



KENTUCKY BANK QUARTERLY 1Q17 REVIEW

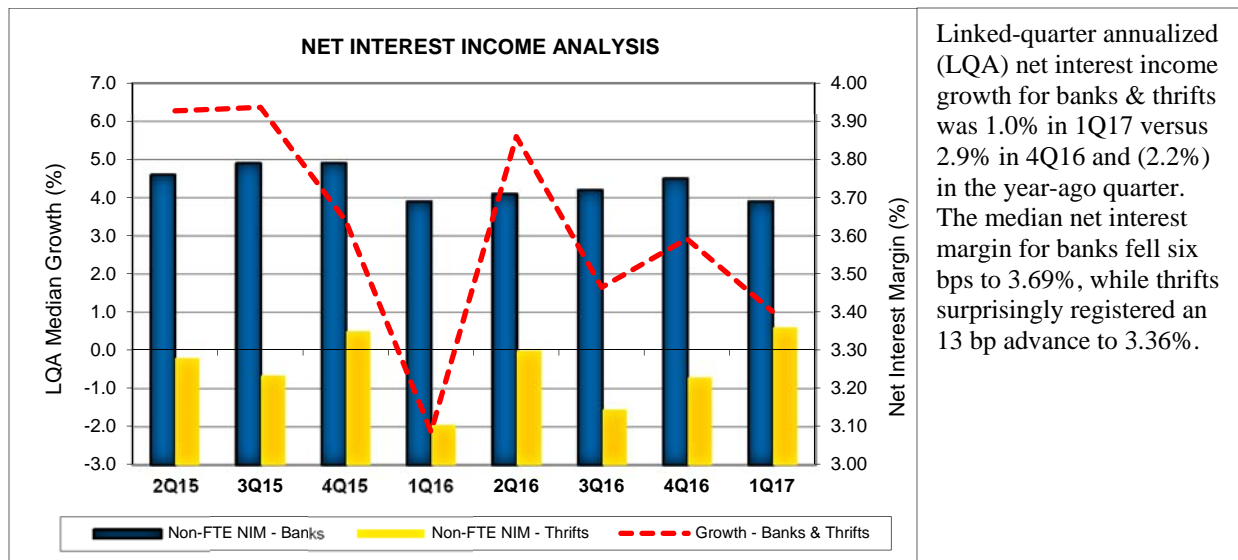
Banks

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May 10, 2017

FINANCIAL REVIEW

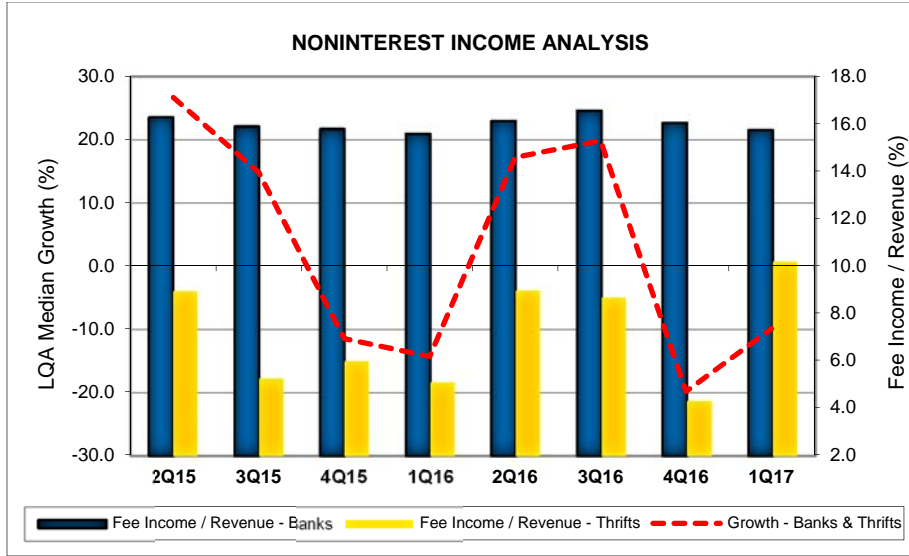
This section presents financial trends realized by the 170 financial institutions (147 banks and 23 thrifts) headquartered in Kentucky based on regulatory data provided by SNL Financial. The section contains the following subcategories: Income Statement Trends, Asset Quality Trends and Balance Sheet Trends. Unless otherwise noted, data is presented on a median annualized basis. Please note that growth and other statistics can be influenced by acquisition activity.

