



COMPANY UPDATE/ RATING CHANGE

Key Metrics

CTBI - NASDAQ (as of 02/24/17)	\$46.90
Price Target	\$44.00
52-Week Range	\$32.99-\$51.35
Shares Outstanding (mm)	17.6
Market Cap. (\$mm)	\$827
3-Mo. Average Daily Volume (000)	58.5
Institutional Ownership	56.2%
Tangible Equity / Tangible Assets	9.5%
ROE	9.6%
Tangible Book Value Per Share	\$24.67
Price/Tangible Book Value	190.1%
Dividend Yield	2.7%
Price/LTM Earnings	17.4x

Operating EPS CY 12/31

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.66	\$0.65	\$0.65	\$0.77	\$0.77
2Q	\$0.66	\$0.66	\$0.66	\$0.81	\$0.81
3Q	\$0.68	\$0.71	\$0.71	\$0.88	\$0.88
4Q	\$0.67	\$0.72	\$0.72	\$0.87	\$0.87
Year	\$2.67	\$2.74	\$2.74	\$3.33	\$3.33
P/E	17.5x		17.1x		14.1x

Figures may not add up due to rounding

Common Dividends

	2016A	Curr. 2017E	Prior % chg.	Curr. 2018E
1Q	\$0.31	\$0.32	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

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Community Trust Bancorp, Inc.

CTBI – NASDAQ – Underperform – 3

Downgrading to Underperform on Valuation

- With the recent advance in CTBI's share price, our price target suggests potential depreciation of 6.2%. Accordingly, we are reducing our rating on CTBI to Underperform from Neutral in accordance with our rating system.
- The stock is trading at 15.7X its consensus 2018 EPS estimate, which is essentially in line with the median multiple for small-cap banks of 15.9X. We believe a larger discount is warranted given the company's slower growth prospects and weaker economy and demographics within its footprint.
- Our downgrade is based solely on valuation and note that our 2017 and 2018 operating EPS estimates remain unchanged at \$2.74 and \$3.33, respectively.
- We are retaining our \$44 12-month price target, which we continue to derive through the blended values indicated by our discounted dividend model and the stock's historical forward multiple of approximately 13X to our 2018 EPS estimate.
- CTBI's share price is up 28.1% since the presidential election. There are valid reasons for the advance such as prospects for higher interest rates, lower corporate taxes and a stronger economy. There are also considerable risks and uncertainties regarding these and other factors that could impact bank valuations. We encourage investors to take profits.

Note Important Disclosures on pages 4 and 5

Note Analyst Certification on page 4

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.

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.

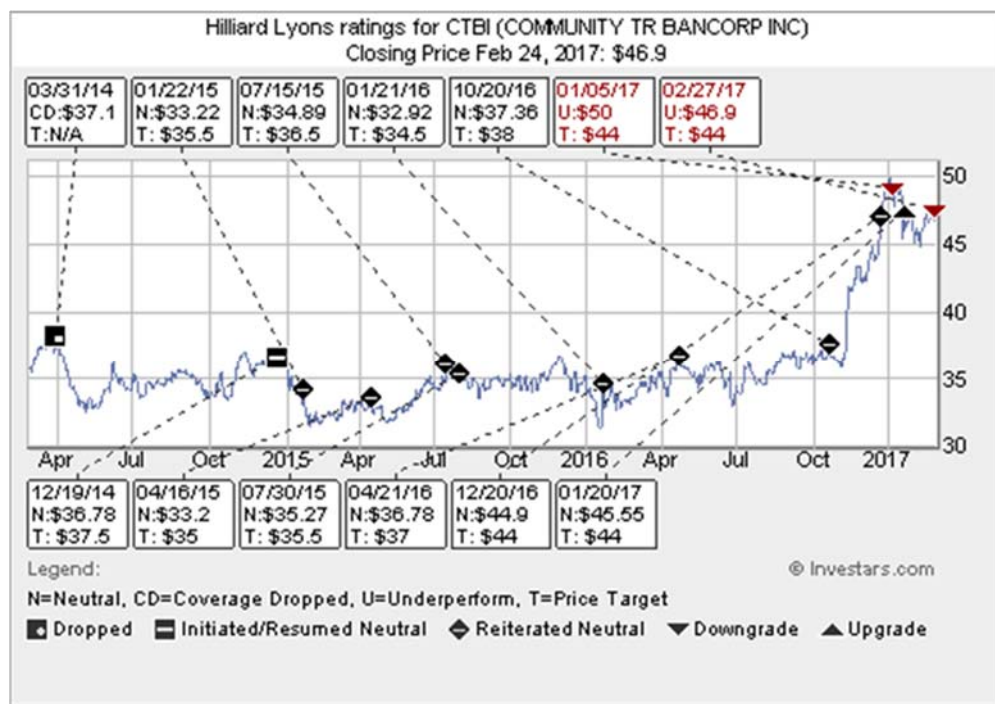
Definitions of Suitabilities:

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.



Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.		
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	17%	83%
Hold/Neutral	76	62%	7%	93%
Sell	10	8%	0%	100%

As of 6 February 2017

Other Disclosures

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