



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

RBCAA - NASDAQ (as of 01/31/18)	\$38.54
Price Target	NA
52-Week Range	\$31.97-\$44.04
Shares Outstanding (mm)	20.9
Market Cap. (\$mm)	\$804
3-Mo. Average Daily Volume (000)	15.6
Institutional Ownership	32.1%
Tangible Equity / Tangible Assets	9.5%
ROE	7.3%
Tangible Book Value Per Share	\$29.51
Price/Tangible Book Value	130.6%
Dividend Yield	2.3%
Price/LTM Earnings	17.5x

Operating EPS CY 12/31

	Prior 2017A	Curr. 2018E	Prior 2019E	Curr. 2019E
1Q	\$0.96	\$1.21	\$1.22	\$1.28
2Q	\$0.48	\$0.67	\$0.70	\$0.76
3Q	\$0.53	\$0.60	\$0.62	\$0.66
4Q	\$0.53	\$0.56	\$0.56	\$0.57
Year	\$2.50	\$3.03	\$3.11	\$3.28
P/E	15.4x		12.4x	11.8x

Common Dividends

	2017A	Curr. 2018E	Prior % chg.	Curr. 2019E
1Q	\$0.19	\$0.22	15.8	\$0.22
2Q	\$0.19	\$0.22	15.8	\$0.22
3Q	\$0.19	\$0.22	15.8	\$0.22
4Q	\$0.19	\$0.22	15.8	\$0.22
Year	\$0.76	\$0.88	15.8	\$0.88

Company Description - Republic Bancorp is a commercial banking organization headquartered in Louisville, Kentucky. The company operates more than 30 offices in Kentucky, Indiana, Florida and Tennessee. In addition to traditional banking services, the company is involved in income tax refund processing and mortgage warehousing.

Banks

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Republic Bancorp, Inc.

RBCAA -- NASDAQ -- Neutral -- 3

4Q17 Review; Retaining Neutral Rating

- **Earnings Results:** Excluding a \$0.30 charge stemming from the revaluation of deferred tax assets, RBCAA reported Q4 operating EPS of \$0.53, which was above our estimate and the Street consensus of \$0.47. The major driver of the beat relative to our estimate was higher-than-expected purchase accounting accretion.
- **Positive Highlights:** Net interest income surged 4.8% linked-quarter (LQ) to \$50.6 million on nine bps of net interest margin (NIM) expansion to 4.26% and a 4.0% increase in average earning assets. We had projected net interest income of \$46.5 million and a 4.17% margin.

Period-end loans increased 1.4% sequentially.

Operating noninterest income fell 0.4% sequentially to \$10.3 million as a 27.4% decline in "other" noninterest income was largely offset by gains in various other line items. However, results were in line with expectations.

- **Negative Highlights:** Noninterest expense increased 2.8% LQ to \$38.1 million primarily on a 45.2% rise in data processing expense stemming from conversion-related expenses for an upcoming change to the company's digital banking vendor for commercial customers. Our estimate for noninterest expense was \$37.4 million.

The provision for loan losses rose \$1.9 million LQ to \$6.1 million. Excluding restructured loans, Nonperforming Assets/Assets fell three bps LQ to 0.28%, while the net charge-off ratio increased 15 bps to 0.35%. We had modeled a provision of \$4.3 million and net charge-offs of 28 bps.

- **Estimates:** We are increasing our 2018 operating EPS estimate by \$0.08 to \$3.11 introducing our 2019 estimate at \$3.28. We reaffirm our Neutral rating.

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

OTHER KEY TAKEAWAYS

- Tangible book value per share decreased \$0.26 to \$29.27 and was impacted by the revaluation of the company's deferred tax assets.
- The 4Q17 NIM benefitted from 19 bps of accelerated purchase accounting accretion associated with payoffs with two large loans that were picked up in acquisitions.
- The company is hopeful that it can achieve solid YOY growth in its Easy Advance tax refund loans in 1Q18.
- Management noted that deposit pricing pressure is building and could be a headwind to benefits arising from Fed rate hikes.
- Major model assumptions include two Fed rate hikes in 2018 and 2019, continued flattening of the yield curve and a 21% effective tax rate.

SUITABILITY

Our suitability rating on RBCAA 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

- **Regulatory Environment** – Banks operate in a highly regulated environment. Consequently, the company is vulnerable to regulatory uncertainties that could negatively impact shareholders.
- **Earnings at Risk** – Regulators could potentially force the company to reduce pricing on or discontinue certain high yielding loans that it offers to consumers.
- **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.
- **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.

Republic Bancorp is/was a client of Hilliard Lyons in the past 12 months, received non-investment banking securities-related services and Hilliard Lyons received compensation for these 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.

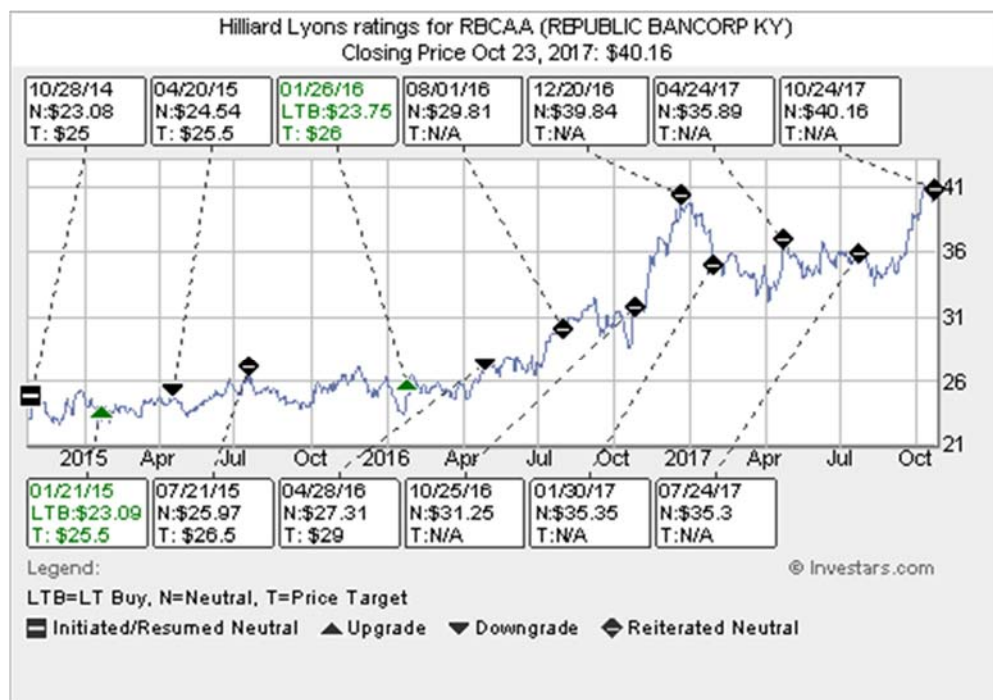
Definitions of Suitabilities:

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



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

As of 8 January 2018

Other Disclosures

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