

**COMPANY UPDATE / ESTIMATES CHANGE**
**Banks**

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 J.J.B. Hilliard, W.L. Lyons, LLC  
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**Key Metrics**

SYBT - NASDAQ (as of 01/25/18)	\$36.00
Price Target	NA
52-Week Range	\$31.90-\$46.50
Shares Outstanding (mm)	22.7
Market Cap. (\$mm)	\$816
3-Mo. Average Daily Volume (000)	40.5
Institutional Ownership	48.6%
Tangible Equity / Tangible Assets	9.5%
ROE	11.6%
Tangible Book Value Per Share	\$14.63
Price/Tangible Book Value	246.1%
Dividend Yield	2.2%
Price/LTM Earnings	21.7x

**Operating EPS CY 12/31**

		Prior	Curr.	Prior	Curr.
	2017A	2018E	2018E	2019E	2019E
1Q	\$0.47	\$0.52	\$0.55		\$0.58
2Q	\$0.46	\$0.54	\$0.58		\$0.59
3Q	\$0.51	\$0.57	\$0.57		\$0.60
4Q	\$0.48	\$0.55	\$0.58		\$0.60
Year	\$1.91	\$2.17	\$2.27		\$2.37
P/E	18.8x		15.9x		15.2x

**Common Dividends**

		Curr.	Prior	Curr.
	2017A	2018E	%chg.	2019E
1Q	\$0.19	\$0.21	10.5	\$0.22
2Q	\$0.20	\$0.21	5.0	\$0.22
3Q	\$0.20	\$0.21	5.0	\$0.23
4Q	\$0.21	\$0.22	4.8	\$0.23
Year	\$0.80	\$0.85	6.3	\$0.90

**Company Description** - Stock Yards Bancorp is a commercial banking organization headquartered in Louisville, Kentucky. In addition to the Louisville MSA, the company has operations in greater Cincinnati and Indianapolis. SYBT is active in trust and wealth management services, with assets under management being similar in size to balance sheet assets.

**Stock Yards Bancorp, Inc.**

SYBT -- NASDAQ -- Neutral -- 3

**Loan Growth Surges; Reiterating Neutral**

- Earnings Results:** Excluding a \$0.25 charge stemming from the revaluation of the net deferred tax asset and \$0.01 of securities losses, Q4 operating EPS were \$0.48, which was \$0.03 below our estimate and \$0.02 shy of the Street.
- Positive Highlights:** Net interest income surged 3.3% linked-quarter (LQ) to \$27.0 million as one bp of net interest margin compression to 3.65% was more than offset by a 3.4% increase in average earning assets. We had projected net interest income of \$27.1 million and a 3.62% margin.
 

Noninterest income increased 6.6% sequentially to \$11.8 million primarily on advances in wealth management (4.1%) and “other” noninterest income (64.2%). We had modeled net interest income of \$11.2 million.

Loan growth was robust, with end-of-period loans rising 3.2% LQ, while average loans were up 2.7%.
- Negative Highlights:** Noninterest expense climbed \$5.9 million LQ to \$27.2 million primarily as a results of investments in tax credit partnerships completed during the quarter. Such investments increase expenses, but are more than offset by associated income tax savings. We had projected noninterest expense of \$21.3 million.
 

The loan loss provision increased \$750K LQ to \$900K. Nonperforming Assets/Assets rose three bps to 0.31%, while the net charge-off ratio increased three bps to 0.04%. We had projected a provision of \$600K and net charge-offs of 0.07%.
- Estimates:** We are increasing our 2018 operating EPS estimate by \$0.10 to \$2.27 and introducing our 2019 estimate at \$2.37. We reiterate 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 declined \$0.03 to \$14.63 and was impacted by the revaluation of the company's net deferred tax asset.
- The loan pipeline is down seasonally from a very strong 4Q17, but is up year-over-year.
- Fixed rate loan pricing remains intensely competitive and has not moved in tandem with the 5-year Treasury.
- Management noted that deposit pricing remains aggressive and could offset the benefit of the December Fed rate hike.
- The effective tax rate in 2018 should be approximately 17%.
- Major model assumptions include two Fed rate hikes in 2018 and 2019, continued flattening of the yield curve and a 17% effective tax rate.

