

REPUBLIC BANCORP INC /KY/  
Form DEF 14A  
March 16, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  X

Filed by a Party other than the Registrant  O

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
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**Republic Bancorp, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**OF REPUBLIC BANCORP, INC.**  
**THURSDAY, APRIL 19, 2007**

To our shareholders:

You are cordially invited to attend this year's Annual Meeting of Shareholders of Republic Bancorp, Inc. The following are details for the meeting:

*Date:* Thursday, April 19, 2007

*Time:* 9:00 A.M., EDT

*Place:* Republic Bank Building

Lower Level Community Room

9600 Brownsboro Road

Louisville, Kentucky 40241

*Items on the agenda:*

1. To elect eight directors and
2. To transact such other business as may properly come before the meeting.

*Record date:* The close of business on February 9, 2007 is the record date for determining the shareholders entitled to notice of, and to vote at, the Annual Meeting of Shareholders.

Whether or not you plan to attend the meeting, please sign, date and promptly return the enclosed proxy. If for any reason you desire to revoke your proxy, you may do so at any time before the voting as described in the accompanying proxy statement.

**IF YOU PLAN TO ATTEND: Please note that space limitations make it necessary to limit attendance at the Annual Meeting of Shareholders. Admission to the Annual Meeting of Shareholders will be on a first-come, first-served basis. Shareholders holding stock in brokerage accounts ( street name holders ) may be asked to produce a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices or other like forms of electronic devices will not be permitted at the Annual Meeting of Shareholders.**

Very truly yours,

Steven E. Trager

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President and Chief Executive Officer

Approximate date of mailing proxy statement to shareholders: March 23, 2007

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**REPUBLIC BANCORP, INC.**

601 West Market Street

Louisville, Kentucky 40202

**PROXY STATEMENT**

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Republic Bancorp, Inc. (the Company or Republic ) The proxies will be voted at the Annual Meeting of Shareholders ( Annual Meeting ) of Republic Bancorp, Inc. on April 19, 2007, and at any adjournments of the meeting.

This proxy statement and the enclosed proxy card are first being sent to shareholders on or about March 23, 2007. As used in this document, the terms Republic, the Company, we, our and us refer to Republic Bancorp, Inc., a Kentucky corporation.

**VOTING**

*Record date.* You are entitled to notice of and to vote at the Annual Meeting, if you held of record, shares of our Class A Common Stock or Class B Common Stock at the close of business on February 9, 2007. On that date, 17,469,783 shares of Class A Common Stock and 2,238,362 shares of Class B Common Stock were issued and outstanding for purposes of the Annual Meeting.

*Voting rights.* Each share of Class A Common Stock is entitled to one (1) vote and each share of Class B Common Stock is entitled to ten (10) votes. Based on the number of shares outstanding as of the record date, the shares of Class A Common Stock are entitled to an aggregate of 17,469,783 votes, and the shares of Class B Common Stock are entitled to an aggregate of 22,383,620 votes at the Annual Meeting.

*Voting by proxy.* If a proxy on the accompanying form is properly executed, returned to Republic and not revoked, the shares represented by the proxy will be voted in accordance with the instructions set forth on the proxy. If no instructions are given, the shares represented will be voted for the director nominees named in this proxy statement and on other matters in accordance with the recommendations of the Board of Directors. The Board of Directors at present knows of no other business to be brought before the Annual Meeting. However, persons named in the enclosed proxy, or their substitutes, will have discretionary authority to vote on any other business which may properly come before the Annual Meeting and any adjournment thereof and will vote the proxies in accordance with recommendations of the Board of Directors.

You may attend the Annual Meeting even though you have executed a proxy. You may revoke your proxy at any time before it is voted by delivering written notice of revocation to the Secretary of Republic, or by delivering a later dated proxy, or by voting in person at the Annual Meeting.

*Quorum and voting requirements and counting votes.* The presence in person or by proxy of the holders of a majority in voting power of the combined voting power of the Class A Common Stock and the Class B Common Stock will constitute a quorum for the transaction of business at the Annual Meeting. Abstentions and broker non-votes will be counted as being present or represented at the Annual Meeting for the purpose of establishing a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

The affirmative vote of a plurality of the votes duly cast is required for the election of directors. All other matters presented at the meeting will be approved if the votes cast in favor of the proposal exceed the votes cast opposing the proposal. Abstentions and broker non-votes are not counted as votes cast on any matter to which they relate.

#### SHARE OWNERSHIP

The following table sets forth certain information regarding the beneficial ownership of the outstanding shares of Republic as of February 9, 2007, based on information available to the Board of Directors. The Class B Common Stock is convertible into Class A Common Stock on a share-for-share basis. In the following table, information in the column headed *Class A Common Stock* does not reflect the shares of Class A Common Stock issuable upon conversion of Class B Common Stock. Information is included for:

- (1) persons or entities who own more than 5% of the Class A Common Stock or Class B Common Stock outstanding;
- (2) directors placed in nomination;
- (3) the CEO and the other four executive officers of Republic, other than Bill Petter who retired on April 30, 2006, who earned the highest total salary and bonus during 2006 (the *Named Executive Officers* ); and,
- (4) all executive officers and directors of Republic as a group.

Except as otherwise noted, Republic believes that each person named below has the sole power to vote and dispose of all shares shown as owned by such person. Please note that the table provides information about the number of shares beneficially owned, as opposed to the voting power of those shares.