Income Statement Trends

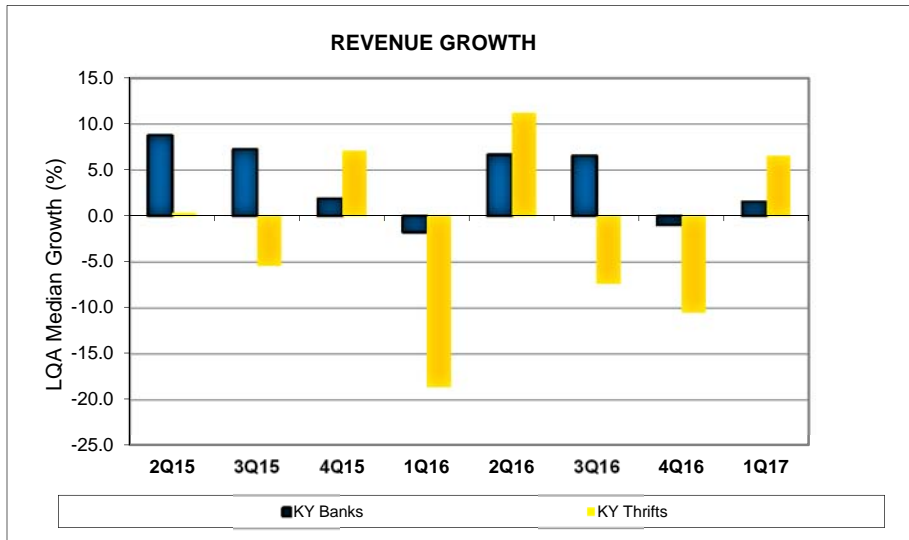


To obtain important disclosure information regarding Hilliard Lyons' rating system, valuation methods, risk factors and potential conflicts of interest with respect to the companies covered in this report, please call (800) 444-1854 ext. 8820, send a request via e-mail to RsLib@hilliard.com, or go online to <http://hilliard.com/site/market-info/research-disclosures.html>. Requests should include the name and date of this report and a list of companies for which the disclosure information is requested.

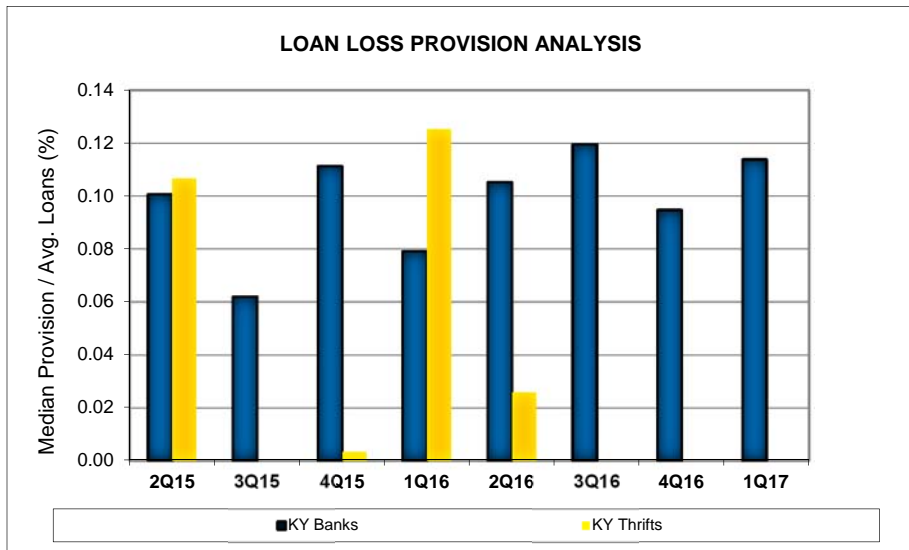
Note Important Disclosures on pages 10-11
Note Analyst Certification on page 10



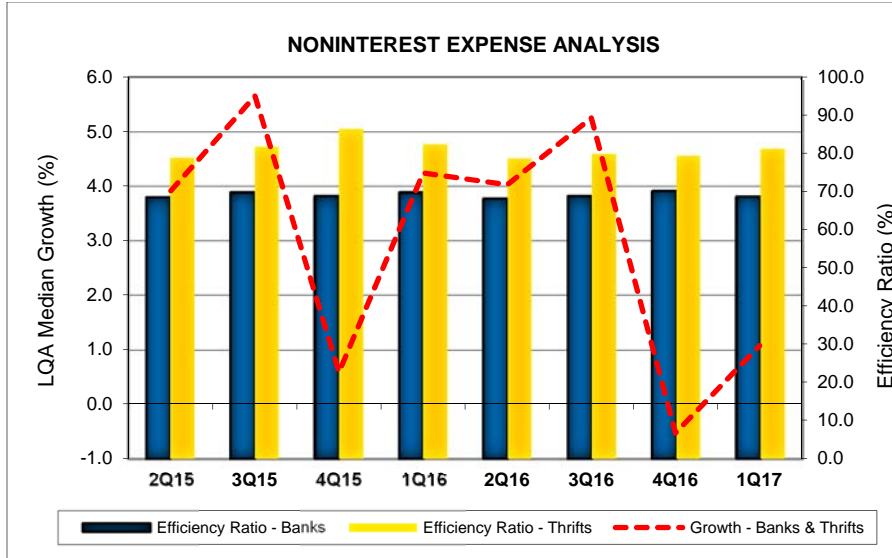
Noninterest income growth for Kentucky-based depository institutions was (10.0%) in 1Q17, up from (20.0%) in 4Q16 and (14.4%) in the year-ago quarter. The chart also shows that banks are stronger fee income producers than thrifts.