**SUITABILITY**

Our suitability rating on SYBT 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.

	STOCK YARDS BANCORP										SYBT-NEUTRAL		
	1Q17 A	2Q17 A	3Q17 A	4Q17 A	1Q18 E	2Q18 E	3Q18 E	4Q18 E	FY 2016 A	FY 2017 A	FY 2018 E	FY 2019 E	
\$Millions, Except for Per Share Data													
<b>Balance Sheet Data:</b>													
Total Assets	3,033.3	3,126.8	3,155.9	3,239.6	3,247.7	3,247.7	3,284.7	3,322.1	3,038.7	3,239.6	3,321.1	3,477.4	
Total Gross Loans	2,276.7	2,312.7	2,340.6	2,412.5	2,424.6	2,467.0	2,510.2	2,554.1	2,308.6	2,412.5	2,554.1	2,704.0	
Average Earning Assets	2,838.5	2,830.2	2,861.1	2,959.8	3,032.9	3,036.6	3,063.9	3,088.7	2,730.5	2,872.4	3,053.0	3,203.7	
Deposits	2,544.3	2,478.5	2,482.0	2,578.3	2,584.7	2,584.7	2,614.1	2,643.9	2,520.5	2,578.3	2,643.9	2,799.1	
Equity	319.7	327.8	337.1	339.6	349.7	360.5	371.1	381.8	313.9	331.8	381.8	426.0	
<b>Statement of Operations:</b>													
FTE Net Interest Income	25.4	25.4	26.4	27.2	27.3	27.7	28.2	28.6	98.1	104.4	111.8	117.6	
Net Interest Income	25.2	25.2	26.2	27.0	27.1	27.5	28.0	28.4	97.3	103.6	111.0	116.7	
Provision for Loan Losses	0.9	0.6	0.2	0.9	0.8	0.9	1.2	1.2	3.0	2.6	4.1	5.1	
Non-Interest Income:													
Investment Management & Trust	5.1	5.2	5.0	5.2	5.7	5.8	5.6	5.7	19.2	20.5	22.7	24.1	
Deposit Service Charges	2.4	2.4	2.5	2.5	2.4	2.5	2.5	2.6	9.5	9.9	10.0	10.1	
Bankcard Transaction Revenue	1.4	1.5	1.5	1.6	1.5	1.6	1.6	1.6	5.7	6.3	6.3	6.6	
Mortgage Banking	0.7	0.9	0.8	0.8	0.6	0.8	0.8	0.7	3.9	3.2	3.0	3.0	
Brokerage Commissions & Fees	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	2.1	2.2	2.4	2.4	
BOLI	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.9	1.2	0.8	0.8	
Gain on Acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.4	0.6	0.5	0.8	0.6	0.6	0.6	0.6	2.3	2.4	2.4	2.5	
Securities Gains	0.0	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	(0.2)	0.0	0.0	
Total Non-Interest Income	10.8	11.7	11.1	11.5	11.6	12.0	11.9	11.9	43.5	45.1	47.5	49.4	
Non-Core Adjustment	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	
Adjusted Non-Interest Income	10.8	11.7	11.1	11.8	11.6	12.0	11.9	11.9	43.5	45.4	47.5	49.4	
Non-Interest Expense:													
Salaries & Benefits	13.4	12.8	13.0	13.3	14.1	13.9	14.1	14.2	49.2	52.6	56.3	58.6	
Occupancy	1.6	1.5	1.6	1.5	1.6	1.6	1.6	1.6	6.3	6.2	6.4	6.6	
Data Processing	1.9	2.1	1.9	2.1	2.0	2.0	2.1	2.1	7.1	8.0	8.2	8.6	
