2001 | |
| 6.75% Senior Debentures due 2001 | |
| 6.95% Senior Debentures due 2003 | |
| Total long-term debt | |

CAPITAL

Shareholders' equity was $292 million at March 31, 2001, a $3 million, or 1%, decrease from $295 million at December 31, 2000. This decrease primarily resulted from the payment of cash dividends and the repurchase of 113,000 shares of common stock during the first three months of 2001.

The Company is subject to regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate actions by regulators that, if undertaken, could have an effect on the Company's financial statements. Capital adequacy guidelines require minimum capital ratios of 8.00% for Total risk-based capital, 4.00% for Tier 1 risk-based capital and 3.00% for Tier 1 leverage. To be considered well-capitalized under the regulatory framework for prompt corrective action, minimum capital ratios of 10.00% for Total risk-based capital, 6.00% for Tier 1 risk-based capital and 5.00% for Tier 1 leverage must be maintained.

As of March 31, 2001, the Company met all capital adequacy requirements to which it is subject and management does not anticipate any difficulty in meeting these requirements on an ongoing basis. The Company's capital ratios were as follows:

| | March 31, 2001 | December 31, 2000 |
|---|---|---|
| Total capital to risk-weighted assets (1)... | 10.54% | 10.38% |

| | | |
|---|---|---|
| Tier 1 capital to risk-weighted assets (1).. | 9.63 | 9.50 |
| Tier 1 capital to average assets (1)........ | 6.60 | 6.82 |

(1) As defined by the regulations.

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As of March 31, 2001, the Company's total risk-based capital was $335 million and Tier 1 risk-based capital was $306 million, an excess of $17 million and $115 million, respectively, over the minimum guidelines prescribed by regulatory agencies for a well-capitalized institution. In addition, Republic Bank had regulatory capital ratios in excess of the minimum levels established for well-capitalized institutions.

## FORWARD-LOOKING STATEMENTS

The section that follows entitled "Market Risk Management" contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve certain risks, uncertainties, estimates and assumptions by management, which may cause actual results to differ materially from those contemplated by such statements.

## MARKET RISK MANAGEMENT

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, foreign exchange rates and equity prices. The Company's market risk exposure is composed entirely of interest rate risk. Interest rate risk arises in the normal course of business to the extent that there is a difference between the amount of the Company's interest-earning assets and interest-bearing liabilities that are prepaid/withdrawn, reprice or mature in specified periods.

The primary objective of asset and liability management is to maintain stability in the level of net interest income by producing the optimal yield and maturity mix of assets and liabilities within the interest rate risk limits set by the Company's Asset and Liability Management Committee (ALCO) and consistent with projected liquidity needs and capital adequacy requirements.

The Company's ALCO, which meets weekly, is responsible for reviewing the interest rate sensitivity position of the Company and establishing policies to monitor and limit exposure to interest rate risk. Senior management at each of the Company's subsidiaries is responsible for ensuring that the subsidiary asset and liability management procedures adhere to corporate policies and risk limits established by its respective board of directors.

The Company utilizes two complementary quantitative tools to measure and monitor interest rate risk: static gap analysis and earnings simulation modeling. Each of these interest rate risk measurements has limitations, but when evaluated together, they provide a reasonably comprehensive view of the exposure the Company has to interest rate risk.

Static Gap Analysis: Static gap analysis is utilized at the end of each month to measure the amount of interest rate risk embedded in the balance sheet as of a point in time. It does this by comparing the differences in the repricing characteristics of interest-earning assets and interest-bearing liabilities. A gap is defined as the difference between the principal amount of interest-earning assets and interest-bearing liabilities that reprice within a specified time period. This gap provides a general indication of the sensitivity of the Company's net interest income to interest rate changes. Consequently, if more assets than liabilities reprice or mature in a given period, resulting in an asset sensitive position or positive gap, increases in market interest rates will generally benefit net interest income because earning asset rates will reflect the changes more quickly. Alternatively, where interest-bearing liabilities reprice more quickly than interest-earning assets, resulting in a liability sensitive position or negative gap, increases in market interest rates will generally have an adverse impact on net interest income. At March 31, 2001, the Company's cumulative one-year gap was a positive 2.43% of total earning assets.