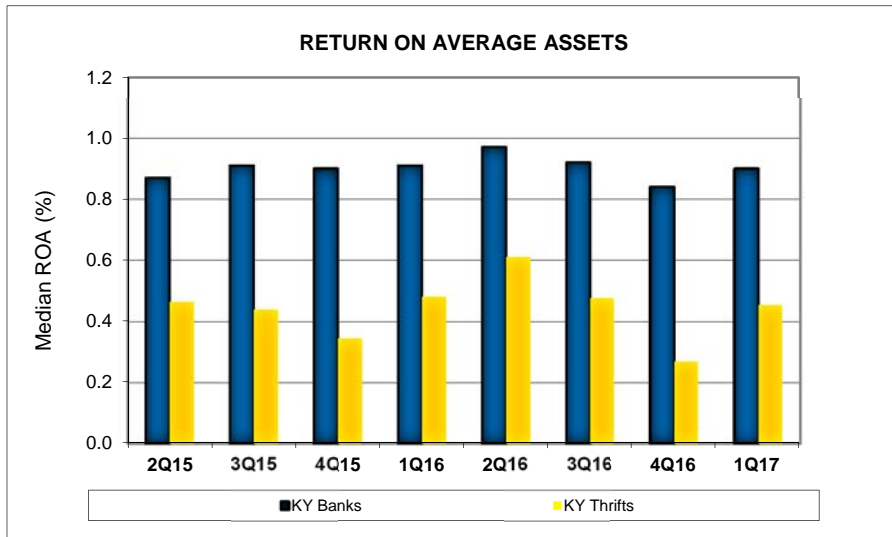
Total revenues (net interest and noninterest income) for Kentucky banks rose 1.6% on a LQA basis in 1Q17 versus (1.0%) in 4Q16 and (1.8%) in 1Q16. Revenue growth for thrifts was 6.6% in 1Q17, (10.5%) in 4Q16 and (18.6%) in 1Q16. Revenue growth in the first quarter of each year is typically the weakest for both banks and thrifts.



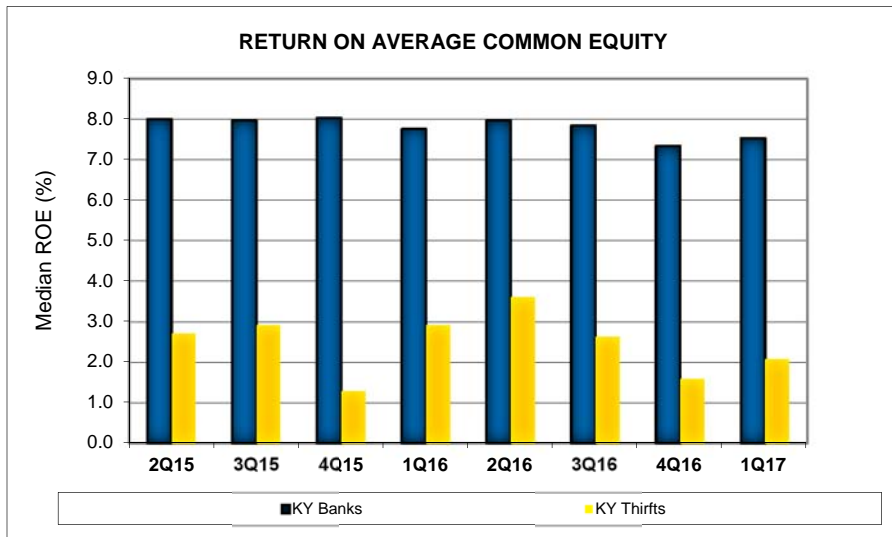
Loan loss provisions as a percentage of average loans increased two bps sequentially to 0.11% for banks in 1Q17, while thrifts remained flat at 0.00% during this period.



Noninterest expense for banks & thrifts was up 0.9% LQA in 1Q17 compared to (0.5%) in 4Q16 and 4.2% in the year-ago period. The efficiency ratio was 68.7% for banks and 81.3% for thrifts in 1Q17. The efficiency ratio is essentially noninterest expense divided by total revenues. Given that it provides insights regarding how much institutions must spend to generate a \$1 in revenues, a lower number is better.

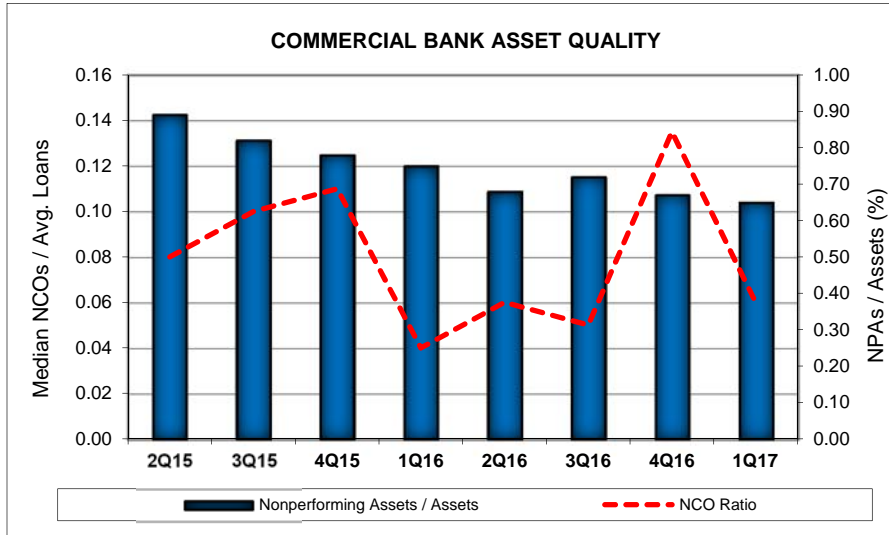


The median ROA for banks rose six bps sequentially and declined one bp on a YOY basis to 0.90% in 1Q17. Kentucky thrifts experienced a 19 basis point increase sequentially and a two bp decline on a YOY basis in ROA to 0.46% in 1Q17.