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Executive officers, directors and director nominees as a group (collectively 11 persons) hold 69% of the combined voting power of the Class A and Class B Common Stock which represents 54% of the total number of shares of Class A and Class B Common Stock outstanding as of February 9, 2007 as detailed below:

Name	Class A Common Stock		Class B Common Stock		Class A and Class B Common Stock Combined				
	Shares	Percent	Shares	Percent	Shares	Percent			
<b>Five Percent Shareholders:</b>									
Bernard M. Trager 601 West Market Street Louisville, Kentucky 40202	8,218,286	(1)	46.9	% 1,830,348	(2)	81.8	% 10,048,634	50.9	%
Steven E. Trager 601 West Market Street Louisville, Kentucky 40202	7,941,917	(3)	45.4	1,072,140	(4)	47.9	9,014,057	45.6	
A. Scott Trager 601 West Market Street Louisville, Kentucky 40202	7,794,772	(5)	44.5	1,087,907	(6)	48.6	8,882,679	45.0	
Sheldon Gilman, Trustee for the grandchildren of Bernard M. Trager 400 West Market Street Suite 2200 Louisville, Kentucky 40202	7,587,995	(7)	43.3	1,054,777	(8)	47.1	8,642,272	43.8	
Teebank Family Limited Partnership 7413 Cedar Bluff Court Prospect, Kentucky 40059	6,823,859	(9)	39.0	894,714	(9)	40.0	7,718,573	39.1	
Jaytee Properties Limited Partnership 7413 Cedar Bluff Court Prospect, Kentucky 40059	714,350	(9)	4.1	160,063	(9)	7.2	874,413	4.4	
<b>Directors, Nominees and Executive Officers:</b>									
Charles E. Anderson	68,325	(10)	*			*	68,325	*	
Henry M. Altman, Jr.	3,316	(11)	*			*	3,316	*	
Michael T. Rust	3,121	(12)	*			*	3,121	*	
Sandra Metts Snowden	21,171	(13)	*			*	21,171	*	
R. Wayne Stratton	16,752	(14)	*	1,966	(15)	*	18,718	*	
Susan Stout Tamme	6,657	(16)	*			*	6,657	*	
Bernard M. Trager	8,218,286	(1)	46.9	1,830,348	(2)	81.8	10,048,634	50.9	
Steven E. Trager	7,941,917	(3)	45.4	1,072,140	(4)	47.9	9,014,057	45.6	
A. Scott Trager	7,794,772	(5)	44.5	1,087,907	(6)	48.6	8,882,679	45.0	
Kevin Sipes	41,025	(17)	*	231		*	41,256	*	
David Vest	92,292	(18)	*	2,145	(19)	*	94,437	*	
<b>Directors, Nominees and All Executive Officers (11 persons):</b>	8,852,598		50.6	% 1,885,183		84.2	% 10,737,781	54.4	%

\* - Represents less than 1.0% of total



(1) Includes 6,823,859 shares held of record by Teebank Family Limited Partnership ( Teebank ) and 714,350 shares held of record by Jaytee Properties Limited Partnership ( Jaytee ). With respect to Jaytee, Bernard M. Trager is a limited partner and his spouse, Jean S. Trager, is a limited partner and co-trustee of a trust which is a general partner of each of these limited partnerships. Also includes 90,633 unallocated shares held of record by Republic s Employee Stock Ownership Plan ( ESOP ), of which Bernard M. Trager is a member of the Administrative Committee. Bernard M. Trager shares voting power over the shares held of record by the ESOP with Steven E. Trager. Also includes 187,986 shares held of record by the Trager Family Foundation, a charitable foundation organized under Section 501(c)(3) of the Internal Revenue Code of which Bernard M. Trager is a director. Bernard M. Trager shares voting and investment power over these shares with Jean S. Trager, Steven E. Trager, and Shelley Trager Kusman. Also includes 2,452 shares allocated to Bernard M. Trager under the ESOP and 7,516 shares held in a 401(k) plan.

(2) Includes 894,714 shares held of record by Teebank and 160,063 shares held of record by Jaytee. With respect to Jaytee, Bernard M. Trager is a limited partner and his spouse, Jean S. Trager, is a limited partner and co-trustee of a trust which is a general partner of each of these limited partnerships. Also includes 135,966 shares owned by Jean S. Trager and 328 shares held in a 401(k) plan.

(3) Includes 6,823,859 shares held of record by Teebank and 714,350 shares held of record by Jaytee. With respect to Teebank and Jaytee, Steven E. Trager is a general and limited partner, as well as co-trustee of a trust which is a general partner of each of these limited partnerships. Trusts for the benefit of, among others, Steven E. Trager, his spouse and his two minor children, are limited partners of both Teebank and Jaytee. Includes 7,122 shares held by Steven E. Trager s spouse. Also includes 90,633 unallocated shares held of record by the ESOP, of which Steven E. Trager is a member of the Administrative and Investment Committees. As a member of the Administrative Committee, Steven E. Trager shares voting power over these shares with Bernard M. Trager. Includes 187,986 shares held of record by the Trager Family Foundation. Steven E. Trager shares voting and investment power over these shares with Jean S. Trager, Bernard M. Trager, and Shelley Trager Kusman. Also includes 2,895 shares allocated to Steven E. Trager under the ESOP and 7,213 shares held in a 401(k) plan.

