REPUBLIC BANCORP INC
Form 10-Q
May 15, 2002

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, 2002 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)

(989) 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 days.

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, 2002:

Common Stock, $5 Par Value .... 53,149,000 Shares

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PART I - FINANCIAL INFORMATION
ITEM 1 - Financial Statements

REPUBLIC BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)	March 31, 2002	December 31, 2001
	(Unaudited)	
ASSETS		
Cash and cash equivalents	$ 59,936	$ 76,734
Mortgage loans held for sale	410,862	748,463
Securities available for sale (amortized cost of $397,977 and $369,492, respectively)	394,092	364,648
Loans	3,467,300	3,458,381
Less allowance for loan losses	(29,324)	(29,157)
Net loans	3,437,976	3,429,224
Premises and equipment	29,687	30,858
Mortgage servicing rights	2,333	2,482
Other assets	74,569	88,196
Total assets	$ 4,409,455	$ 4,740,605

LIABILITIES

Noninterest-bearing deposits	$ 228,274	$ 245,395
Interest-bearing deposits:		
NOW accounts	158,917	153,839
Savings and money market accounts	844,716	819,674
Certificates of deposit	1,467,753	1,534,560
Total interest-bearing deposits	2,471,386	2,508,073
Total deposits	2,699,660	2,753,468
Federal funds purchased and other short-term borrowings	162,548	176,500
FHLB advances	1,069,718	1,300,718
Accrued expenses and other liabilities	72,227	112,783
Long-term debt	13,500	13,500
Total liabilities	4,017,653	4,356,969
Trust preferred securities and preferred stock of subsidiary	78,719	78,719
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; 53,131,000 and 53,166,000, issued and outstanding, respectively	265,653	265,831
Capital surplus	36,787	38,693
Retained earnings	13,168	3,542
Accumulated other comprehensive loss	(2,525)	(3,149)
Total shareholders' equity	313,083	304,917
Total liabilities and shareholders' equity	$ 4,409,455	$ 4,740,605

See notes to consolidated financial statements.

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

(In thousands, except per share data)	Three Months End March 31, 2002	20
Interest Income:		
Loans, including fees	$ 69,027	$ 84
Investment securities	4,508	3
Total interest income	73,535	88
Interest Expense:		
Deposits	20,640	33
Short-term borrowings	783	
FHLB advances	14,208	20

Long-term debt	242	
Total interest expense	35,873	54
Net interest income	37,662	33
Provision for loan losses	2,400	2
Net interest income after provision for loan losses	35,262	31
Noninterest Income:		
Service charges	1,989	1
Mortgage loan production revenue	7,246	16
Net mortgage servicing revenue (expense)	146	
Gain on sale of securities	401	
Other noninterest income	795	
Total noninterest income	10,577	19
Noninterest Expense:		
Salaries and employee benefits	13,927	16
Occupancy expense of premises	2,487	3
Equipment expense	1,680	2
Other noninterest expense	5,703	7
Restructuring costs to exit mortgage servicing business	-	19
Total noninterest expense	23,797	49
Income before income taxes	22,042	1
Provision for income taxes	6,168	
Income before preferred stock dividends	15,874	1
Dividends on preferred stock	1,756	
Net income	$ 14,118	$
Basic earnings per share	$ .27	$
Diluted earnings per share	$ .26	$
Average common shares outstanding - diluted	53,791	55
Cash dividends declared per common share	$ .085	$