Furniture & Equipment	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.2	1.2	1.2	1.2	
FDIC Insurance	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.2	1.0	1.0	1.0	
Income Tax Credit Amortization	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	4.5	7.1	2.5	2.5	
Other	3.1	3.7	3.6	4.5	3.8	3.8	3.8	3.8	16.7	15.0	15.2	15.6	
Non-Interest Expense	21.1	21.3	21.3	21.3	22.2	22.5	22.7	22.9	81.5	91.0	90.7	94.1	
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	0.0	
Adjusted Non-Interest Expense	21.1	21.3	21.3	21.3	22.2	22.5	22.7	22.9	81.5	91.0	90.7	94.1	
Pretax Core Income	13.9	15.0	15.8	10.8	15.3	16.1	16.0	16.2	56.3	55.4	63.6	67.0	
Income Taxes	3.1	4.4	4.1	5.6	2.6	2.8	2.7	2.8	15.2	17.2	10.9	11.4	
Operating Net Income	10.8	10.6	11.7	5.1	12.7	13.4	13.3	13.4	41.0	38.2	52.8	55.6	
<b>Share &amp; Per Share Data:</b>													
Diluted EPS	0.47	0.46	0.51	0.22	0.55	0.58	0.57	0.58	1.80	1.65	2.27	2.37	
Operating EPS	0.47	0.46	0.51	0.48	0.55	0.58	0.57	0.58	1.80	1.91	2.27	2.37	
Dividends	0.19	0.20	0.20	0.21	0.21	0.21	0.21	0.22	0.72	0.80	0.85	0.90	
Tangible Book Value	14.02	14.38	14.79	14.89	15.30	15.73	16.16	16.58	13.79	14.89	16.98	18.33	
Common Shares Outstanding	22,661	22,662	22,669	22,679	22,739	22,799	22,859	22,919	22,617	22,679	22,919	23,159	
Average Diluted Shares	23,002	23,241	22,964	22,993	23,147	23,207	23,267	23,327	22,763	23,050	23,237	23,477	
<b>Key Financial Statistics (GAAP):</b>													
Return on Assets	1.46%	1.42%	1.53%	0.63%	1.59%	1.65%	1.61%	1.61%	1.42%	1.26%	1.62%	1.64%	
Return on Equity	13.59%	13.09%	14.15%	5.85%	14.93%	15.09%	14.37%	14.17%	13.51%	11.67%	14.64%	13.77%	
Net Interest Margin	3.63%	3.60%	3.66%	3.65%	3.66%	3.66%	3.67%	3.67%	3.59%	3.64%	3.66%	3.67%	
Fee Income/Operating Rev.	30.01%	31.63%	29.73%	30.41%	30.00%	30.38%	29.64%	29.64%	30.91%	30.45%	29.97%	29.74%	
Efficiency Ratio	58.32%	57.94%	56.83%	69.53%	58.02%	56.48%	56.53%	56.37%	57.72%	60.66%	56.85%	56.23%	
Tang. Equity/Tang. Assets	10.48%	10.43%	10.63%	10.43%	10.72%	11.05%	11.25%	11.45%	10.27%	10.43%	11.25%	12.21%	
Dividend Payout Ratio	40.50%	43.84%	39.23%	97.62%	38.29%	36.47%	36.87%	38.16%	39.75%	55.30%	37.45%	38.02%	
NCOs/Average Loans	0.07%	-0.01%	0.06%	0.17%	0.10%	0.10%	0.12%	0.12%	0.07%	0.07%	0.11%	0.14%	
<b>YOY Change</b>	6.6%	4.5%	5.9%	4.7%	6.6%	6.3%	6.3%	6.3%	6.9%	7.1%	7.0%	7.1%	
	4.5%	5.9%	4.9%	5.9%	5.2%	6.3%	6.3%	6.3%	12.9%	12.9%	12.9%	12.9%	
	5.2%	6.3%	4.9%	4.9%	5.2%	6.3%	6.3%	6.3%	12.9%	12.9%	12.9%	12.9%	