(4) Includes 894,714 shares held of record by Teebank and 160,063 shares held of record by Jaytee. With respect to Teebank and Jaytee, Steven E. Trager is a general and limited partner as well as co-trustee of a trust which is a general partner of each of these limited partnerships. Trusts for the benefit of, among others, Steven E. Trager, his spouse and his two minor children are limited partners of both Teebank and Jaytee. Also includes 1,158 shares held in a 401(k) plan.

(5) Includes 6,823,859 held of record by Teebank and 714,350 shares held of record by Jaytee. A. Scott Trager is a limited partner with shared voting authority of both Teebank and Jaytee. Includes 49,236 shares held of record by a family trust of which A. Scott Trager is a co-trustee and a beneficiary. Also includes 2,895 shares allocated to A. Scott Trager under the ESOP, 29,524 shares held in a 401(k) plan and 11,576 shares for options that are exercisable within 60 days.

(6) Includes 894,714 shares held of record by Teebank and 160,063 shares held of record by Jaytee. A. Scott Trager is a limited partner with shared voting authority of both Teebank and Jaytee. Includes 3,912 shares held of record by a family trust of which A. Scott Trager is a co-trustee and a beneficiary. Also includes 1,134 shares held in a 401(k) plan.

(7) Includes 6,823,959 shares held of record by Teebank and 714,350 shares held of record by Jaytee. Sheldon Gilman, as trustee for the grandchildren of Bernard M. Trager, is a limited partner with shared voting authority of both Teebank and Jaytee. Also includes 37,436 shares held by Sheldon Gilman s spouse.



(8) Includes 894,714 shares held of record by Teebank and 160,063 shares held of record by Jaytee. Sheldon Gilman, as trustee for the grandchildren of Bernard M. Trager, is a limited partner with shared voting authority of both Teebank and Jaytee.

(9) Teebank and Jaytee are limited partnerships of which Bernard M. Trager, Steven E. Trager, A. Scott Trager and Sheldon Gilman, as trustee for the grandchildren of Bernard M. Trager, are limited partners. Steven E. Trager is a general and limited partner of Teebank and Jaytee and is co-trustee with Jean S. Trager of a trust which is a general partner of Teebank and Jaytee. Steven E. Trager, A. Scott Trager and Sheldon Gilman, as trustee for the grandchildren of Bernard M. Trager, share voting power with respect to the shares held by Teebank and Jaytee. The following table provides information about the units of Teebank and Jaytee owned by directors and officers of Republic. The number of units owned by the partners of Teebank and Jaytee are identical in each partnership.

<u>Name</u>	<u>Number of Units</u>	<u>Percent of Units Outstanding</u>	
Bernard M. Trager	1,038,600	(a) 51.9	%
Steven E. Trager	347,583	(b) 17.4	
A. Scott Trager	5,281	*	
Sheldon Gilman, as trustee	377,495	18.9	

\* - Represents less than 1.0% of total

(a) Includes 539,300 units held by Jean S. Trager and 20,000 units held by the Jean S. Trager Trust.

(b) Includes 327,583 units held in a revocable trust and 20,000 units held by the Jean S. Trager Trust.

(10) Includes 13,125 shares held jointly with his spouse, over which Charles E. Anderson shares investment and voting power. Also includes 1,247 shares held in a deferred compensation plan.

(11) Includes 1,057 shares held by Henry M. Altman, Jr. in a deferred compensation plan.

(12) Includes 1,143 shares held in a deferred compensation plan.

(13) Includes 236 shares held by Sandra Metts Snowden s spouse. Also includes 1,437 shares held in a deferred compensation plan.

(14) Includes 5,098 shares held jointly with his spouse and 10,860 shares held by his spouse. R. Wayne Stratton shares investment and voting power over these shares. Also includes 774 shares held in a deferred compensation plan.

(15) Includes 809 shares held jointly with his spouse and 1,157 shares held by his spouse. R. Wayne Stratton shares investment and voting power over these shares.

(16) Includes 1,217 shares held by Susan Stout Tamme in a deferred compensation plan.

(17) Includes 2,458 shares allocated to Kevin Sipes under the ESOP and 11,576 shares for stock options that are exercisable within 60 days.

(18) Includes 809 shares held by David Vest's minor child. Also includes 2,895 shares allocated to David Vest under the ESOP, 9,346 shares held in a 401(k) plan and 11,576 shares for stock options that are exercisable within 60 days.

(19) Includes 161 shares held by David Vest's minor child. Also includes 1,984 shares held in a 401(k) plan.

6

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**PROPOSAL ONE: ELECTION OF DIRECTORS**

Republic's Board of Directors is comprised of one class of directors, elected annually. Each director serves a term of one (1) year or until his or her successor is duly elected or qualified. Republic's Bylaws provide for not less than five (5) nor more than fifteen (15) directors. The number of directors was previously set at nine (9), but, as permitted by the Company's By-laws, the vacancy created on April 30, 2006 by the retirement and resignation of Bill Petter was not subsequently filled by the Board of Directors. In accordance with the Company's Bylaws, the Board of Directors has fixed the number of directors to be elected at the 2007 Annual Meeting at eight (8). The Nominating Committee and the Board of Directors has nominated for election as directors Bernard M. Trager, Steven E. Trager, A. Scott Trager, Charles E. Anderson, Michael T. Rust, Sandra Metts Snowden, R. Wayne Stratton and Susan Stout Tamme. Each of the nominees is a current member of the Board of Directors except for Michael T. Rust who has served as a director of Republic's principal banking subsidiary, Republic Bank & Trust Company, since May of 2001.