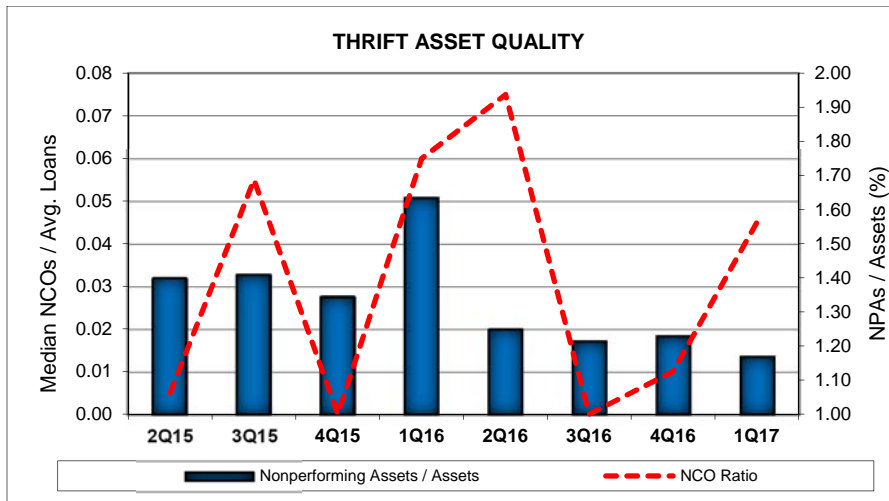


The median ROE for banks was up 19 bps LQ and down 23 bps YOY to 7.53%. With a ROE of 2.1% in 1Q17, thrifts did not earn their cost of equity capital.

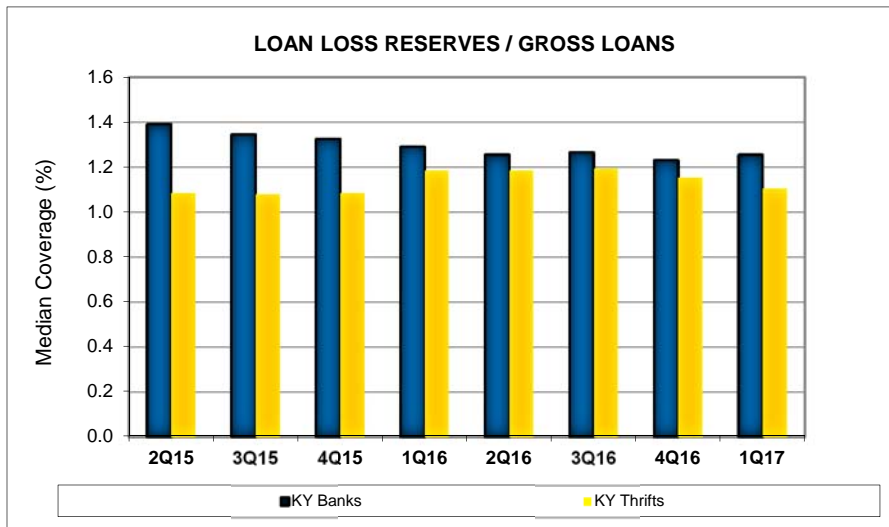
Asset Quality Trends



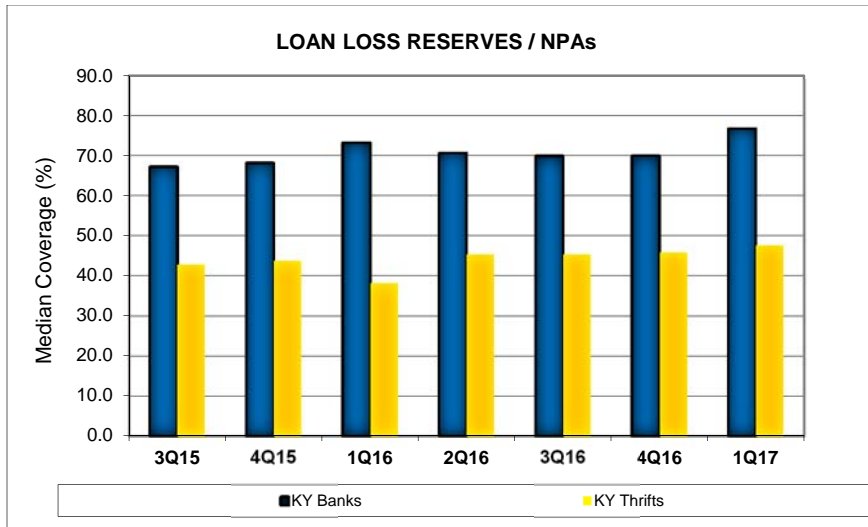
Asset quality remained strong for Kentucky-based commercial banks. Nonperforming assets (NPAs) fell two bps LQ to 0.65% of assets at the end of 1Q17. The net charge-off (NCO) ratio dropped eight bps to 0.06%.