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)	2002
Cash Flows From Operating Activities:	
Net income	$ 14,118
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation and amortization	1,870
Amortization and impairment of mortgage servicing rights	249
Net gains on sale of mortgage servicing rights	-
Net gains on sale of securities available for sale	(401)
Net gains on sale of loans	(802)
Proceeds from sale of mortgage loans held for sale	841,719
Origination of mortgage loans held for sale	(504,118)
Decrease in other assets	11,593
(Decrease) Increase in other liabilities	(40,556)
Other, net	(197)
Total adjustments	309,357
Net cash provided by (used in) operating activities	323,475
Cash Flows From Investing Activities:	
Proceeds from sale of securities available for sale	40,275
Proceeds from maturities/payments of securities available for sale	7,111
Purchases of securities available for sale	(75,618)
Proceeds from sale of consumer loans	-
Proceeds from sale of commercial and residential real estate loans	42,634
Net (increase) decrease in loans made to customers	(50,496)
Proceeds from sale of mortgage servicing rights	-
Additions to mortgage servicing rights	(100)
Net cash (used in) provided by investing activities	(36,194)
Cash Flows From Financing Activities:	
Net (decrease) increase in total deposits	(53,808)
Net (decrease) increase in short-term borrowings	(13,952)
Net (decrease) increase in short-term FHLB advances	(280,000)
Proceeds from long-term FHLB advances	49,000
Payments on long-term FHLB advances	-
Payments on long-term debt	-
Net proceeds from issuance of common shares	2,930
Repurchase of common shares	(3,706)
Dividends paid on common shares	(4,543)
Net cash (used in) provided by financing activities	(304,079)
Net (decrease) increase in cash and cash equivalents	(16,798)
Cash and cash equivalents at beginning of period	76,734
Cash and cash equivalents at end of period	$ 59,936

See notes to consolidated financial statements.

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 Subsidiaries (the "Company") have been prepared in accordance with accounting principles generally accepted 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 accounting principles generally accepted in the United States 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, 2001.

Note 2 - Principles of Consolidation

The consolidated financial statements include the accounts of the parent company, Republic Bancorp Inc., its wholly-owned banking subsidiary, Republic Bank (including its wholly-owned subsidiaries D&N Capital Corporation, Quincy Investment Services, Inc., CAS Properties, Inc., Republic Bank Real Estate Finance, LLC and Republic Management Company, Inc.) and Republic Capital Trust I. 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)	2002	2001
Cash paid during the period for:		
Interest	$36,970	$54,328
Income taxes	$ -	2,323
Non-cash investing activities:		
Loan charge-offs	$ 2,583	$ 1,989

Note 4 - Comprehensive Income

The following table sets forth the computation of comprehensive income:

	Three Months Ended March 31,	
(In thousands)	2002	2001
Net income	$ 14,118	$ 79
Unrealized holding gains on securities, net of tax	$ 885	$ 32
Reclassification adjustment for gains included in net		

income, net of tax	(261)	(23
Net unrealized gains on securities, net of tax	624	8
Comprehensive income	$ 14,742	$ 88

Note 5 - Intangible Assets

The following table summarizes the Company's core deposit intangible asset which is subject to amortization:

(Dollars in thousands)	March 31, 2002	Dec. 31, 2001
Core Deposit Intangible Asset:		
Gross carrying amount	$ 8,749	$ 8,749
Accumulated amortization	2,438	2,191
Net book value	$ 6,311	$ 6,558

Amortization expense on the core deposit intangible asset totaled $248,000 for each of the quarters ended March 31, 2002 and 2001, and $990,000 for the year ended December 31, 2001. The Company expects core deposit intangible amortization expense to be $990,000 for each of the years ending December 31, 2002, 2003 and 2004. The Company expects core deposit intangible amortization expense for the years ended December 31, 2005 and 2006 to be $945,000 and $936,000, respectively.

Note 6 - 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, 2002	2001
Numerator for basic and diluted earnings per share:		
Net income	$ 14,118	$ 799
Denominator for basic earnings per share-- weighted-average shares	53,024,891	54,447,430
Effect of dilutive securities:		
Employee stock options	709,988	636,804
Warrants	55,798	44,729
Dilutive potential common shares	765,786	681,533
Denominator for diluted earnings per share--adjusted weighted-average shares for assumed conversions	53,790,677	55,128,963

Basic earnings per share	$ .27	$ .02
Diluted earnings per share	$ .26	$ .01

Note 7 - Segment Information

The Company's operations are managed as three major business segments: (1) commercial banking (2) retail banking and (3) mortgage banking. The commercial 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. The retail banking segment consists of home equity lending, other consumer lending and the deposit-gathering function. Deposits and loan products are offered through 83 retail branch offices of Republic Bank, which are staffed by personal bankers and loan originators. The mortgage banking segment is comprised of mortgage loan production and mortgage loan servicing for others. Mortgage loan production is conducted in 56 offices of Republic Bank. Treasury and Other is comprised of balance sheet management activities that include the securities portfolio, residential real estate mortgage portfolio loans and non-deposit funding. Treasury and Other also includes unallocated corporate expenses such as corporate overhead, including accounting and operation costs.