Directors Bernard M. Trager, Steven E. Trager, A. Scott Trager also serve as directors of Republic Bank & Trust Company and director Steven E. Trager also serves as a director of Republic's Florida federally chartered thrift subsidiary, Republic Bank. Independent director nominees Charles E. Anderson, Michael T. Rust, Sandra Metts Snowden, R. Wayne Stratton and Susan Stout Tamme comprise a majority of the Board of Directors and qualify as independent directors as defined in Rule 4200(a)(15) of the NASDAQ listing standards. While the Company is a controlled company as defined under the NASDAQ rules and thus is entitled to an exemption from the majority independence rule, the Company has not elected this exemption for its 2007 election of directors, but reserves the right to claim this exemption in the future.

Neither the Nominating Committee nor the Board of Directors has reason to believe that any nominee for director will not be available for election or to serve following election. However, if any of the nominees should become unavailable for election, and unless authority is withheld, the holders of the proxies solicited hereby will vote for such other individual(s) as the Nominating Committee or the Board of Directors may recommend.

The following table details the indicated information for each nominee and incumbent director and for the other currently serving executive officers who are listed in the compensation tables which follow but who are not nominees or incumbent directors:

Name and Principal Occupation for Past Five Years	Age	Director Since
<b>Director Nominees:</b>		
<i>Bernard M. Trager</i> serves as Chairman of Republic. Prior to 1998, he also served as CEO of Republic and as Chairman of Republic Bank & Trust Company, Republic's principal bank subsidiary.	78	1974
<i>Steven E. Trager</i> began serving as President and CEO of Republic and Chairman and CEO of Republic Bank & Trust Company in 1998 and as Chairman and CEO of Republic Bank & Trust Company of Indiana in May 2001 until its merger into Republic Bank & Trust Company in December 2006. He also has served as Chairman of Republic Bank since October 2006. From 1994 to 1997 he served as Vice Chairman and from 1994 to 1998 he served as Secretary of Republic.	46	1988
<i>A. Scott Trager</i> has served as Vice Chairman of Republic since 1994 and has served as President of Republic Bank & Trust Company since 1984. He also served as President of Republic Bank & Trust Company of Indiana in May 2001 until its merger into Republic Bank & Trust Company in December 2006.	54	1990
<i>Charles E. Anderson</i> is the retired CEO of Anderson Insurance & Financial Services, Inc. d/b/a The Anderson Group, Owensboro, Kentucky, which provides insurance and financial services.	69	1999
<i>Michael T. Rust</i> is President of Kentucky Hospital Association ( KHA ), located in Louisville, Kentucky. He has served as a director of Republic Bank & Trust Company since May 2001.	56	N/A
<i>Sandra Metts Snowden</i> is President of Metts Company Inc., d/b/a Realty World, Sandy Metts & Associates, a real estate sales, management, brokerage and development firm located in Louisville, Kentucky	61	1999
<i>R. Wayne Stratton</i> is a Certified Public Accountant and a member-owner of the public accounting firm of Jones, Nale & Mattingly PLC located in Louisville, Kentucky.	59	1995
<i>Susan Stout Tamme</i> is President and CEO of Baptist Hospital East and Vice President of Baptist Healthcare System, Inc. located in Louisville, Kentucky.	56	2003
<b>Non-Director Executive Officers:</b>		
<i>David Vest</i> has served as EVP and Chief Lending and Deposit Officer of Republic and Republic Bank & Trust Company since August 2006. He served as EVP and Chief Deposit Officer from January 2006 to August 2006. He served as EVP and Chief Lending and Deposit Officer of Republic from January 2000 to January 2006. He was appointed EVP in 1994. He also served as EVP and Chief Deposit Officer of Republic Bank & Trust Company of Indiana since January 2004 until its merger with Republic Bank & Trust Company in December 2006. He also served as Chief Lending Officer of Republic Bank & Trust Company of Indiana, exclusive of the period from January 2006 to August 2006.	47	N/A
<i>Kevin Sipes</i> has served as EVP and Treasurer of Republic and Republic Bank & Trust Company since January 2002 and CFO of Republic and Republic Bank & Trust Company	35	N/A

since October 2000 and Republic Bank & Trust Company of Indiana since May 2001 until its merger with Republic Bank & Trust Company in December 2006. He has served as a director of Republic Bank since October 2006. He began serving as Chief Accounting Officer and Controller of Republic in 2000. He joined Republic Bank & Trust Company in 1995 as an AVP of Finance.

8

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None of the directors placed in nomination hold any directorships in any other company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 or subject to the requirements of Section 15(d) of such Act or any company registered as an investment company under the Investment Company Act of 1940, as amended.

Republic's directors were elected at the most recent Annual Meeting held on April 25, 2006, to a one (1) year term. The Company's executive officers are selected by the Board of Directors and hold office at the discretion of the Board of Directors.

Bernard M. Trager, Steven E. Trager and A. Scott Trager are relatives. Bernard M. Trager is the father of Steven E. Trager and the uncle of A. Scott Trager; Steven E. Trager and A. Scott Trager are cousins.

