



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

RBCAA - NASDAQ (as of 07/21/17)	\$35.30
Price Target	NA
52-Week Range	\$28.56-\$40.74
Shares Outstanding (mm)	20.9
Market Cap. (\$mm)	\$736
3-Mo. Average Daily Volume (000)	21.5
Institutional Ownership	32.2%
Tangible Equity / Tangible Assets	9.5%
ROE	7.7%
Tangible Book Value Per Share	\$29.23
Price/Tangible Book Value	120.8%
Dividend Yield	2.5%
Price/LTM Earnings	14.8x

Operating EPS CY 12/31

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.85	\$0.96A	\$0.96A	\$1.15	\$1.21
2Q	\$0.42	\$0.52	\$0.48A	\$0.62	\$0.63
3Q	\$0.50	\$0.43	\$0.46	\$0.53	\$0.53
4Q	\$0.48	\$0.42	\$0.44	\$0.52	\$0.50
Year	\$2.25	\$2.33	\$2.33	\$2.82	\$2.87
P/E	15.7x		15.1x		12.3x

Common Dividends

	2016A	Curr. 2017E	Prior % chg.	Curr. 2018E
1Q	\$0.20	\$0.21A	5.6	\$0.22
2Q	\$0.21	\$0.22A	5.3	\$0.22
3Q	\$0.21	\$0.22	5.3	\$0.24
4Q	\$0.21	\$0.22	5.3	\$0.24
Year	\$0.83	\$0.87	5.3	\$0.92

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

Loan Growth Accelerates; Retaining Neutral Rating

- **Earnings Results:** RBCAA reported Q2 GAAP and operating EPS of \$0.48, which was below our estimate and the Street consensus of \$0.52.

Positive Highlights: End-of-period loan growth was exceptionally robust at 5.6% LQ, while average loans declined 0.5%. We had projected 4.2% end-of-period loan growth.

Net interest income fell \$13.3 million linked-quarter (LQ) to \$43.3 million on 112 bps of net interest margin contraction to 3.87% and a 1.4% dip in average earning assets. We had projected net interest income of \$43.3 million and a 3.86% margin. Q1 results benefitted from the company's tax refund business.

Noninterest income dropped \$12.0 million sequentially to \$12.9 million, primarily on lower tax refund fees. However, results exceeded our estimate of \$11.7 million.

Excluding restructured loans, Nonperforming Assets/Assets fell seven bps LQ to 0.39%.

- **Negative Highlights:** Noninterest expense decreased \$3.2 million LQ to \$35.7 million. However, results were above our estimate of \$34.9 million.

The provision for loan losses fell \$7.3 million LQ to \$5.1 million and was above our estimate of \$3.2 million. The net charge-off ratio increased 71 bps to 1.02%.

- **Estimates:** We are maintaining our \$2.33 2017 operating EPS estimate and increasing our 2018 estimate by \$0.05 to \$2.87. We reaffirm our Neutral rating.

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

OTHER KEY TAKEAWAYS

- The majority of Q2's loan growth came late in the quarter. Management expects that strong growth will continue through the year and noted that commercial demand has picked up significantly.
- The LQ increase in net charge-offs was primarily related to the company's Easy Advance tax refund loans that had existing reserves. The core bank's net charge-off ratio ticked up a modest three bps to 0.05%.
- The core bank's net interest margin rose 13 bps LQ primarily due to the recent Fed rate hikes, well-managed deposit costs and the maturity of higher-rate Federal Home Loan Bank borrowings.
- Marketing expenses increased \$0.4 million sequentially to \$1.4 million due to business development efforts associated with the company's separately-branded digital banking platform.
- Major model assumptions include a Fed rate hike in December followed by two additional hikes in 2018, continued flattening of the yield curve and a 28% corporate tax rate in 2018. Given the considerable uncertainties regarding corporate tax reform, we are employing conservative hurdle rates in establishing our ratings.

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.