In conjunction with the merger of Republic Bank and D&N Bank in 2000 and the sale of Market Street Mortgage Corporation in 2001, the Company redefined its business segments. All prior period amounts have been restated to conform to the current year presentation.

The following table presents the financial results of each business segment for the three months ended March 31, 2002 and 2001.

(In thousands)	Commercial	Retail	Mortgage
For the Three Months Ended March 31, 2002			
Net interest income from external customers	$ 24,295	$ (13,839)	$ 11,780
Internal funding	(10,754)	41,913	(5,891)
Net interest income	13,541	28,074	5,889
Provision for loan losses	1,282	304	-
Noninterest income	290	1,998	7,306
Noninterest expense	2,451	8,188	7,189
Income before taxes	10,098	21,580	6,006
Preferred stock dividend	-	-	-
Income taxes	3,534	7,553	2,102
Net income	$ 6,564	$ 14,027	$ 3,904
Depreciation and amortization	$ 34	$ 798	$ 559
Capital expenditures	$ 18	$ 138	$ 36
Net identifiable assets (in millions)	$ 1,370	$ 2,841	$ 569
Return on equity/(1)/	19.38%	21.50%	42.26%

Return on assets	1.94%	1.95%	2.11%
Efficiency ratio	17.72%	27.23%	54.48%

Note 7 - Segment Information (Continued)

(In thousands)	Commercial	Retail	Mortgag
For the Three Months Ended March 31, 2001/(2)/			
Net interest income from external customers	$ 26,252	$(23,249)	$ 12,43
Internal funding	(13,377)	48,035	(8,15
Net interest income	12,875	24,786	4,28
Provision for loan losses	668	114	
Noninterest income	269	1,726	14,70
Noninterest expense	2,301	7,822	14,79
Income before taxes	10,175	18,576	4,19
Preferred stock dividend	-	-	
Income taxes	3,561	6,502	1,46
Net income	$ 6,614	$ 12,074	$ 2,72
Depreciation and amortization	$ 43	$ 837	$ 4,37
Capital expenditures	$ 48	$ 381	$ 7
Net identifiable assets (in millions)	$ 1,196	$ 2,894	$ 81
Return on equity/(1)/	22.61%	18.96%	32.2
Return on assets	2.26%	1.73%	1.6
Efficiency ratio	17.51%	29.50%	77.9

/(1)/ Capital is allocated as a percentage of assets of 10%, 10% and 5% for the commercial, retail and mortgage banking segments, respectively.

/(2)/ Amounts exclude $19.0 million of pretax restructuring costs to exit the mortgage servicing business

n/m - Not meaningful

Note 8 - Accounting and Financial Reporting Developments

In July 2001, the FASB issued Statement No. 142, Goodwill and Other Intangible Assets, which drastically changed the accounting for goodwill, and intangible assets. Under Statement No. 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives (but with no maximum life)(see Note 5). The Company's goodwill balance was $1.2 million at March 31, 2002 and December 31, 2001. The Company adopted the provisions of Statement No. 142 on January 1, 2002, which had an insignificant effect on the Company's results of operations for the quarter ended March 31, 2002 compared to the quarter ended March 31, 2001.

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

EARNINGS PERFORMANCE

The Company reported record net income for the quarter ended March 31, 2002 of $14.1 million, a 7% increase over net operating income of $13.1 million in the first quarter of 2001. Diluted earnings per share for the first quarter of 2002 were $.26, an increase of 8% over diluted operating earnings of $.24 in 2001. Annualized returns on average assets and shareholders' equity for the first three months of 2002 were 1.25% and 18.14%, respectively.

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. Including these charges, the Company reported net income for the first quarter of 2001 of $799,000, or $.01 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 for others activities. Mortgage banking revenue represents the largest component of the Company's total noninterest income.

The Company closed $711 million in single-family residential mortgage loans in the first quarter of 2002 compared to $851 million closed in the same period last year. For comparability, residential mortgage loan closings exclude Market Street Mortgage loan

closings of $510 for the first quarter of 2001. Mortgage loan volumes during 2002 decreased primarily due to the increase in interest rates which has resulted in a lower level of mortgage refinance activity. Refinancings for the first quarter of 2002 represented approximately 57% of total closings compared to 67% in the first quarter of 2001.

