



COMPANY UPDATE/ ESTIMATE CHANGES

Key Metrics

CTBI - NASDAQ (as of 01/19/18)	\$49.20
Price Target	NA
52-Week Range	\$40.33-\$51.90
Shares Outstanding (mm)	17.7
Market Cap. (\$mm)	\$870
3-Mo. Average Daily Volume (000)	34.1
Institutional Ownership	57.6%
Tangible Equity/ Tangible Assets	9.5%
ROE	9.9%
Tangible Book Value Per Share	\$26.29
Price/Tangible Book Value	187.1%
Dividend Yield	2.7%
Price/LTM Earnings	16.8x

Operating EPS CY 12/31

	2017A	Prior 2018E	Curr. 2018E	Prior 2019E	Curr. 2019E
1Q	\$0.64	\$0.73	\$0.79		\$0.83
2Q	\$0.63	\$0.80	\$0.81		\$0.84
3Q	\$0.78	\$0.83	\$0.84		\$0.87
4Q	\$0.72	\$0.84	\$0.84		\$0.85
Year	\$2.77	\$3.19	\$3.29		\$3.38
P/E	17.7x		15.0x		14.5x

Figures may not add up due to rounding

Common Dividends

	2017A	Curr. 2018E	Prior %chg.	Curr. 2019E
1Q	\$0.32	\$0.33	3.1	\$0.34
2Q	\$0.32	\$0.33	3.1	\$0.34
3Q	\$0.33	\$0.34	3.0	\$0.35
4Q	\$0.33	\$0.34	3.0	\$0.35
Year	\$1.30	\$1.34	3.1	\$1.38

Company Description – Community Trust Bancorp, Inc. (CTBI) is a commercial banking organization headquartered in Pikeville, Kentucky. The company's footprint encompasses central and eastern Kentucky, northeastern Tennessee and southern West Virginia. In addition to traditional retail and commercial banking services, CTBI offers wealth management, trust, investment brokerage and mortgage banking services.

Banks

Analyst: Andrew W. Stapp
502-588-4190 / astapp@hilliard.com
Institutional Sales Desk: George Moorin
502-588-9141 / gmoorin@hilliard.com
J.J.B. Hilliard, W.L. Lyons, LLC
January 22, 2018

Community Trust Bancorp, Inc.

CTBI – NASDAQ – Neutral – 3

4Q17 Review; Reiterating Neutral Rating

- **Earnings Results:** Excluding a \$0.16 benefit from the revaluation of deferred tax liabilities and one-time bonuses of \$0.04, CTBI reported Q4 operating EPS of \$0.72, which was below our estimate and the Street consensus of \$0.74.
- **Positive Highlights:** Net interest income increased 0.3% linked-quarter (LQ) to \$35.1 million as a 0.8% rise in average earning assets and an extra day in the quarter more than offset two bps of net interest margin erosion to 3.65%. We had projected net interest income of \$35.3 million and a 3.67% margin.

Operating noninterest income grew 2.0% LQ to \$12.4 million primarily on gains in trust revenues (5.9%) and loan related fees (39.9%). We had modeled noninterest income of \$12.2 million.

Operating noninterest expense inched up 0.4% LQ to \$27.0 million as higher salaries & benefits were largely offset by lower "other" noninterest expense. We had modeled noninterest expense of \$27.4 million.

- **Negative Highlights:** Growth in end-of-period loans was 0.3% LQ, while average loans rose 0.7%.

The provision for loan losses rose \$2.2 million LQ to \$2.9 million, which was above our estimate of \$2.3 million. Excluding restructured assets, Nonperforming Assets/Assets declined four bps to 1.22%, while the net charge-off ratio increased 21 bps to 0.39%. We had modeled a \$1.7 million provision and a net charge-off ratio of 20 bps.

- **Estimates:** We are increasing our 2018 operating EPS estimate by \$0.10 from \$3.29 and introducing our 2019 estimate at \$3.38. We reaffirm our Neutral rating.