Thrift NPAs decreased six bps LQ to 1.17% of assets at March 31, 2017. While Kentucky thrifts have had higher NPAs/ Assets than banks, their loss content has been low with NCOs/ Average Loans of 0.05% in 1Q17 and 0.01% in the prior quarter.

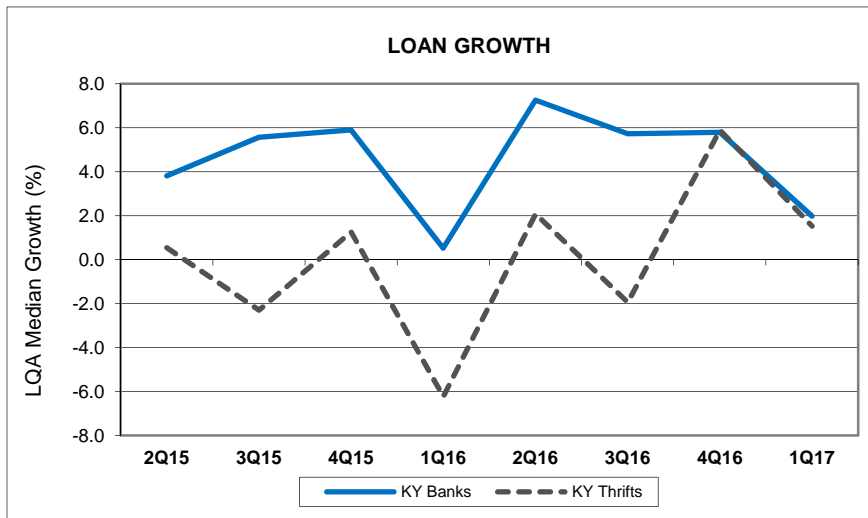


The reserve coverage of loans rose three bps LQ to 1.26% for banks and fell five bps to 1.11% for thrifts at period-end of 1Q17.

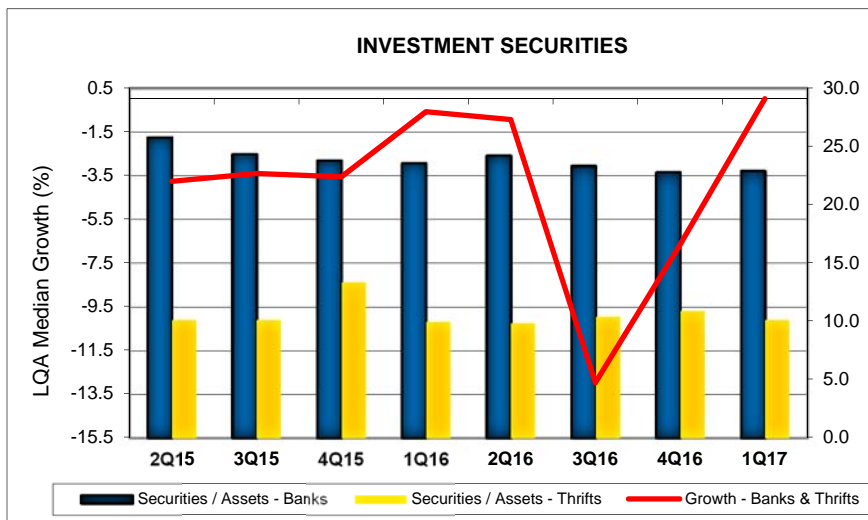


The reserve coverage of NPAs for Kentucky banks increased to 76.7% at the end of 1Q17 from 69.9% at period-end 4Q16. The NPA coverage for thrifts rose sequentially to 47.6% at March 31, 2017 from 45.8% at period-end 4Q16.