### **The Board of Directors and its Committees**

#### **The Board**

Each Director is expected to devote sufficient time, energy and attention to ensure diligent performance of his or her duties and to attend all Board, committee and stockholders' meetings. The Board of Directors held six (6) regularly scheduled board meetings during 2006. Each of the directors attended at least 75% of the total number of meetings of the Board of Directors and the committees on which such directors served during their respective terms of service in 2006 except for Scott Trager, who missed two Board meetings during 2006. Former director Bill Petter attended all meetings prior to his resignation and retirement effective April 30, 2006.

#### **Committees of the Board**

The Board has three standing committees to facilitate and assist the Board in the execution of its responsibilities. The Board committees currently consist of the Audit Committee, the Compensation Committee and the Nominating Committee. In accordance with NASDAQ listing standards, all the committees are comprised solely of non-employee, independent Directors (as defined in Rule 4200(a)(15) of the NASDAQ listing standards and Rule 10A-3(b)(1) under the Securities Exchange Act of 1934). Charters for each committee, as well as the Code of Conduct and Ethics, are available on the Company's website at [www.republicbank.com](http://www.republicbank.com). Please note, however, that the information contained on the website is not incorporated by reference in, or considered to be a part of, this proxy statement.

The table below details current membership for each of the standing Board committees:

<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nominating Committee</b>
Henry M. Altman, Jr. CPA	Charles E. Anderson	Charles E. Anderson
Sandra Metts Snowden	Sandra Metts Snowden*	Sandra Metts Snowden*
R. Wayne Stratton, CPA*	Susan Stout Tamme	Susan Stout Tamme

\* - Denotes Committee Chairperson

The *Audit Committee*, held eight (8) meetings during 2006. The Board of Directors has evaluated the credentials of and designated and appointed R. Wayne Stratton, CPA as Chairman of the Audit Committee and as the audit committee financial expert as required by Section 407 of the Sarbanes-Oxley Act of 2002.

Republic's Board of Directors adopted a written charter for the Audit Committee, which sets out the functions and responsibilities of the Audit Committee. As described in the charter, the Audit Committee, among other things, is directly responsible for the selection, oversight and compensation of the Company's independent registered public accounting firm. It is also responsible for the oversight of the accounting and financial reporting processes of the Company, audits of the financial statements and pre-approval of any non-audit services of the independent registered public accounting firm. The Audit Committee is responsible for making recommendations to the Board of Directors with respect to: the review and scope of audit arrangements; the independent registered public accounting firm's suggestions for strengthening internal accounting controls; matters of concern to the Audit Committee, the independent registered public accounting firm, or management relating to Republic's consolidated financial statements or other results of the annual audit; the review of internal accounting procedures and controls with Republic's financial and accounting staff; the review of the activities and recommendations of Republic's Internal Auditor and compliance auditors; and the review of the consolidated financial statements and other financial information published by Republic. Auditors for the Company are required to report directly to the Audit Committee. The Audit Committee is required to pre-approve all audit and permitted non-audit services provided by its independent registered public accounting firm.

The *Compensation Committee* held two (2) meetings during 2006. The Compensation Committee makes recommendations to the Board of Directors as to the amount and form of named executive officer compensation and option awards, if any. The Compensation Committee did not utilize the services of an independent consultant in 2006. The Chairman and CEO make recommendations to the Compensation Committee with respect to executive compensation. The Compensation Committee has recommended and the Board of Directors has approved and adopted a Code of Conduct and Ethics that applies to all directors, officers and employees, including the principal executive and financial officers, the controller and the principal accounting officer. The Company intends to post amendments to, or waivers from, its Code of Conduct and Ethics, if any, that apply to the principal executive and financial officers, the controller or the principal accounting officer on its website.

The *Nominating Committee* held one (1) meeting in 2006. In 2006, the Nominating Committee and the entire Board of Directors approved the director nominees to be considered for election. All nominees, except Michael T. Rust who serves as a director of Republic's principal banking subsidiary, served as directors during 2006. No candidates for director nominees for the 2007 Annual Meeting were submitted to the Nominating Committee or the Board of Directors by non-management shareholders.

The Nominating Committee will consider candidates for director nominees at the 2008 Annual Meeting put forth by security holders. Security holders should submit nominations, if any, to the Company's Secretary, Michael A. Ringswald at 601 West Market Street, Louisville, Kentucky 40202 no later than December 3, 2007. The Nominating Committee will consider candidates who have a strong record of community leadership in Republic's markets. Candidates should possess a strong record of achievement in both business and civic endeavors, possess strong ethics and display leadership qualities including the ability to analyze and interpret both banking and other endeavors of an entrepreneurial nature and be able to attract new Company relationships. Board diversity as a whole is also considered. Recommendations of the Trager Family Members (generally defined to include Bernard M. Trager, Jean S. Trager and their descendants, and companies, partnerships or trusts in which they are majority owners or beneficiaries), as well as prior services and performance as a director, will be strongly considered. The Company does not pay a third party fee to assist in identifying and evaluating nominees, but the Company does not preclude the potential for utilizing such services if needed as may be determined at the discretion of the Nominating Committee. No candidate that was recommended by a beneficial owner of more than five percent (5%) of the Company's voting Common Stock was rejected. The Trager Family Members recommended all director nominees approved by the Nominating Committee and the Company's Board of Directors. The Nominating Committee received no other director nominees.