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

(In thousands)	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
Mortgage loan production revenue /(1)/	$ 7,246	$ 16,650
Net mortgage loan servicing revenue (expense) /(2)/ ...	146	(199)
Total mortgage banking revenue	$ 7,392	$ 16,451

/(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 $8.6 million and $7.2 million for 2002 and 2001, 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, 2002, mortgage banking revenue decreased $9.1 million, or 55%, to $7.4 million from $16.5 million a year earlier. For comparability, excluding the results of Market Street Mortgage, total mortgage banking revenue for the first quarter of 2001 was $9.0 million. The decrease is primarily due to a 16.5% decrease in mortgage loan production revenue, which corresponds to the decrease in production volume discussed above.

Net mortgage loan servicing revenue increased to $146,000 for the quarter ended March 31, 2002 compared to a net expense $199,000 for the quarter ended March 31, 2001. The increase in revenue reflects a decrease in amortization of mortgage servicing rights as a result of the decrease in residential mortgage loan refinance activity during 2002 and corresponding decrease in mortgage prepayments of the Company's remaining servicing portfolio. At the end of the first quarter of 2001, the Company elected to exit the residential mortgage servicing business through the sale of Market Street Mortgage's $1.8 billion mortgage loan servicing portfolio and mortgage servicing rights were reduced by $16.1 million at March 31, 2001 to reflect the current market value of the servicing portfolio. Loans serviced for others averaged $182 million for the first quarter of 2002 compared to $2.2 billion for the first quarter of 2001.

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 segments.

Net Interest Income

The following discussion should be read in conjunction with Table I on the following page, which provides detailed analyses of the components impacting net interest income for the three months ended March 31, 2002 and 2001.

Net interest income, on a fully taxable equivalent (FTE) basis, was $38.9 million for the first quarter of 2002 compared to $34.2 million for the first quarter of 2001. The increase was primarily the result of an increase in the net interest margin. The net interest margin (FTE) was 3.54% for the quarter ended March 31, 2002, an increase of 42 basis points from 3.12% in 2001. The increase in the margin was due to the Company's cost of funds on interest-bearing liabilities decreasing more than the decline in yield on earning assets and the mix of the Company's interest-bearing liabilities. Average balances of the Company's higher cost interest-bearing liabilities of time deposits and FHLB advances decreased $425 million compared to the first quarter of 2001. The decrease was partially offset by increases in the average balances of lower cost interest-bearing demand deposits, savings deposits and short-term borrowings of $277 million.

Noninterest Expense

For comparability, excluding the $19.0 million of charges related to the exit of its residential mortgage servicing business and the noninterest expenses of Market Street Mortgage for the first quarter of 2001, total non-interest expense for the quarter ended March 31, 2002 increased $1.3 million, or 6%, to $23.8

million compared to $22.5 million for the first quarter of 2001. The increase is primarily the result of increases in salaries and employee benefits in the first quarter of 2002 compared to 2001.

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

	Three Months Ended March 31, 2002			
(Dollar amounts in thousands)	Average Balance	Interest	Average Rate	A
Average Assets:				
Short-term investments	$ 765	$ 5	2.47%	$
Mortgage loans held for sale	565,750	9,431	6.67	
Securities available for sale	366,934	5,727	6.33	
Portfolio loans/(1)/:				
Commercial loans	1,376,387	24,616	7.15	1
Residential real estate mortgage loans	1,494,531	24,598	6.58	1
Installment loans	582,136	10,382	7.23	
Total loans, net of unearned income	3,453,054	59,596	6.92	3
Total interest-earning assets	4,386,503	74,759	6.84	4
Allowance for loan losses	(29,285)			
Cash and due from banks	62,452			
Other assets	106,479			
Total assets	$4,526,149			$4,
Average Liabilities and Shareholders' Equity:				
Interest-bearing demand deposits	$ 156,240	242	0.63	$
Savings deposits	833,068	3,694	1.80	
Time deposits	1,508,784	16,704	4.49	1
Total interest-bearing deposits	2,498,092	20,640	3.35	2
Short-term borrowings	169,285	783	1.85	
FHLB advances	1,182,874	14,208	4.80	1
Long-term debt	13,500	242	7.15	
Total interest-bearing liabilities	3,863,751	35,873	3.74	4
Noninterest-bearing deposits	227,953			
Other liabilities	44,369			
Total liabilities	4,136,073			4
Preferred stock of subsidiary	78,719			
Shareholders' equity	311,357			
Total liabilities and shareholders' equity	$ 4,526,149			$ 4
Net interest income/rate spread (FTE)		$38,886	3.10%	