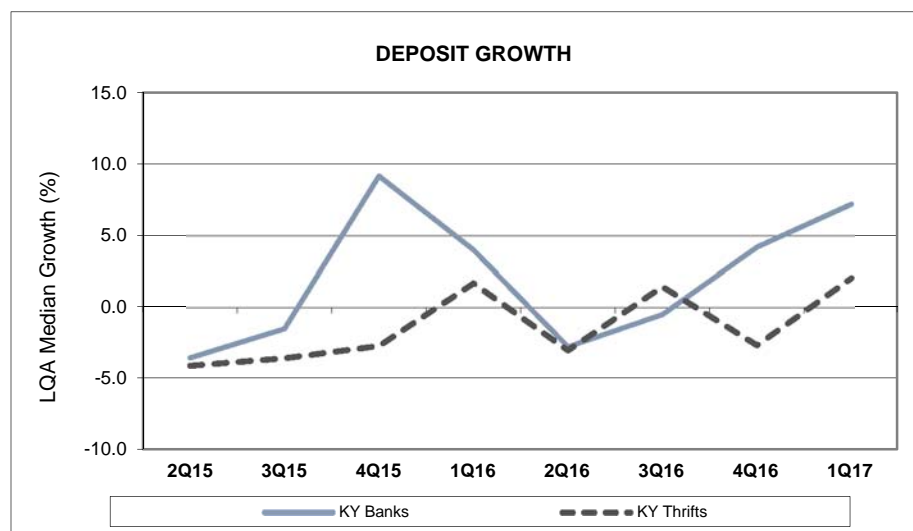
Balance Sheet Trends



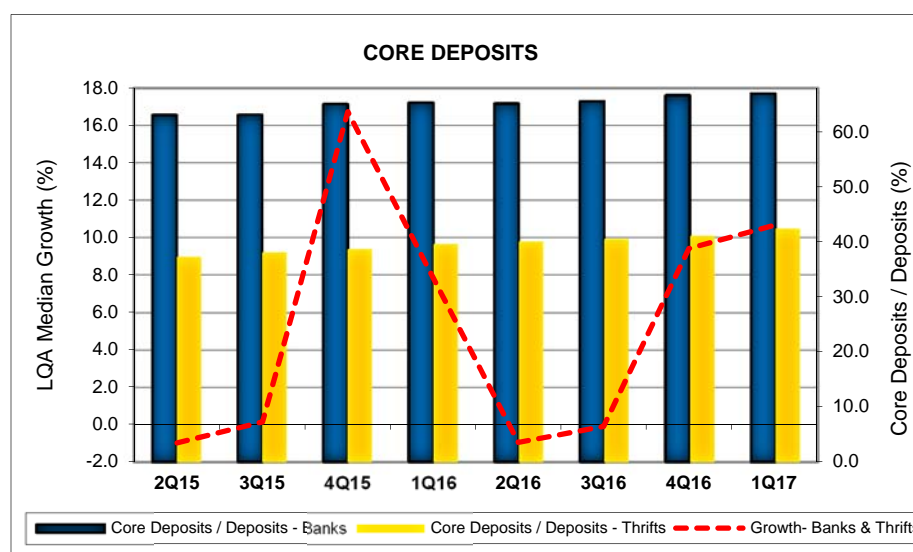
Kentucky banks realized LQA growth in end-of-period loans of 2.0% in 1Q17 versus growth of 5.8% in 4Q16 and 0.5% in 1Q16. Loan growth for thrifts was 1.5%, 5.9% and (6.2%), respectively, during these periods. Loan growth tends to be seasonally weak for depository institutions in the first quarter of each year.



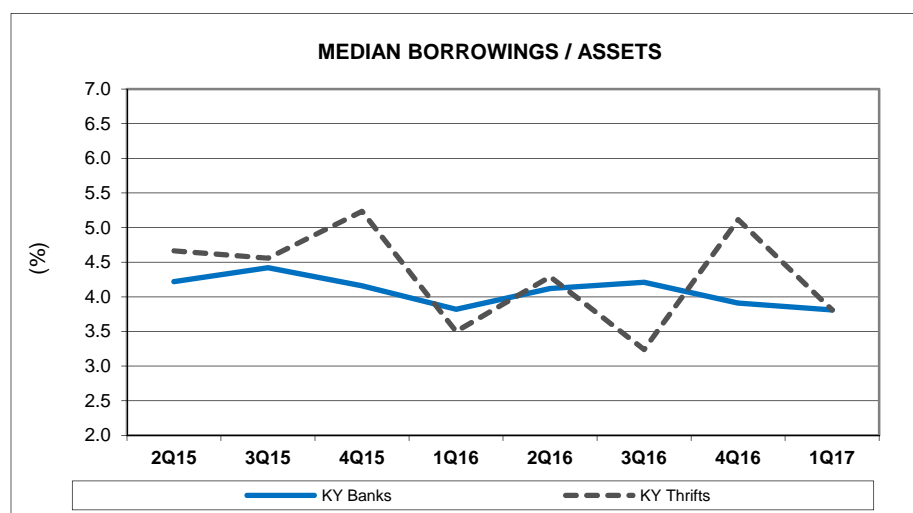
Total securities portfolio growth of Kentucky banks & thrifts was flat in 1Q17 versus (6.7%) in 4Q16 and (0.6%) in the year-ago period. Securities comprised 22.7% of bank assets and 10.2% of thrift assets at March 31, 2017.



