



COMPANY UPDATE/ ESTIMATE CHANGES/ RATING CHANGE/ TARGET PRICE CHANGE

Key Metrics

CTBI - NASDAQ (as of 04/20/17)	\$43.40
Price Target	\$43.00
52-Week Range	\$32.99-\$51.35
Shares Outstanding (mm)	17.7
Market Cap. (\$mm)	\$766
3-Mo. Average Daily Volume (000)	49.3
Institutional Ownership	54.4%
Tangible Equity / Tangible Assets	9.5%
ROE	9.6%
Tangible Book Value Per Share	\$25.02
Price/Tangible Book Value	173.5%
Dividend Yield	2.9%
Price/LTM Earnings	16.3x

Operating EPS CY 12/31

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.66	\$0.65	\$0.64A	\$0.77	\$0.72
2Q	\$0.66	\$0.66	\$0.69	\$0.81	\$0.78
3Q	\$0.68	\$0.71	\$0.72	\$0.88	\$0.83
4Q	\$0.67	\$0.72	\$0.73	\$0.87	\$0.84
Year	\$2.67	\$2.74	\$2.78	\$3.33	\$3.17
P/E	16.2x		15.6x		13.7x

Figures may not add up due to rounding

Common Dividends

	2016A	Curr. 2017E	Prior % chg.	Curr. 2018E
1Q	\$0.31	\$0.32A	3.2	\$0.33
2Q	\$0.31	\$0.32	3.2	\$0.33
3Q	\$0.32	\$0.33	3.1	\$0.37
4Q	\$0.32	\$0.33	3.1	\$0.37
Year	\$1.26	\$1.30	3.2	\$1.40

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
April 21, 2017

Community Trust Bancorp, Inc.

CTBI – NASDAQ – Neutral – 3

Loan Growth Accelerates and NIM Improves – Upgrading to Neutral on Valuation

- **Earnings Results:** CTBI reported Q1 GAAP and operating EPS of \$0.64, which was \$0.01 below our estimate and the Street consensus.
- **Positive Highlights:** End-of-period loans increased 1.1% linked-quarter (LQ), while average loans rose 0.5%. The provision for loan losses decreased \$0.8 million LQ to \$1.2 million, which was meaningfully below our estimate of \$1.9 million. Excluding restructured assets, Nonperforming Assets/Assets declined four bps to 1.30%, while the net charge-off ratio decreased six bps to 0.20%.
- **Negative Highlights:** Net interest income decreased 1.0% LQ to \$33.1 million as a 0.4% rise in average earning assets and two bps of net interest margin (NIM) expansion were more than offset by two fewer days in the quarter. Net interest income and the margin were in line with our expectations. Operating noninterest income fell 7.4% LQ to \$11.6 million. The primary drivers of the decrease were deposit service charges (5.2%), gains on the sales of loans (46.0%) and loan related fees. Loan related fees were affected by fluctuations in the fair value adjustments of mortgage servicing rights, while gains on sales were impacted by lower mortgage refinancing activities and seasonality. Results were modestly below our estimate of \$11.8 million. Noninterest expense increased 2.4% LQ to \$27.6 million primarily due to higher personnel expense (3.6%). We had modeled noninterest expense of \$27.0 million.
- **Earnings Estimates:** We are revising our 2017 and 2018 operating EPS estimates to \$2.78 and \$3.17 from \$2.74 and \$3.33, respectively. Given the increased uncertainties regarding regulatory and tax reform, we are reducing our price target by \$1.00 to \$43.00. With the recent decline in CTBI's share price, we are raising our rating to Neutral from Underperform.

Note Important Disclosures on pages 4 and 5
Note Analyst Certification on page 4

OTHER TAKEAWAYS & VALUATION

- The seasonally strong loan growth was primarily driven by several opportunities with existing customers to finance acquisitions in their line of business.
- Management noted that CTBI saw weakness in C&I loan demand similar to the rest of the industry. However, the loan pipeline has consistently improved over the past several quarters.
- The company generated strong deposit growth, with end-of-period deposits increasing 2.5% LQ.
- The net interest margin expansion was attributable to loan growth as well as a surge in non-interest bearing deposits that kept deposit costs low. There is currently no pressure from competitors to increase deposit rates despite the recent Fed rate hikes.
- Our price target is derived through our discounted dividend model and the application of the stock's historical forward multiple of approximately 13X to our 2018 EPS estimate.
- Major model assumptions include one additional Fed rate hike this year and another next year, continued flattening of the yield curve and a 28% corporate tax rate in 2018.