Note Important Disclosures on pages 4 and 5

Note Analyst Certification on page 4

OTHER TAKEAWAYS & VALUATION

- Tangible book value per share increased \$0.41 to \$26.29 on a LQ basis.
- Salaries & benefits were negatively impacted by the one-time bonus of \$0.9 million and a sequential increase in healthcare costs of \$0.6 million.
- The yield on interest earning assets rose five bps LQ, while the cost of funds increased ten bps.
- Management noted that although loan demand softened in 4Q17, commercial customers are enthusiastic about their business prospects following the passage of tax reform.
- Major model assumptions include two Fed rate hikes in 2018 and 2019, continued flattening of the yield curve and an effective tax rate of 21%.

SUITABILITY

Our suitability rating on CTBI is 3 on our scale of 1 to 4 (1 = most conservative, 4 = most aggressive). Factors contributing to our suitability rating include the company's market capitalization, liquidity and trading volume, diversity of revenues and the geographic diversification of its footprint.

RISK FACTORS

- **Economy** – If the economy softens, loan demand could wane and credit quality could deteriorate.
- **Geography** – The company's operations are clustered in a few states. Accordingly, its earnings are more vulnerable to any regional shock and/or slowdown.
- **Real Estate** – A significant percentage of the company's loans are real estate oriented. Any deterioration in real estate values would impair the value of the underlying real estate collateral.
- **Competition** – The industry is highly competitive and many of the company's competitors have greater resources.
- **Sector Rotation** – The share price of the company's common stock may be vulnerable to any sector rotation that might occur.
- **Regulatory Environment** – Banks operate in a highly regulated environment. Consequently, the company is vulnerable to regulatory uncertainties that could negatively impact shareholders.
- **Other** – Please see the company's financial statements for a further discussion of risks and considerations.