All Company directors and nominees of record attended the 2006 Annual Meeting which was held on April 25, 2006. All directors and director nominees are requested to attend the 2007 Annual Meeting.



## COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee, which is comprised entirely of independent directors, is responsible for establishing the compensation of, and compensation policies for, executive officers of Republic Bancorp, Inc. The Holding Company does not separately compensate its executive officers, all of whom are executive officers of Republic Bank & Trust Company.

**Objectives of Republic's Compensation Program.** The purpose of Republic's Compensation Program is to maintain suitable financial rewards for job performance in the principal areas of:

profit,

growth,

risk management and control, and

demonstrated leadership in the promotion of Republic's culture of providing superior customer service.

With respect to the Named Executive Officers ( NEOs ) in the Summary Compensation Table included in this proxy statement, the Committee also establishes goals to provide an incentive to perform in the best interests of the Company and against which the NEO's performance can be evaluated.

The NEOs are currently comprised of Bernard M. Trager, Chairman of the Board (the Chairman ); Steven E. Trager, President and Chief Executive Officer ( CEO ); A. Scott Trager, Vice Chairman ( VC ); Kevin Sipes, Executive Vice President, Chief Accounting Officer and Chief Financial Officer ( CFO ); and David Vest, Executive Vice President and Chief Lending and Chief Deposit Officer ( CLO/CDO ).

**Compensation Elements.** The Company's executive compensation program has three principal components: base salary, the NEO incentive compensation program, and stock options. The NEOs also participate in Company-wide employee benefit plans and enjoy selected perquisites.

**Purpose of Republic's Compensation Elements.** The purpose of the base salary component of Republic's compensation program is to provide base compensation for ordinary living expenses. The Company wants to provide its NEOs with a base salary to support a reasonable lifestyle comparable to their standing in the community, the demands from the community given that standing, their community visibility and also their duties and responsibilities associated with their executive officer status. As long as Company performance is deemed to be acceptable, additions to base salary are granted annually. The Committee also considers cost of living adjustments, but such adjustments are not automatic, but are dependent on satisfactory earnings achievement and progress toward the achievement of other goals.

Bonus and stock option grants are used to provide the NEOs with an incentive to improve short-term and long-term Company performance.

**Establishment of Compensation Levels.** Republic's compensation elements are designed to be generally competitive with similar employment opportunities in similar sized companies in the metropolitan Louisville, Kentucky area. The Compensation Committee, however, does not rely on benchmarking to determine its compensation elements; rather, the Compensation Committee considers the recommendations of the Chairman and the CEO, which recommendations are based upon these officers' subjective judgment, along with the knowledge and general awareness of the members of the Compensation Committee as active members of the metropolitan Louisville business community. The Compensation Committee has not previously engaged a third-party executive compensation consultant.

The Chairman and CEO make specific executive compensation recommendations to the Compensation Committee on all compensation elements. The Chairman recommends his own compensation, which, if reasonable in the subjective judgment of the Compensation Committee, is normally accepted and approved by the Compensation Committee and ultimately the Board of Directors without change. The CEO's compensation is also largely, if not exclusively, dependent on the recommendation of the Chairman and, if reasonable in the subjective judgment of the Compensation Committee, is normally accepted and approved by the Compensation Committee and ultimately the Board of Directors without change. The compensation of the remaining NEOs is principally recommended by the CEO with input from the Chairman. All salary and bonus compensation is approved by the Board of Directors after recommendation by the Compensation Committee.

**NEO Incentive Compensation Program.** The NEO incentive compensation program is designed to reward those individuals who contribute through their own performance and their influence on others to achieve and exceed Republic's financial goals. NEO incentive compensation is tied principally to the annual gross operating profit (before taxes) achieved as compared to an annual budget. The gross operating profit objective in 2006 was approximately \$60 million. The profit goal is designed to be difficult to meet, but not impractical. It is designed to provide an incentive for NEOs to achieve a desired result. The profit goal should not be relied upon by any investor as an indication of management's prediction of its future performance. In its discretion, the Company may exclude any extraordinary income from the determination as to whether or not the goal was met.

The Compensation Committee, on recommendation of the Chairman and the CEO, sets individual bonus potential at the end of each fiscal year to be applied to the next fiscal year. The bonus potential for 2006 was \$175,000 for the Chairman, \$185,000 for the CEO, \$175,000 for the VC, \$125,000 for the CLO/CDO and \$85,000 for the CFO. The bonus potential for all NEOs with the exception of the CFO, whose bonus potential increased to \$110,000, remained unchanged for 2007. By written agreement with each NEO, the bonus potential is subject to amendment either upward or downward at the discretion of the Compensation Committee; however, no such amendment has previously occurred. There are some occasions when an

NEO other than the Chairman or the CEO may be awarded a bonus based on other factors such as competitive information about similar positions or achievements other than profit, although no such bonuses were awarded for 2006. Bonus awards are not payable until March 15<sup>th</sup> of the following fiscal year for which the bonuses are determined. An additional requirement for payment is that the NEO must be an employee in good standing as of the March 15<sup>th</sup> date or the bonus is not paid by the Company.