	2.3%	2.5%	5.9%	5.9%	2.3%	2.3%	2.3%	2.3%	33.1%	33.1%	33.1%	33.1%	
	8.2%	12.4%	11.6%	11.6%	7.0%	10.6%	10.6%	10.6%	1.6%	1.3%	1.3%	1.3%	
	6.4%	7.0%	5.2%	5.2%	6.5%	7.1%	7.1%	7.1%	6.9%	7.1%	7.1%	7.1%	
	-15.0%	62.3%	23.0%	23.0%	7.0%	10.6%	10.6%	10.6%	0.0%	0.0%	0.0%	0.0%	
	7.0%	10.6%	6.1%	6.1%	4.6%	1.0%	1.0%	1.0%	1.6%	1.3%	1.3%	1.3%	
	4.6%	1.0%	5.0%	5.0%	5.7%	5.0%	5.0%	5.0%	NA	NA	NA	NA	
	-17.3%	-7.8%	2.3%	2.3%	3.0	3.0	3.0	3.0	18.7%	18.7%	18.7%	18.7%	
	2.6%	6.9%	0.0%	0.0%	2.4	2.4	2.4	2.4	59.8%	59.8%	59.8%	59.8%	
	33.1%	-32.7%	0.0%	0.0%	0.8	0.8	0.8	0.8	-10.2%	-10.2%	-10.2%	-10.2%	
	NA	NA	NA	NA	0.0	0.0	0.0	0.0	11.6%	11.6%	11.6%	11.6%	
	1.6%	1.3%	2.5%	2.5%	2.4	2.4	2.4	2.4	0.0	0.0	0.0	0.0	
	NA	NA	NA	NA	0.0	0.0	0.0	0.0	NA	NA	NA	NA	
	3.6%	5.2%	4.1%	4.1%	43.5	45.1	47.5	49.4	3.6%	5.2%	5.2%	5.2%	
	NA	-100.0%	NA	NA	0.0	0.0	0.0	0.0	NA	NA	NA	NA	
	4.2%	4.7%	4.1%	4.1%	43.5	45.4	47.5	49.4	4.2%	4.7%	4.7%	4.7%	
	6.9%	7.1%	4.1%	4.1%	58.6	56.3	58.6	58.6	6.9%	7.1%	7.1%	7.1%	
	-0.7%	3.4%	2.0%	2.0%	6.6	6.4	6.6	6.6	-0.7%	3.4%	3.4%	3.4%	
	12.9%	2.0%	5.0%	5.0%	8.6	8.2	8.6	8.6	12.9%	12.9%	12.9%	12.9%	
	1.0%	3.1%	2.0%	2.0%	1.2	1.2	1.2	1.2	1.0%	3.1%	3.1%	3.1%	
	-18.7%	2.8%	4.6%	4.6%	1.0	1.0	1.0	1.0	-18.7%	-18.7%	-18.7%	-18.7%	
	-65.4%	0.0%	0.0%	0.0%	2.5	2.5	2.5	2.5	59.8%	59.8%	59.8%	59.8%	
	-10.2%	1.4%	3.7%	3.7%	15.6	15.2	15.6	15.6	-10.2%	-10.2%	-10.2%	-10.2%	
	-0.3%	3.7%	0.0%	0.0%	94.1	90.7	94.1	94.1	11.6%	11.6%	11.6%	11.6%	
	NA	NA	0.0%	0.0%	0.0	0.0	0.0	0.0	NA	NA	NA	NA	
	11.6%	-0.3%	3.7%	3.7%	94.1	90.7	94.1	94.1	11.6%	-0.3%	-0.3%	-0.3%	
	-1.5%	14.8%	5.3%	5.3%	67.0	63.6	67.0	67.0	-1.5%	14.8%	14.8%	14.8%	
	13.0%	-36.9%	5.3%	5.3%	11.4	10.9	11.4	11.4	13.0%	-36.9%	-36.9%	-36.9%	
	-6.9%	38.1%	5.3%	5.3%	55.6	52.8	55.6	55.6	-6.9%	38.1%	38.1%	38.1%	
	-8.4%	37.6%	4.3%	4.3%	2.37	2.27	2.37	2.37	-8.4%	37.6%	37.6%	37.6%	
	6.2%	18.6%	4.3%	4.3%	2.37	2.27	2.37	2.37	6.2%	18.6%	18.6%	18.6%	
	11.6%	6.3%	5.9%	5.9%	0.90	0.85	0.90	0.90	11.6%	6.3%	6.3%	6.3%	
	8.0%	11.4%	10.5%	10.5%	18.33	16.98	18.33	18.33	8.0%	11.4%	11.4%	11.4%	
	0.37	1.1%	1.0%	1.0%	23,159	22,919	23,159	23,159	0.37	1.1%	1.1%	1.1%	
	1.3%	0.8%	1.0%	1.0%	23,477	23,237	23,477	23,477	1.3%	0.8%	0.8%	0.8%	
<b>YOY Change - BPS</b>	(16)	36	(87)	(87)	184	297	184	184	16	36	36	36	
	4	3	1	1	46	381	46	46	4	3	3	3	
	294	(381)	(62)	(62)	16	102	16	16	294	(381)	(381)	(381)	
	1,555	(1,785)	57	57	1	4	1	1	1,555	(1,785)	(1,785)	(1,785)	