	COMMUNITY TRUST BANCORP, INC.										CTBI: NEUTRAL			
	1Q017 A	2Q017 A	3Q017 A	4Q017 A	1Q018 E	2Q018 E	3Q018 E	4Q018 E	FY 2017 A	FY 2018 E	FY 2019 E	FY 2017 A	FY 2018 E	FY 2019 E
\$Millions, Except for Per Share Data														
Balance Sheet Data:														
Assets	4,034.2	4,081.1	4,135.9	4,136.2	4,171.4	4,225.6	4,280.6	4,336.2	4,136.2	4,336.2	4,521.1	5.2%	4.8%	4.3%
Gross Loans	2,972.5	3,092.0	3,115.0	3,124.0	3,150.5	3,191.5	3,233.0	3,275.0	3,124.0	3,275.0	3,414.7	6.3%	4.8%	4.3%
Average Earning Assets	3,704.7	3,782.5	3,838.0	3,869.0	3,880.5	3,922.2	3,973.2	4,024.9	3,798.6	3,950.2	4,127.5	4.0%	4.0%	4.5%
Deposits	3,159.8	3,105.6	3,200.4	3,263.9	3,291.6	3,334.4	3,377.7	3,421.7	3,263.9	3,421.7	3,567.6	5.9%	4.8%	4.3%
Equity	507.5	514.9	522.9	535.4	543.5	552.1	561.0	570.0	535.4	570.0	605.5	7.0%	6.5%	6.2%
Statement of Operations:														
Net Interest Income	33.1	34.2	35.0	35.1	34.4	35.1	35.8	36.2	137.4	141.5	146.5	3.3%	3.0%	3.5%
Provision for Loan Losses	1.2	2.8	0.7	2.9	1.9	2.3	2.3	2.4	7.9	8.9	10.1	-4.5%	18.6%	13.2%
Non-Interest Income:														
Service charges on deposit accounts	6.0	6.2	6.5	6.5	6.6	6.4	6.5	6.5	25.0	25.1	26.0	0.6%	3.5%	0.5%
Gains on sales of loans, net	0.3	0.3	0.4	0.4	0.3	0.4	0.4	0.5	1.8	1.3	1.5	-27.9%	10.5%	-11.8%
Trust and wealth management income	2.6	2.6	2.5	2.7	2.8	2.9	2.8	2.9	10.5	11.3	12.0	9.1%	8.5%	5.7%
Loan related fees	1.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8	4.1	3.7	3.4	-9.9%	-10.2%	4.4%
Other noninterest income	1.8	2.4	1.9	1.7	1.9	1.9	1.9	1.9	7.4	7.9	7.7	5.8%	-2.6%	2.0%
Securities Gains	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	-86.0%	-100.0%	NA
Total Non-Interest Income	11.6	12.3	12.2	12.4	12.3	12.4	12.5	12.6	48.4	48.5	50.7	0.2%	2.6%	1.8%
Non-Core Adjustment	0.0	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	(0.7)	0.0	0.0	28.9%	-100.0%	NA
Adjusted Non-Interest Income	11.6	11.7	12.2	12.4	12.3	12.4	12.5	12.6	47.9	47.8	50.7	-0.1%	4.0%	1.8%
Non-Interest Expense:														
Salaries & Benefits	14.9	14.0	14.1	15.8	14.5	14.3	14.4	14.8	57.1	58.8	59.4	3.1%	-1.4%	2.5%
Occupancy & Equipment	2.8	2.7	2.8	2.8	2.8	2.8	2.8	2.8	10.9	11.1	11.4	1.6%	1.5%	1.0%
Data processing	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	6.5	7.1	7.2	9.3%	1.7%	2.0%
FDIC insurance	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.8	1.2	1.4	-30.7%	4.9%	4.4%
Other noninterest expense	7.8	8.7	8.0	7.1	7.8	7.8	7.9	7.9	30.8	31.2	32.1	2.5%	-1.1%	2.7%
Total Non-Interest Expense	27.6	27.6	26.9	27.7	27.2	27.1	27.6	27.6	107.1	109.9	111.6	2.6%	-0.8%	2.4%
Non-Core Adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NA	NA	0.0%
Adjusted Non-Interest Expense	27.6	27.6	26.9	27.7	27.2	27.1	27.6	27.6	107.1	109.9	111.6	2.6%	-0.8%	2.4%
Pretax Income	15.8	15.6	19.5	16.9	17.5	18.1	18.8	18.8	65.9	67.8	75.4	2.9%	8.0%	2.9%
Income Taxes	4.5	4.5	5.7	4.2	3.6	3.7	3.9	3.9	18.9	18.9	15.5	-0.4%	-20.2%	2.8%
Operating Net Income	11.3	11.1	13.9	12.7	13.9	14.4	15.0	15.0	47.0	49.0	59.9	4.3%	18.9%	2.9%
Share & Per Share Data:														
Diluted EPS	0.64	0.65	0.78	0.84	0.79	0.81	0.84	0.84	2.70	2.92	3.29	8.0%	12.7%	2.9%
Operating EPS	0.64	0.63	0.78	0.72	0.79	0.81	0.84	0.84	2.67	2.77	3.29	3.7%	18.5%	2.9%
Dividends Per Share	0.32	0.32	0.33	0.33	0.33	0.33	0.34	0.34	1.26	1.30	1.38	3.2%	3.1%	3.0%
Tangible Book Value	25.02	25.43	25.88	26.56	27.02	27.50	28.01	28.51	24.67	26.56	30.52	7.6%	7.3%	7.0%
Common Shares Outstanding	17,661	17,671	17,678	17,693	17,693	17,693	17,693	17,693	17,629	17,693	17,693	0.4%	0.0%	0.0%
Average Diluted Shares	17,638	17,645	17,653	17,674	17,717	17,717	17,717	17,717	17,617	17,653	17,717	0.2%	0.4%	0.0%
Key Financial Statistics:														
Return on Assets	1.13%	1.14%	1.34%	1.22%	1.36%	1.38%	1.39%	1.38%	1.21%	1.21%	1.36%	0	17	-2
Return on Equity	8.89%	8.95%	10.54%	11.18%	10.48%	10.55%	10.65%	10.50%	9.58%	9.89%	10.20%	31	65	-34
Net Interest Margin	3.68%	3.68%	3.67%	3.65%	3.65%	3.64%	3.63%	3.62%	3.70%	3.67%	3.60%	-3	-4	-3
Operating Non-Int. Inc./Operating Rev.	25.94%	25.46%	25.79%	26.11%	26.32%	26.11%	25.81%	25.86%	26.47%	25.82%	25.70%	-65	20	-32
Efficiency Ratio	61.18%	59.32%	56.55%	57.76%	56.69%	56.38%	55.62%	55.97%	58.70%	58.70%	56.02%	14	-229	-39
Tangible Common Ratio	11.13%	11.19%	11.24%	11.54%	11.64%	11.70%	11.76%	11.81%	11.25%	11.54%	12.12%	29	27	31
Reserves/Loans	1.20%	1.20%	1.17%	1.16%	1.15%	1.14%	1.14%	1.14%	1.22%	1.16%	1.12%	-7	-2	-2
NCOs/Average Loans	0.20%	0.18%	0.18%	0.40%	0.23%	0.25%	0.25%	0.25%	0.26%	0.24%	0.28%	-2	1	3