Stock price is not a component of evaluation for the purpose of incentive compensation because Republic's stock is not heavily traded and thus may be subject to market fluctuations beyond the reasonable control of management. Also, in the Compensation Committee's view, the significant stock holdings of the Chairman and the CEO provide significant motivation to preserve and grow shareholder value.

Ultimately, the Compensation Committee believes that reasonable and consistent earnings over time will translate into appropriate stock performance. The Compensation Committee's policies are not designed to encourage Republic's NEOs to manage the Company on a quarter to quarter time horizon or even solely over a one year time period. Investment in capital improvements, product development and new market expansion can act to reduce short-term profits while providing for future, longer-term profit potential or improvement of the soundness of operations and these factors are taken into account in the subjective annual evaluation process.

**Additional NEO Performance Goals.** All NEO incentive compensation is tied to the Company's current year budgeted profitability goal as set forth above. That factor is the largest component of performance considered in the application of the Company's incentive compensation policy. However, gross operating profit is not the only factor by which NEOs are evaluated. The Chairman and CEO, along with the Compensation Committee as appropriate, also establish various performance measures for each NEO at the beginning of each fiscal year. Although these measures are not weighted as to their impact upon an NEO's compensation, they are considered in the Compensation Committee's subjective determination of the level of bonus and salary increase, along with the recommendations for these increases by the Chairman and CEO. Set forth below is a discussion of the individual performance measures for each of the NEOs.

The Compensation Committee evaluates the Chairman based on the Company's growth in assets generally, with no specific target. Growth in both loans and deposits are also performance factors that are evaluated. The Chairman assumes overall responsibility for management of risk control. This goal is not evaluated against specific objective measures, but the Committee believes it can be evaluated by subjective review. The Committee considers many components of risk, including interest rate risk, loan portfolio quality risk, regulatory and reputation risk, litigation risk, competitive risk and other related risks typically associated with the banking industry.

The CEO generally has the same or similar goals as the Chairman, but in addition is evaluated on expense control, the specific performance of the Company's Tax Refund Solutions business component, acquisition activity and product development, providing for proper accounting procedures and SEC reporting, the development of a succession plan throughout the Company for all critical functions, recommending quality directors as needed to the Nominating Committee for consideration, and maintaining a high personal and corporate community profile. The CEO has also been asked to place enhanced emphasis on increasing low cost deposits in 2007.

The Compensation Committee has also established for the VC specific loan growth and credit quality goals. The VC has principal responsibility for the quality of staffing, particularly as it relates to retail sales personnel in the Company's banking centers. The VC has goals targeted to improving performance in certain selected new market areas, including but not limited to the Northern Kentucky and Florida market. The VC is also expected to meet deposit growth goals and fee income goals in 2007. In addition, the Compensation Committee evaluates the VC with respect to maintaining community involvement, instituting appropriate expense controls, and identifying and recruiting high quality retail sales personnel to improve banking center profitability.

The Compensation Committee has established goals for the CFO based on expense control (particularly by directing the activities of the purchasing department), improving the Company's overall cost of funds, overseeing successful and cost efficient Tax Refund Solutions product securitization, risk control in the Company's non-traditional lines of business, Sarbanes-Oxley compliance, maintaining satisfactory regulatory examination ratings, ensuring accurate and timely financial reporting, monitoring and providing proper oversight of wire transfer functions and properly managing the Investment and Trust Department activities.

The Compensation Committee has established for the CLO/CDO for 2007, as was the case in 2006, deposit and loan growth goals and fee income goals. These goals specifically include \$345 million in loan growth, including \$155 million in commercial loan growth, and \$370 million in deposit growth, including \$150 million growth in average collected non-collateralized deposits. During 2006, the CLO/CDO assumed primary responsibility for deposit gathering. For 2007, the CLO/CDO will not only have targeted increases for commercial lending, but will be evaluated on the successful implementation of a new treasury management software system. The CLO/CDO will be evaluated on the ongoing effectiveness of all commercial banking functions, including operations and servicing and developing effective middle management in the Commercial Lending and Treasury Management departments. The CLO/CDO will be evaluated on the maintenance of high quality loan review and loan documentation ratings and will be expected to maintain loan delinquency under 0.75%.

NEOs received a written report on their goal performance for 2006 which included their goals for 2007. The Chairman's goals are in writing and are approved by the Compensation Committee and the full Board of Directors. The CEO is evaluated and his goals are set by the Chairman, with the subsequent review and approval by the Compensation Committee. The remaining NEOs are evaluated and have their goals set collectively by the CEO, with input from the Chairman, with subsequent review and approval by the Compensation Committee.

**Results Rewarded under Republic's Compensation Program.** The principal result rewarded under Republic's Compensation Program with respect to incentive based compensation is the degree of attainment of Company profit goals as determined by the budgeted income objectives. Consideration is given if profit objectives are not fully met due to factors beyond the control of the respective NEO. Such factors may include economic factors, regulatory changes impacting profit objectives, or management decisions that may impact current profitability in return for the potential for greater long term profitability. These decisions may include such things as banking center expansion or technology upgrades or other similar circumstances that were not evident when the budget was initially approved by Republic's Board of Directors. The NEO incentive compensation program is flexible and will take into account factors beyond the control of any NEO in determining the amount of compensation to be paid in any given year. If the Company's budgeted profit goal is not achieved, then a percentage of the potential bonus payout may be awarded based on any intervening factors that may have been outside the control of the respective NEO, as well as other exemplary performance on other goals and objectives other than profitability, or as a result of meaningful profitability performance even though the budgeted profitability goal may not have been fully met.