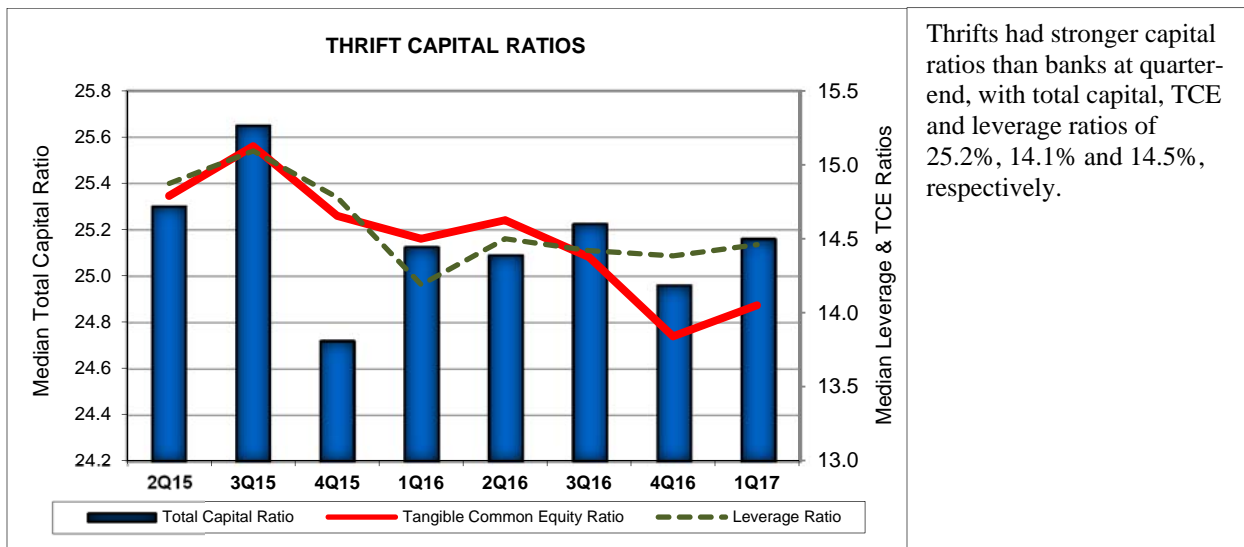
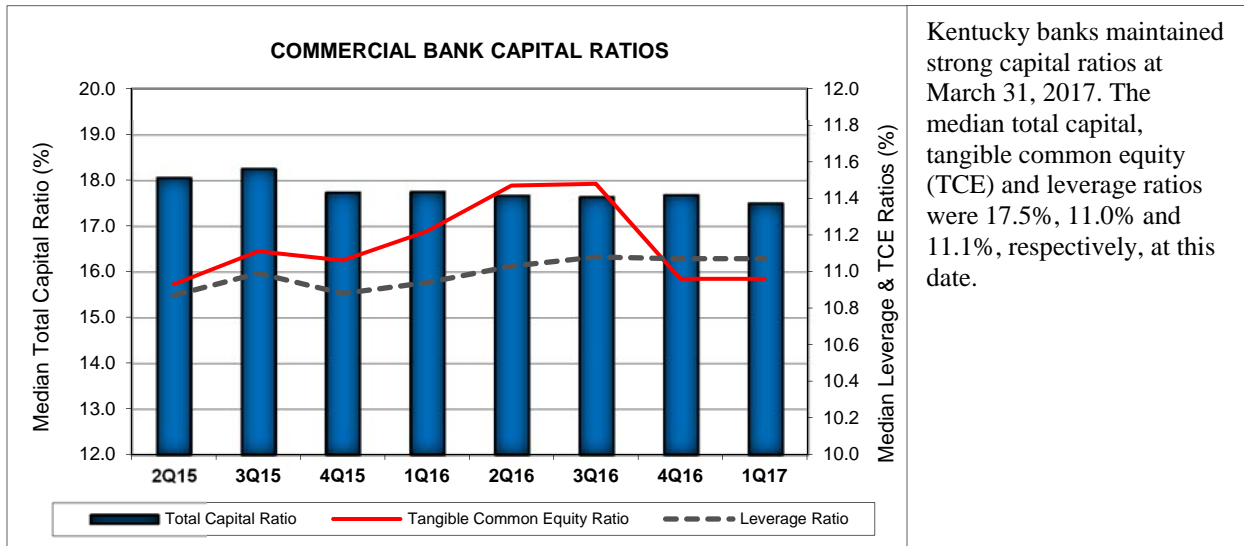
Total deposits of banks rose 7.2% on a LQA basis in 1Q17 versus 4.2% in 4Q16 and 4.0% in the year-ago quarter. Thrifts realized an increase of 2.1% in 1Q17 versus a decline of (2.6%) in 4Q16 and growth of 1.7% in the year-ago period.



Core deposits (total deposits less time deposits) rose 10.7% for banks and thrifts on a LQA basis in 1Q17. They accounted for 67.0% of bank deposits and 42.3% of thrift deposits at the end of Q1.



Total outside borrowings as a percentage of assets were 3.8% for both banks and thrifts at the end of 1Q17 compared to 3.9% and 5.1%, respectively, for banks and thrifts at December 31, 2016.



MERGER & ACQUISITION ACTIVITY

There were five whole bank acquisitions announced since 1Q16 involving Kentucky-based financial institutions (excluding any transactions involving private investors). Pricing multiples for these deals are provided in the following table.

**ANALYSIS OF BANK & THRIFT M&A ACTIVITY
INVOLVING KENTUCKY-BASED INSTITUTIONS
ANNOUNCED AFTER MARCH 31, 2016**

Buyer/ Target Name	Announce Date	Buyer State	Target State	Seller State	Pricing @ Announcement		
					Deal Value (\$M)	Deal Value/ Earnings (x)	Deal Value/ Tangible Common Equity (%)
Sacramento Bancorp/ Caneyville Bancshares, Inc.	12/19/2016	IN	KY	KY	57.0	NA	188.9
Monticello Bankshares, Inc./ Banco Harlan, Inc.	6/21/2016	KY	KY	KY	14.3	41.1	91.2
South Central Bancshares of Kentucky/ Kentucky National Bancorp	6/6/2016	KY	KY	KY	NA	NA	NA
MainSource Financial Group, Inc./ FCB Bancorp, Inc.	7/26/2016	KY	KY	KY	19.0	21.3	131.8
First Prestonburg Bancshares, Inc./ First Guaranty Bank	2/22/2017	KY	KY	KY	NA	NA	NA
Median Multiple						31.2	131.8

Source: SNL Financial

PUBLIC COMPANY VALUATIONS

There are fourteen Kentucky-based financial institutions that are traded on NASDAQ or over the counter. Current valuation multiples for these stocks are provided in the table below. Smaller institutions tend to have thinner tangible book multiples, which we largely attribute to the lack of critical mass to effectively absorb the increase in regulatory compliance costs subsequent to the financial crisis.