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			
	1Q016 A	2Q016 A	3Q016 A	4Q016 A	1Q017 A	2Q017 A	3Q017 A	4Q017 E	FY 2016 E	FY 2017 E	FY 2018 E	FY 2016 E	FY 2017 E	FY 2018 E
\$Millions, Except for Per Share Data														
Balance Sheet Data:														
Assets	3,879.8	3,895.3	3,930.2	3,932.2	4,034.2	4,066.4	4,096.9	4,127.7	3,903.9	3,932.2	4,127.7	4,303.7	4,303.7	4.3%
Gross Loans	2,892.0	2,933.1	2,933.4	2,939.6	2,972.5	2,993.3	3,020.2	3,047.4	2,875.1	2,939.6	3,047.4	3,177.4	3,177.4	4.3%
Average Earning Assets	3,620.3	3,634.9	3,664.6	3,690.5	3,704.7	3,774.1	3,803.3	3,832.7	3,524.2	3,652.6	3,778.7	3,919.8	3,919.8	3.7%
Deposits	3,034.2	3,042.0	3,054.0	3,081.3	3,159.8	3,167.9	3,180.4	3,205.8	2,980.8	3,081.3	3,205.8	3,335.3	3,335.3	4.0%
Equity	485.6	493.6	500.1	500.6	507.5	514.1	521.0	528.0	475.6	500.6	528.0	559.3	559.3	5.9%
Statement of Operations:														
Net Interest Income	33.3	33.1	33.2	33.4	33.1	34.2	34.8	35.3	132.2	133.0	137.4	144.5	144.5	5.2%
Provision for Loan Losses	1.8	1.9	2.2	2.0	1.2	2.0	2.3	2.4	8.7	7.9	8.0	10.5	10.5	32.0%
Non-Interest Income:														
Service charges on deposit accounts	5.8	6.3	6.6	6.3	6.0	6.5	6.8	6.5	24.3	25.0	25.7	26.2	26.2	2.0%
Gains on sales of loans, net	0.3	0.4	0.6	0.5	0.3	0.3	0.3	0.6	2.0	1.8	1.5	1.5	1.5	-19.9%
Trust and wealth management income	2.3	2.4	2.4	2.5	2.6	2.6	2.6	2.6	9.3	9.6	10.4	10.9	10.9	8.9%
Loan related fees	0.6	0.7	1.3	1.5	1.0	1.0	1.0	1.0	3.8	4.1	4.1	4.2	4.2	6.9%
Other noninterest income	1.9	1.9	1.9	1.8	1.8	1.9	1.9	1.9	7.5	7.4	7.5	7.9	7.9	1.2%
Securities Gains	0.1	0.0	0.5	0.0	0.0	0.0	0.0	0.0	(0.1)	0.5	(0.0)	0.0	0.0	-101.5%
Total Non-Interest Income	11.0	11.8	13.2	12.5	11.6	12.3	12.6	12.6	46.8	48.4	49.1	50.6	50.6	3.4%
Non-Core Adjustment	-0.1	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.5)	0.0	0.0	0.0	-101.5%
Adjusted Non-Interest Income	10.9	11.8	12.7	12.5	11.6	12.3	12.6	12.6	46.7	47.9	49.2	50.6	50.6	2.6%
Non-Interest Expense:														
Salaries & Benefits	14.1	14.3	14.2	14.4	14.9	14.7	14.6	14.8	54.6	57.1	58.9	60.6	60.6	4.6%
Occupancy & Equipment	2.8	2.7	2.7	2.7	2.8	2.7	2.7	2.7	10.9	10.9	10.9	10.9	10.9	0.7%
Data processing	1.6	1.6	1.6	1.8	1.8	1.8	1.8	1.8	6.7	6.5	7.2	7.3	7.3	-3.6%
FDIC insurance	0.6	0.6	0.5	0.2	0.3	0.3	0.3	0.3	2.4	1.8	1.2	1.2	1.2	-24.9%
Other noninterest expense	7.2	8.0	7.7	7.9	7.8	7.9	7.9	7.9	30.9	30.8	31.5	32.5	32.5	-0.2%
Total Non-Interest Expense	26.2	27.2	26.7	27.0	27.6	27.3	27.3	27.5	105.4	107.1	109.7	112.5	112.5	1.6%
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	0.0	NA
Adjusted Non-Interest Expense	26.2	27.2	26.7	27.0	27.6	27.3	27.3	27.5	105.4	107.1	109.7	112.5	112.5	2.4%
Pretax Income	16.2	15.8	17.1	16.9	15.8	17.2	17.9	18.0	64.9	65.9	68.9	72.2	72.2	1.6%
Income Taxes	4.7	4.2	5.1	5.0	4.5	4.9	5.1	5.2	18.5	18.9	19.8	16.1	16.1	2.4%
Operating Net Income	11.5	11.6	12.0	11.8	11.3	12.3	12.7	12.8	46.4	47.0	49.1	56.0	56.0	1.3%
Share & Per Share Data:														
Diluted EPS	0.66	0.66	0.70	0.67	0.64	0.69	0.72	0.73	2.66	2.70	2.78	3.17	3.17	1.5%
Operating EPS	0.66	0.66	0.68	0.67	0.64	0.69	0.72	0.73	2.65	2.67	2.78	3.17	3.17	0.8%
Dividends Per Share	0.31	0.31	0.32	0.32	0.32	0.32	0.33	0.33	1.22	1.26	1.30	1.40	1.40	3.3%
Tangible Book Value	23.92	24.37	24.67	24.67	25.02	25.44	25.79	26.19	23.37	24.67	26.19	27.96	27.96	5.6%
Common Shares Outstanding	17,553	17,560	17,608	17,629	17,661	17,661	17,661	17,661	17,537	17,629	17,661	17,660.87	17,660.87	0.2%
Average Diluted Shares	17,533	17,542	17,569	17,617	17,638	17,684	17,684	17,684	17,516	17,617	17,672	17,684	17,684	0.6%
Key Financial Statistics:														
Return on Assets	1.19%	1.19%	1.25%	1.20%	1.13%	1.21%	1.24%	1.24%	1.22%	1.21%	1.21%	1.33%	1.33%	-2
Return on Equity	9.57%	9.41%	9.87%	9.46%	8.89%	9.63%	9.77%	9.70%	9.97%	9.58%	9.50%	10.31%	10.31%	0
Net Interest Margin	3.76%	3.71%	3.66%	3.66%	3.68%	3.69%	3.69%	3.71%	3.81%	3.70%	3.69%	3.74%	3.74%	-8
Operating Non-Int. Inc./Operating Rev.	24.65%	26.26%	27.70%	27.21%	25.94%	26.44%	26.62%	26.36%	26.10%	26.47%	26.34%	25.95%	25.95%	-1
Efficiency Ratio	58.63%	59.98%	57.45%	58.15%	61.18%	58.03%	56.74%	56.73%	58.21%	58.56%	58.17%	57.02%	57.02%	-14
Tangible Common Ratio	11.01%	11.17%	11.24%	11.25%	11.13%	11.21%	11.30%	11.39%	10.68%	11.25%	11.39%	11.65%	11.65%	-39
Reserves/Loans	1.26%	1.22%	1.22%	1.22%	1.20%	1.20%	1.20%	1.20%	1.26%	1.22%	1.20%	1.20%	1.20%	14
NCOs/Average Loans	0.21%	0.34%	0.28%	0.26%	0.20%	0.23%	0.26%	0.28%	0.19%	0.26%	0.24%	0.29%	0.29%	-2
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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 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.