Generally, the NEOs were paid approximately 60% of their potential bonus for 2006. In establishing the percentage paid of the previously established bonus potential, the Compensation Committee considered that the Company had achieved approximately 75% of its 2006 profit goals, adjusted for the exit from payday lending as requested by the banking regulators. The Compensation Committee also considered that in 2006 assets increased to \$3.0 billion, positioning Republic as the largest Kentucky-based bank holding company. In addition, banking center expansion was notable, fee income was up 20%, net interest income was up 10% as expenses increased only 7% in view of the expansion and growth of the Company during 2006.

In addition to the NEO incentive compensation program, the Chairman receives \$90,000 annually in the form of bonus for payment of premiums on a personal life insurance policy. This portion of bonus is characterized as being part of the Chairman's base salary compensation package as it is not dependent on any goal or performance factor.

**Equity Compensation.** The Company's primary form of equity-based incentive compensation are incentive stock options. This form of compensation has been historically used by the Company due to favorable accounting and tax treatment. Stock options are also granted by the Company's competitors and the Compensation Committee believes stock options have been an expectation of business executives in Republic's marketplace. Despite the ramifications from the adoption of the Statement of Financial Accounting Standards (SFAS) No. 123(R) *Share Based Payment*, the Compensation Committee believes that stock options continue to provide a strong retention factor to enhance the Company's ability to maintain the employment of its high performing executives. Additionally, Republic's standard form of stock option agreement provides for a two year prohibition, following the termination of employment of a stock option recipient, on the solicitation of any customer or the recruitment and hiring of any Company associate. The Company's stock option agreement also has confidentiality requirements which act to protect the Company's proprietary information. A violation of those provisions allows the Company to require a forfeiture of the option stock or the profits derived from the sale of that stock if sold. All options granted have a change in control provision providing for immediate vesting of any unexercised option grants.

With the exception of new hires or promotions, stock option grants recommended to the Compensation Committee by the Chairman and the CEO are normally reviewed during the last calendar quarter when NEO performance during that calendar year can also be considered. In choosing the date for the award of stock options, the Compensation Committee gives no consideration to market events; any relationship between the option grant date and the price of the Company's stock on that date is strictly coincidental. No stock options were granted to the Chairman or the CEO in 2006.

Options for 5,000 shares were granted to each of the remaining NEOs in 2006. The Compensation Committee used its subjective judgment in accepting the recommendation of the Chairman and CEO to determine the number of options for each of the NEOs and the Committee did not base the grants on a formula tied to either base salary or incentive cash compensation. In 2006, stock options were generally granted at three levels: (i) 5,000 shares for executive vice presidents, (ii) 4,000 shares for senior vice presidents, and (iii) 2,000 shares for vice presidents. One-half of those options vest within five to six years following the grant date and the remaining one-half vest within six to seven years after the grant date. Once exercised, the resulting stock cannot be sold for a period of one year after the date of exercise. The Compensation Committee believes that these restrictions advance the Company's long-term performance goals by giving the NEOs an incentive to remain in the employ of the Company and to maintain some level of stock ownership so they can better identify with the shareholders' objectives.

**Post-Employment Benefits.** As described under the heading *Potential Payments upon Termination or Change in Control* elsewhere in this proxy statement, Republic has entered into Officer Compensation Continuation Agreements with each of the NEOs, except Bernard M. Trager. As described herein, the Officer Compensation Continuation Agreements provide for the payment to an NEO terminated following a change in control, equal to up to 24 months of, the NEO's base salary and benefits. The Company deems the agreements necessary for the maintenance of sound management and essential to protecting the best interests of the Company and its shareholders. The agreements are intended to encourage the NEOs to remain in the employment of the Company and to continue to perform their assigned duties without distraction in the face of potentially disruptive events that would normally surround a Company change in control. In 2006, the Company modified these agreements to conform them to recent changes in law under Section 409A of the Internal Revenue Code of 1986, as amended.

Republic Bank & Trust Company has also entered into a death benefit agreement with Bernard M. Trager, effective September 10, 1996. The agreement provides for payment as described in more detail elsewhere in this proxy statement if Bernard M. Trager is a full-time employee in good standing at the date of his death.

In connection with his retirement and in recognition of his long service with the Company, Bill Petter received regular salary payments through November 30, 2006, following his April 30, 2006 retirement.

#### **REPORT OF THE COMPENSATION COMMITTEE**

The Compensation Committee of the company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

Members of the Compensation Committee:

Sandra Metts Snowden, Chairperson

Charles E. Anderson

Susan Stout Tamme

**DIRECTOR COMPENSATION**

During 2006, non-employee directors of Republic and its principal banking subsidiary received fees of \$2,000 for each board meeting attended and fees ranging from \$125 to \$500 for each committee meeting attended. On occasion, brief, typically single-issue telephonic meetings are held for which there is no compensation. Non-employee directors have the option of allocating their fees into a Deferred Compensation Plan. Compensation paid or deferred to directors of Republic during 2006 for services as a director of Republic were as follows:

**DIRECTOR SUMMARY COMPENSATION TABLE**

(a) (b) (c) (d) (e)