**ANALYSIS OF COMMON STOCK VALUATIONS
KENTUCKY-BASED FINANCIAL INSTITUTIONS
VALUATION DATA AS OF MAY 9, 2017**

Institution Name	Ticker	Exchange	Total		Market Cap (\$M)	Avg. Daily Volume	Price/ TTM EPS (X)	Price/ 2017 EPS Est (X)	Price/ 2018 EPS Est (X)	Price/ Tang. Book (%)	Dividend Yield (%)
			Assets (\$Thou)	Closing Price							
Boyle Bancorp, Inc.	BYLB	OTC Pink	477,485	67.00	59.7	32	NA	NA	NA	100.7	3.94
Citizens First Corporation	CZFC	NASDAQ	455,422	21.83	44.1	1,316	13.2	NA	NA	137.3	0.73
Citizens National Corporation	CZNL	OTC Pink	597,236	44.62	46.8	0	NA	NA	NA	NA	1.79
Community Trust Bancorp, Inc.	CTBI	NASDAQ	3,932,169	45.00	794.9	51,126	16.9	16.2	15.2	179.8	2.84
Farmers Capital Bank Corporation	FFKT	NASDAQ	1,671,030	40.95	307.6	31,256	22.4	19.1	17.8	163.9	0.98
First Security, Inc.	FIIT	OTCQX	639,103	25.00	59.8	26	20.5	NA	NA	104.7	2.72
HFB Financial Corporation	HFBA	OTC Pink	351,116	30.00	36.8	8	13.4	NA	NA	96.8	2.53
HopFed Bancorp, Inc.	HFBC	NASDAQ	891,486	14.90	100.1	4,940	27.6	26.3	24.6	114.4	1.07
Kentucky Bancshares, Inc.	KTYB	OTCQX	1,028,447	38.00	113.0	990	11.4	NA	NA	144.0	3.05
Kentucky First Federal Bancorp	KFFB	NASDAQ	291,871	9.35	79.0	1,462	66.8	NA	NA	149.7	4.28
Poage Bankshares, Inc.	PBSK	NASDAQ	458,465	19.70	72.6	715	39.4	NA	NA	109.9	1.22
Porter Bancorp, Inc.	PBIB	NASDAQ	945,177	10.03	62.7	4,510	NM	NA	NA	191.6	0.00
Republic Bancorp, Inc.	RBCAA	NASDAQ	4,816,309	35.81	746.9	19,578	15.5	15.4	12.7	123.8	2.33
Stock Yards Bancorp, Inc.	SYBT	NASDAQ	3,039,481	39.80	901.9	47,022	21.6	20.7	19.3	283.9	1.91
Median							20.5	19.1	17.8	137.3	2.1

Source: SNL Financial

The following table provides market data for publicly traded companies listed in this report.

**MARKET DATA FOR PUBLICLY TRADED COMPANIES
REFERENCED IN THIS REPORT
VALUATION DATA AS OF MAY 9, 2017**

Company	City	State	Ticker	Closing Price
Boyle Bancorp, Inc.	Danville	KY	BYLB	67.00
Citizens First Corporation	Bowling Green	KY	CZFC	21.83
Citizens National Corporation	Paintsville	KY	CZNL	44.62
Community Trust Bancorp, Inc.	Pikeville	KY	CTBI	45.00
Farmers Capital Bank Corporation	Frankfort	KY	FFKT	40.95
First Security, Inc.	Owensboro	KY	FIIT	25.00
HFB Financial Corporation	Middlesboro	KY	HFBA	30.00
HopFed Bancorp, Inc.	Hopkinsville	KY	HFBC	14.90
Kentucky Bancshares, Inc.	Paris	KY	KTYB	38.00
Kentucky First Federal Bancorp (MHC)	Frankfort	KY	KFFB	9.35
MainSource Financial Group, Inc.	Greensburg	IN	MSFG	34.08
Poage Bankshares, Inc.	Ashland	KY	PBSK	19.70
Porter Bancorp, Inc.	Louisville	KY	PBIB	10.03
Republic Bancorp, Inc.	Louisville	KY	RBCAA	35.81
Stock Yards Bancorp, Inc.	Louisville	KY	SYBT	39.80

Source: SNL Financial

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.

I, Tyler Agee, 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.

Citizens First Corp., Community Trust Bancorp, HopFed Bancorp, Republic Bancorp, and Stock Yards Bancorp are/were 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.

Hilliard Lyons customers own at least 5% of the outstanding common stock of Boyle Bancorp, Citizens First Corp., and Stock Yards Bancorp.

Hilliard Lyons and/or its affiliates beneficially owned (as defined for purposes of section 13d of the 1934 act) 1% or more of the common stock of Citizens First Corp and Kentucky Bancshares.

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	32	26%	13%	88%
Hold/Neutral	79	64%	8%	92%
Sell	12	10%	0%	100%

As of 8 May 2017

Other Disclosures

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