	REPUBLIC BANCORP, INC.										RBCAA: NEUTRAL		
	1Q016 A	2Q016 A	3Q016 A	4Q016 A	1Q017 A	2Q017 A	3Q017 E	4Q017 E	FY 2015 A	FY 2016 A	FY 2017 E	FY 2018 E	FY 2018 E
\$Millions, Except for Per Share Data Balance Sheet Data:													
Assets	4,246.8	4,646.9	4,827.3	4,816.3	4,664.8	4,955.7	5,007.2	5,025.7	4,230.3	4,816.3	5,025.7	5,210.8	13.9%
Gross Loans	3,360.1	3,786.0	3,834.3	3,825.9	3,720.7	3,928.1	3,968.9	3,983.6	3,331.2	3,825.9	3,983.6	4,236.4	14.9%
Average Earning Assets	4,172.8	4,153.6	4,315.5	4,422.0	4,520.4	4,458.8	4,570.4	4,609.0	3,788.7	4,265.4	4,539.7	4,854.4	12.6%
Deposits	2,736.6	2,856.0	3,135.9	3,160.7	3,348.8	3,133.9	3,166.5	3,178.2	2,487.5	3,160.7	3,178.2	3,295.3	27.1%
Equity	591.6	595.0	600.6	604.4	620.7	626.9	632.0	636.7	576.5	604.4	636.7	678.6	4.8%
Statement of Operations:													
Net Interest Income	39.4	35.6	39.4	41.6	56.4	43.1	44.6	44.9	124.0	156.1	189.1	208.2	25.9%
Provision for Loan Losses	5.2	1.8	2.5	5.0	12.4	5.1	3.9	4.1	5.4	14.5	25.4	28.3	168.6%
Non-Interest Income:													
Deposit Service Charges	3.1	3.3	3.4	3.3	3.2	3.4	3.4	3.4	13.0	13.2	13.4	13.6	1.2%
Net Refund Transfer Fees	17.1	1.9	0.1	0.1	15.4	2.8	0.3	0.1	17.4	19.2	18.5	19.5	10.7%
Mortgage Banking	1.3	1.6	3.1	1.0	1.2	1.4	1.5	1.2	4.4	6.9	5.3	5.5	56.0%
Interchange Fees	2.1	2.2	2.4	2.3	2.3	2.5	2.5	2.6	8.4	9.0	9.9	10.5	7.9%
Gain on Sales of OREO	0.2	0.1	-0.1	0.1	0.0	0.2	0.2	0.2	(0.3)	0.2	0.6	0.8	-181.1%
BOLI	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	1.4	1.5	1.6	1.6	8.1%
Other	0.7	1.4	2.0	3.3	2.5	2.1	2.4	2.5	3.6	7.4	9.5	10.4	105.2%
Securities Gains	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	-100.0%
Total Non-Interest Income	24.9	10.8	11.3	10.5	25.0	12.9	10.6	10.4	48.0	57.5	58.9	61.8	19.9%
Non-Core Adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	-100.0%
Adjusted Non-Interest Income	24.9	10.8	11.3	10.5	25.0	12.9	10.6	10.4	47.9	57.5	58.9	61.8	20.1%
Non-Interest Expense:													
Salaries & Benefits	17.1	17.8	18.1	16.9	21.2	20.0	20.3	20.7	58.1	69.9	82.3	87.1	20.3%
Occupancy & Equipment	5.4	5.1	5.6	5.6	6.0	5.9	6.0	6.1	20.7	21.8	23.9	25.3	5.3%
Communication & Transportation	1.1	0.9	1.0	1.3	1.3	0.9	1.2	1.2	3.8	4.3	4.5	4.7	13.4%
Marketing	0.5	1.2	1.1	1.0	1.0	1.4	1.4	1.4	3.2	3.8	5.3	5.9	19.5%
Other	8.5	6.9	7.7	7.3	9.5	7.5	7.6	7.6	27.6	30.4	32.1	33.1	10.1%
Total Non-Interest Expense	32.5	31.9	33.5	32.2	38.9	35.7	36.4	37.0	113.3	130.1	148.1	156.1	14.8%
Non-Core Adjustment	0.0	-0.7	-1.1	0.0	0.0	0.0	0.0	0.0	(0.4)	(1.8)	0.0	0.0	334.0%
Adjusted Non-Interest Expense	32.5	31.2	32.5	32.2	38.9	35.7	36.4	37.0	112.9	128.3	148.1	156.1	13.7%
Pretax Income	26.6	13.4	15.7	15.0	30.1	15.3	14.8	14.2	53.6	70.7	74.5	85.6	32.1%
Income Taxes	8.9	5.1	5.9	5.0	10.1	5.2	5.2	5.0	18.4	24.8	25.5	24.8	35.0%
Net Income Available to Common	17.7	8.3	9.8	10.0	20.0	10.1	9.6	9.2	35.2	45.9	49.0	60.8	30.5%
Share & Per Share Data:													
Diluted EPS	0.85	0.40	0.47	0.48	0.96	0.48	0.46	0.44	1.68	2.19	2.33	2.87	30.4%
Operating EPS	0.85	0.42	0.50	0.48	0.96	0.48	0.46	0.44	1.69	2.25	2.33	2.87	33.0%
Dividends Per Share	0.20	0.21	0.21	0.21	0.21	0.22	0.22	0.22	0.78	0.83	0.87	0.92	5.6%
Tangible Book Value	27.81	27.68	27.95	27.89	28.93	29.22	29.47	29.70	27.10	27.89	29.70	31.71	2.9%
Common Shares Outstanding	20,904	20,862	20,862	20,862	20,862	20,862	20,862	20,862	20,897	20,862	20,862	20,862	-0.2%
Average Diluted Shares	21,009	20,958	20,938	20,941	20,996	21,230	21,166	21,166	20,942	20,963	21,140	21,166	0.1%
Key Financial Statistics:													
Return on Assets	1.60%	0.77%	0.87%	0.87%	1.68%	0.87%	0.77%	0.73%	0.89%	1.03%	1.01%	1.21%	14
Return on Equity	12.07%	5.59%	6.54%	6.62%	13.32%	6.43%	6.08%	5.77%	6.15%	7.72%	7.90%	9.25%	(2)
Net Interest Margin	3.78%	3.43%	3.65%	3.77%	4.99%	3.87%	3.91%	3.90%	3.27%	3.66%	4.17%	4.30%	157
Operating Non-Int. Inc./Operating Rev.	38.72%	23.29%	23.29%	20.11%	30.70%	23.06%	19.21%	18.76%	27.87%	26.93%	22.93%	22.07%	39
Efficiency Ratio	50.44%	68.46%	65.83%	61.42%	47.72%	63.50%	66.77%	66.77%	65.97%	61.50%	60.95%	59.29%	(94)
Tangible Common Ratio	13.72%	12.48%	12.12%	12.23%	12.98%	12.34%	12.37%	12.37%	13.42%	12.23%	12.37%	12.74%	(447)
NCOs/Average Loans	0.15%	0.46%	0.15%	0.27%	0.31%	1.02%	0.28%	0.28%	0.07%	0.25%	0.47%	0.51%	(119)