Net interest margin (FTE)	3.54%

Increase (decrease) due to change in:	Volume/(2)/	Rate/(2)/
Short-term investments	$ (25)	$ (17)
Mortgage loans held for sale	1,304	(1,145)
Securities available for sale	2,725	(698)
Portfolio loans/(1)/:		
Commercial loans	4,101	(5,737)
Residential real estate mortgage loans	(6,651)	(3,123)
Installment loans	(1,612)	(3,033)
Total loans, net of unearned income	(4,162)	(11,893)
Total interest income	(158)	(13,753)
Interest-bearing demand deposits	232	(211)
Savings deposits	316	(3,017)
Time deposits	(2,843)	(6,851)
Total interest-bearing deposits	(2,295)	(10,079)
Short-term borrowings	812	(553)
FHLB advances	(2,952)	(3,087)
Long-term debt	(473)	(12)
Total interest expense	(4,908)	(13,731)
Net interest income	$ 4,750	$ (22)

(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, 2002, the Company had $4.41 billion in total assets, a decrease of $331 million, or 7%, from $4.74 billion at December 31, 2001. The decrease is primarily the result of a decrease in the Company's mortgage loans held for sale.

Securities

Investment securities available for sale increased $29 million, to $394 million, representing 8.9% of total assets at March 31, 2002. At December 31, 2001, the investment securities portfolio totaled $365 million, or 7.7% of total assets. During the first three months of 2002, the company sold $39.9 million of investment securities and realized gross gains and losses on the sales of available for sale securities of $415,000 and $14,000, respectively.

The Company's investment securities portfolio serves as a secondary source of earnings and contributes to the management of interest rate risk and liquidity risk. The debt securities portfolio is comprised primarily of municipal securities and collateralized mortgage obligations. Fixed rate debt securities within the portfolio, excluding municipal securities, totaled $81.4 million and $12.9 million at March 31, 2002 and December 31, 2001, respectively.

The following table details the composition, amortized cost and fair value of the Company's investment securities portfolio at March 31, 2002:

	Securities	
(In thousands)	Amortized Cost	Gross Unrealized Gains
Debt Securities:		
Government agency securities	$ 25,108	$ -
Collateralized mortgage obligations	82,313	120
Mortgage-backed securities	7,304	31
Municipal and other securities	204,158	169
Total debt securities	318,883	320
Investment in FHLB	79,094	-
Total securities available for sale	$ 397,977	$ 320

Certain securities having a carrying value of approximately $6.2 million and $8.4 million at March 31, 2002 and December 31, 2001, 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 $411 million at March 31, 2002, a decrease of $338 million, or 45%, from $748 million at December 31, 2001. The decrease was primarily due to a decrease in residential mortgage loan closings during the first quarter of 2002 of $711 million compared to $1.4 billion closed during the fourth quarter of 2001 (loans closed generally remain in loans held for sale for 30 to 60 days after closing).

Portfolio Loans

Total portfolio loans were $3.47 billion at March 31, 2002, an increase of $9 million from $3.46 billion at December 31, 2001. The increase was due to increases in the commercial real estate mortgage loan and consumer direct installment loan balances which were offset by decreases in the residential real estate mortgage loan and consumer indirect loan portfolios. The commercial portfolio loan balance increased $38 million during the first three months of 2002, for an annualized growth rate of 11%, reflecting continued strong demand for real estate-secured lending in markets served by the Company. During the three months ended March 31, 2002 and 2001, the Company closed $10.0 million and $5.4 million in Small Business Administration (SBA) loans, respectively. The

Company sold $3.3 million and $1.6 million of the guaranteed portion of SBA loans in the first three months of 2002 and 2001, respectively, resulting in corresponding gains of $178,000 and $40,000, respectively.