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The Company's current policy is to maintain a mix of asset and liabilities with repricing and maturity characteristics that permit a moderate amount of short-term interest rate risk based on current interest rate projections, customer credit demands and deposit preferences. The Company generally operates in a range of plus or minus 10% of total earning assets for the cumulative one-year gap. Management believes that this range reduces the vulnerability of net interest income to large shifts in market interest rates while allowing the Company to take advantage of fluctuations in current short-term rates.

Earnings Simulation Modeling: On a quarterly basis, the earnings simulation model is used to quantify the effects of various hypothetical changes in interest rates on the Company's projected net interest income over the ensuing twelve-month period. The model permits management to evaluate the effects of various parallel shifts of the U.S. Treasury yield curve, upward and downward, on net interest income expected in a stable interest rate environment (i.e., base net interest income).

As of March 31, 2001, the earnings simulation model projects net interest income would decrease by 8% of base net interest income, assuming an immediate parallel shift upward in market interest rates by 200 basis points. If market interest rates fall by 200 basis points, the model projects net interest income would increase by 8%. These projected levels are well within the Company's policy limits. The earnings simulation model assumes that current balance sheet totals remain constant and all maturities and prepayments of interest-earning assets and interest-bearing liabilities are reinvested at current market rates.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, the Company and its subsidiaries are parties to certain routine litigation. In the opinion of management, the aggregate liabilities, if any, arising from such legal proceedings would not have a material adverse effect on the Company's consolidated financial position, results of operations and liquidity.

Item 2. Changes in Securities

On February 15, 2001, the Board of Directors declared a quarterly cash dividend of $0.085 per share of common stock, payable on April 2, 2001 to shareholders of record March 8, 2001.

Item 4. Submission of Matters to a Vote of Security Holders

Republic Bancorp Inc. held its 2001 Annual Meeting of Shareholders on April 25, 2001. The following directors were elected at the annual meeting to serve until the next annual meeting:

| Director | For | Against | Abstentions | Broker Non-Votes |
|---|---|---|---|---|
| Jerry D. Campbell | 43,398,165 | 0 | 675,130 | 0 |
| Dana M. Cluckey | 43,171,021 | 0 | 675,130 | 0 |
| George J. Butvilas | 43,243,328 | 0 | 675,130 | 0 |
| Mary P. Cauley | 41,319,565 | 0 | 675,130 | 0 |
| Richard J. Cramer, Sr. | 41,308,028 | 0 | 675,130 | 0 |
| Dr. George A. Eastman | 43,005,033 | 0 | 675,130 | 0 |
| Howard J. Hulsman | 43,215,173 | 0 | 675,130 | 0 |
| Gary Hurand | 43,154,066 | 0 | 675,130 | 0 |
| Dennis J. Ibold | 43,161,285 | 0 | 675,130 | 0 |
| Stanley A. Jacobson | 49,185,005 | 0 | 675,130 | 0 |
| John J. Lennon | 41,289,133 | 0 | 675,130 | 0 |
| Sam H. McGoun | 41,266,652 | 0 | 675,130 | 0 |
| Kelly E. Miller | 41,236,845 | 0 | 675,130 | 0 |
| Joe D. Pentecost | 43,083,795 | 0 | 675,130 | 0 |
| Randolph P. Piper | 41,323,462 | 0 | 675,130 | 0 |
| Dr. Isaac J. Powell | 37,757,923 | 0 | 675,130 | 0 |
| B. Thomas M. Smith, Jr. | 41,295,639 | 0 | 675,130 | 0 |
| Dr. Jeoffrey K. Stross | 41,282,912 | 0 | 675,130 | 0 |
| Peter Van Pelt | 41,294,099 | 0 | 675,130 | 0 |
| Steven E. Zack | 41,310,704 | 0 | 675,130 | 0 |

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits
None

(b) Reports on Form 8-K
On April 20, 2001, the Company filed a report on Form 8-K announcing the Company had executed a definitive agreement with NetBank, Inc., of Alpharetta, Georgia and its subsidiary, Net Interim, Inc., of Alpharetta, Georgia, which provides for the sale by Republic of its subsidiary, Market Street Mortgage Corporation of Clearwater, Florida to NetBank for $20 million in cash and NetBank stock.

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SIGNATURE

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

REPUBLIC BANCORP INC.

(Registrant)

Date: May 14, 2001

BY: /s/ Thomas F. Menacher
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Thomas F. Menacher
Executive Vice President, Treasurer and
Chief Financial Officer
(Principal Financial and
Accounting Officer)