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.

Stock Yards 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 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.

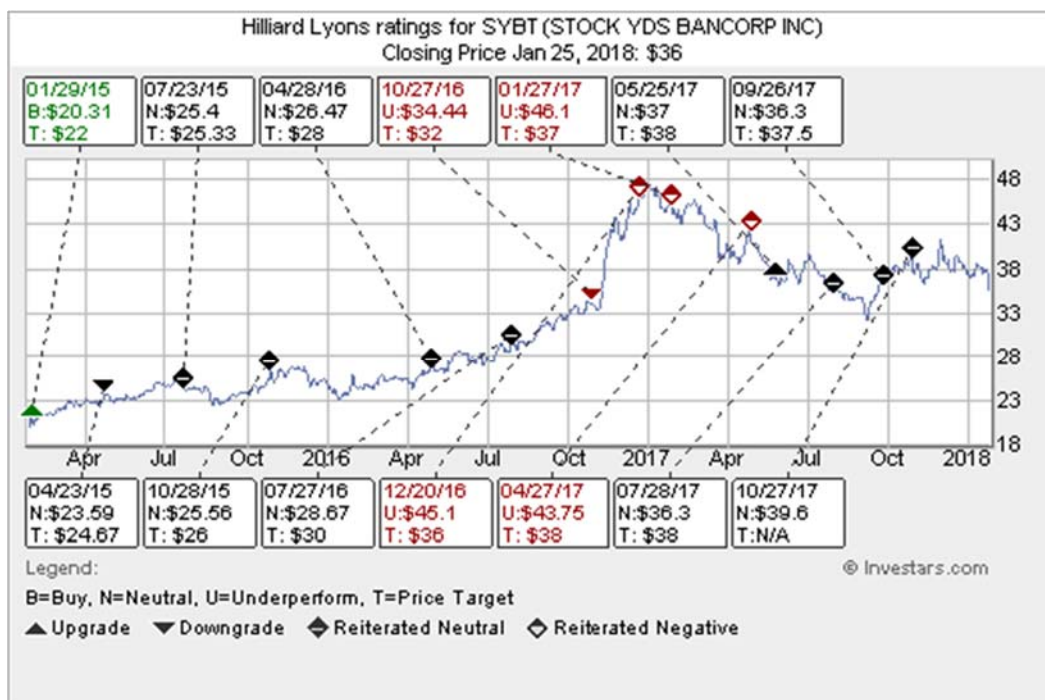
### **Definitions of Suitabilities:**

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.

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