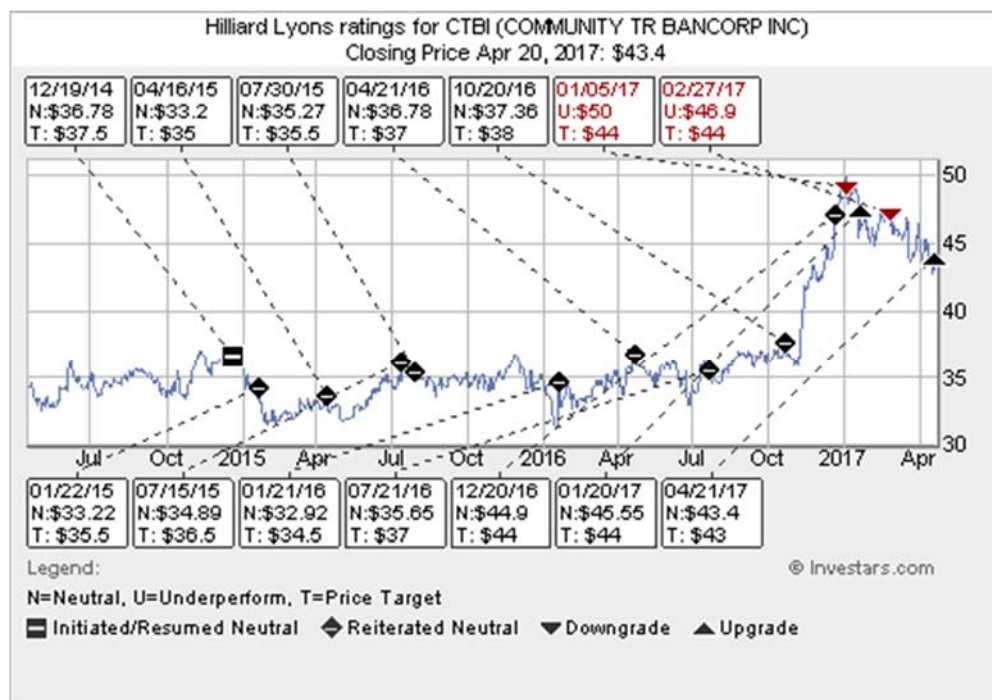
Definitions of Suitabilities:

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	36	30%	14%	86%
Hold/Neutral	71	58%	6%	94%
Sell	15	12%	7%	93%

As of 5 April 2017

Other Disclosures

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