The residential mortgage portfolio loan balance decreased $29 million, or 2%, since year-end 2001 to $1.48 billion at March 31, 2002. The decrease in residential mortgage loans was due to an 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 consumer direct installment loan portfolio increased $16 million during the first three months of 2002 due to an increase in home equity loan closings. The consumer indirect installment loan portfolio decreased $16 million during the first quarter of 2002 due to the anticipated runoff of the indirect consumer loan portfolio.

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

	March 31, 2002		De
(Dollars in thousands)	Amount	Percent	Amo
Commercial loans:			
Commercial and industrial	$ 68,353	2.0%	$ 68
Commercial real estate mortgage	1,332,721	38.4	1,294
Total commercial loans	1,401,074	40.4	1,363
Residential real estate mortgages	1,482,824	42.8	1,511
Installment loans:			
Consumer direct	512,586	14.8	496
Consumer indirect	70,816	2.0	86
Total installment loans	583,402	16.8	583
Total portfolio loans	$ 3,467,300	100.0%	$ 3,458

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, 2002, such loans comprised approximately 94% 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 Company originates primarily conventional mortgage loans secured by residential properties which conform to the underwriting guidelines for sale to the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), or conversion to mortgage-backed securities issued by 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, 2002	Decem 20
Non-Performing Assets:		
Non-accrual loans:		
Commercial	$ 7,012	$ 6
Residential real estate mortgages	14,132	18
Installment	2,363	2
Total non-performing loans	23,507	28
Other real estate owned	3,134	2
Total non-performing assets	$ 26,641	$ 31
Non-performing assets as a percentage of:		
Portfolio loans and OREO	.77%	
Portfolio loans, mortgage loans held for sale and OREO	.69%	
Total assets	.60%	
Loans past due 90 days or more and still accruing interest:		
Commercial	$ 136	$
Residential real estate	-	
Installment	-	
Total loans past due 90 days or more	$ 136	$

At March 31, 2002, approximately $37.3 million, or .96% of total loans were 30-89 days delinquent, compared to $40.5 million, or 1.17%, at December 31, 2001.

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 risk allocated allowance is determined based on the application of risk percentages to graded loans by categories. Specific reserves are established for individual loans when deemed necessary by management. In addition, management 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 allocated allowance may be written down to the fair value of the underlying collateral via a direct charge-off against the allowance for loan losses at the time it is determined the loan balance exceeds the fair value of the collateral. Consequently, those impaired loans not requiring a specific allocated 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 rely 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.

Net loan charge-offs increased $577,000 to $2.2 million for the three months ended March 31, 2002 compared to $1.7 million for the same period of 2001. The increase in 2002 is primarily due to increases in commercial loan charge-offs, which have been impacted by growth in the commercial real estate loan portfolio and the overall economy in the Company's primary market areas of Michigan, Ohio and Indiana. Based on these factors, the Company may have higher loss experience on such loans in the future. The Company recorded provision for loan losses of $2.4 million for the three months ended March 31, 2002 compared to $2.0 million for 2001.

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

		Thre
(Dollars in thousands)		2002
Allowance for loan losses:		
Balance at January 1	$	29,157
Loans charged off		(2,583)

Recoveries of loans previously charged off	350
Net charge-offs	(2,233)
Provision charged to expense	2,400
Balance at March 31	$ 29,324
Annualized net charge-offs as a percentage of average loans (including loans held for sale)	.22%
Allowance for loan losses as a percentage of total portfolio loans outstanding at period-end	.85%
Allowance for loan losses as a percentage of non-performing loans	124.75%

Off-Balance Sheet Instruments

At March 31, 2002, the Company had outstanding $112 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, 2002, the Company had outstanding mandatory forward commitments to sell $506 million of residential mortgage loans, of which $405 million covered mortgage loans held for sale and $100 million covered Interest Rate Lock Commitments. These outstanding forward commitments to sell mortgage loans are expected to settle in the second quarter of 2002 without producing any material gains or losses.

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, 2002, 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, the impact of FAS 133 on net income was immaterial.

LIABILITIES

Total liabilities were $4.02 billion at March 31, 2002, a $339 million, or 8% decrease from $4.36 billion at December 31, 2001. This decrease was primarily due to a decrease in FHLB advances, which were used to fund mortgage loans held for sale.

Deposits

Total deposits decreased $54 million, or 2%, to $2.70 billion at March 31, 2002 from $2.75 billion at December 31, 2001. Noninterest bearing deposits decreased $17 million and certificates of deposit decreased $67 million for the quarter, while NOW and savings and money market accounts increased $30 million since year-end 2001.