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.

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.

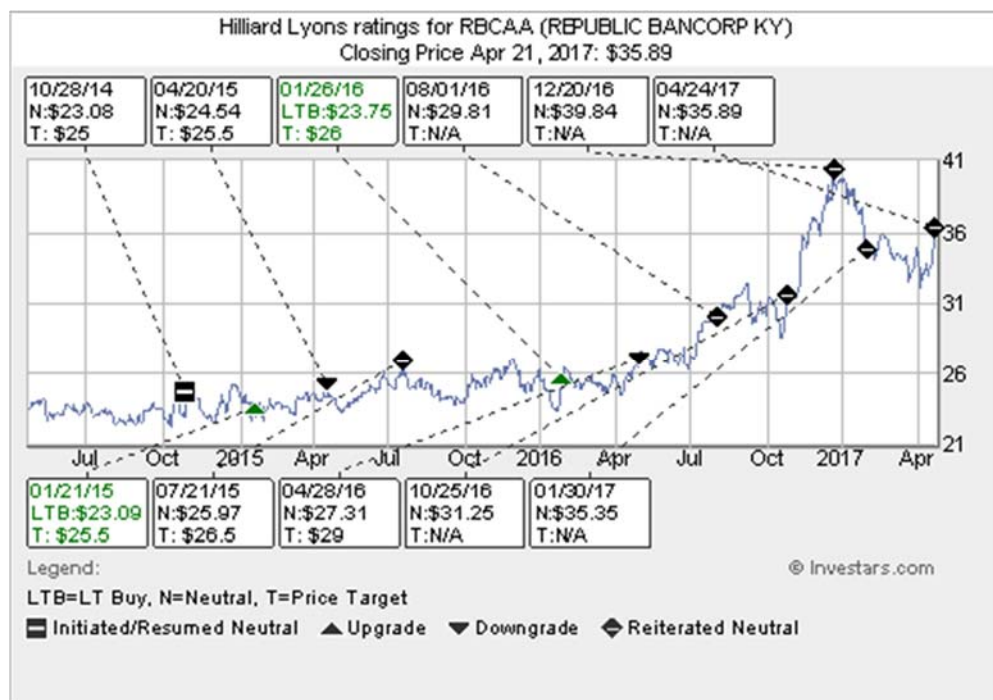
Definitions of Suitabilities:

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



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	29%	14%	86%
Hold/Neutral	79	63%	5%	95%
Sell	10	8%	0%	100%

As of 7 July 2017

Other Disclosures

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