Source: Company reports and Hilliard Lyons estimates.

Additional information is available upon request.

Analyst Certification

I, Andrew W. Stapp, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Community Trust Bancorp is/was a client of Hilliard Lyons within the past 12 months, received non-investment banking securities-related services, and Hilliard Lyons received compensation for those services.

Definitions of Ratings:

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price decline in the next 12 months.

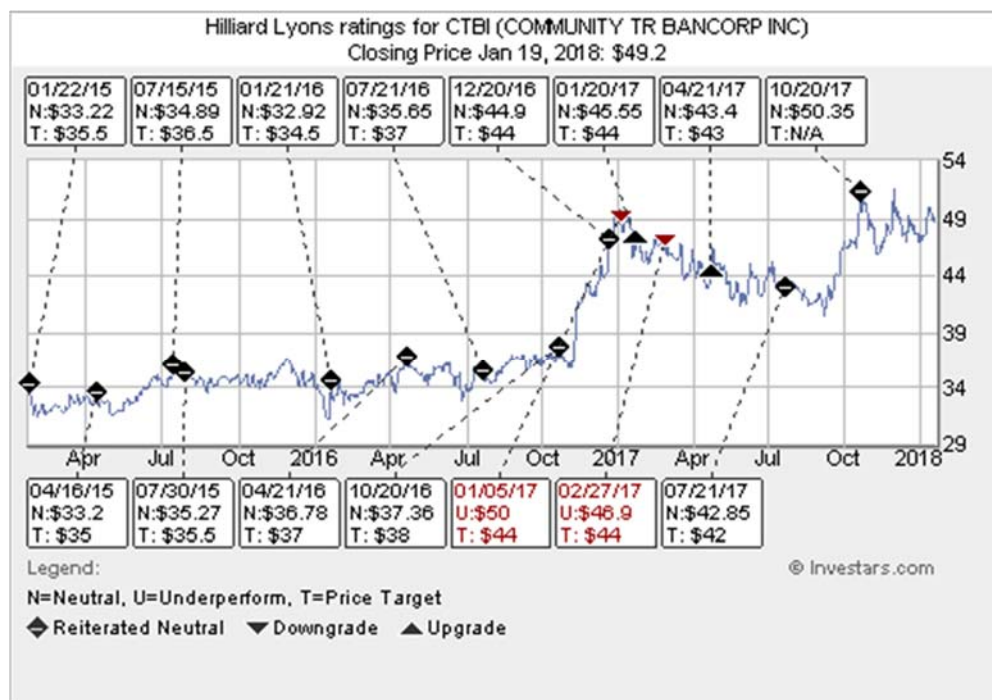
Definitions of Suitabilities:

1. A large cap, core holding with a solid history.

2. A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks.

3. An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage.

4. Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base.



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	31	28%	10%	90%
Hold/Neutral	75	67%	9%	91%
Sell	6	5%	0%	100%

As of 8 January 2018

Other Disclosures

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

J.J.B. Hilliard, W.L. Lyons, LLC is a multi-disciplined financial services firm that regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as placement agent in private transactions.

The information herein has been obtained from sources we believe to be reliable but is not guaranteed and does not purport to be a complete statement of all material factors. This is for informational purposes and is not a solicitation of orders to purchase or sell securities. Reproduction is forbidden unless authorized. All rights reserved.