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, 2002 and the year ended December 31, 2001, were as follows:

(Dollars in thousands)	March 31, 2002 Ending Balance	Average Balance	Average Rate During Period	Dec Ending Balance
Federal funds purchased	$162,000	$168,690	1.85%	$176,000
Other short-term borrowings	548	595	1.23	500
Total short-term borrowings	$162,548	$169,285	1.85%	$176,500

At March 31, 2002 and December 31, 2001, other short-term borrowings consisted of treasury, tax and loan (TT&L) demand notes.

FHLB Advances

Republic Bank routinely utilizes FHLB advances, both on a short- and long-term basis, to provide funding for mortgage loans held for sale and to minimize the interest rate risk associated with certain fixed rate commercial and residential mortgage portfolio loans. These advances are generally secured under a blanket security agreement by first mortgage loans and investment securities with an aggregate book value equal to at least 145% of the total advances.

FHLB advances outstanding at March 31, 2002 and December 31, 2001, were as follows:

(Dollars in thousands)	March 31, 2002 Ending Balance	Average Rate At Period-End	Dece End Bala
Short-term FHLB advances	$ 205,000	3.11%	$ 48
Long-term FHLB advances	864,718	5.53	81
Total	$1,069,718	5.07%	$1,30

The long-term FHLB advances have original maturities ranging from April 2002 to October 2017.

Long-Term Debt

Long-term debt at March 31, 2002 and December 31, 2001 consisted of $13.5 million of 6.95% Senior Debentures due January 15, 2003.

CAPITAL

Shareholders' equity was $313 million at March 31, 2002, an $8 million, or 3%, increase from $305 million at December 31, 2001. This increase primarily resulted from the retention of $9.6 million in earnings after the payment of dividends and the repurchase of 299,000 shares of common stock during the first three months of 2002.

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, 2002, 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, 2002	Dece
Total capital to risk-weighted assets /(1)/	13.21%	
Tier 1 capital to risk-weighted assets /(1)/	12.28	
Tier 1 capital to average assets /(1)/	8.56	

/(1)/ As defined by the regulations.

As of March 31, 2002, the Company's total risk-based capital was $416 million and Tier 1 risk-based capital was $387 million, an excess of $101 million and $198 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 is responsible for ensuring that the Bank 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, 2002, the Company's cumulative one-year gap was a positive 6.10% of total earning assets.

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 monthly 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, 2002, the earnings simulation model projects net interest income would increase by 3.5% 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 decrease by 4.6%. These projected levels are well within the Company's policy limits. These results portray the Company's interest rate risk position as neutral for the one-year horizon. 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.

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 21, 2002, the Board of Directors declared a quarterly cash dividend of $0.085 per share of common stock, payable on April 8, 2002 to shareholders of record March 14, 2002.

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

Republic Bancorp Inc. held its 2002 Annual Meeting of Shareholders on April 24, 2002. The following directors were elected at the annual meeting to serve until the next annual meeting:

Director	For	Abstentions
Jerry D. Campbell	42,571,731	377,965
Dana M. Cluckey	44,598,543	377,965
George J. Butvilas	44,589,498	377,965
Mary P. Cauley	44,070,658	377,965
Richard J. Cramer, Sr.	44,582,303	377,965
Dr. George A. Eastman	44,096,390	377,965
Howard J. Hulsman	44,593,499	377,965
Gary Hurand	44,593,829	377,965
Dennis J. Ibold	44,099,426	377,965
Stanley A. Jacobson	44,597,246	377,965
John J. Lennon	44,581,666	377,965
Sam H. McGoun	44,602,602	377,965
Kelly E. Miller	44,073,249	377,965
Randolph P. Piper	43,453,862	377,965
Dr. Isaac J. Powell	44,303,726	377,965
B. Thomas M. Smith, Jr.	44,608,584	377,965
Dr. Jeoffrey K. Stross	44,061,466	377,965
Steven E. Zack	44,587,637	377,965

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(12) Computations of ratios of earnings to fixed charges.

(b) Reports on Form 8-K
There were no reports on Form 8-K filed during the first quarter of 2002.

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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 15, 2002

BY: /s/ Thomas F. Menacher

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

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