



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

RBCAA - NASDAQ (as of 10/23/17)	\$40.16
Price Target	NA
52-Week Range	\$30.00-\$44.04
Shares Outstanding (mm)	20.9
Market Cap. (\$mm)	\$838
3-Mo. Average Daily Volume (000)	16.4
Institutional Ownership	30.0%
Tangible Equity / Tangible Assets	9.5%
ROE	7.7%
Tangible Book Value Per Share	\$29.53
Price/Tangible Book Value	136.0%
Dividend Yield	2.2%
Price/LTM Earnings	16.5x

Operating EPS CY 12/31

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.85	\$0.96A	\$0.96A	\$1.21	\$1.21
2Q	\$0.42	\$0.48A	\$0.48A	\$0.63	\$0.67
3Q	\$0.50	\$0.46	\$0.53A	\$0.53	\$0.60
4Q	\$0.48	\$0.44	\$0.47	\$0.50	\$0.56
Year	\$2.25	\$2.33	\$2.44	\$2.87	\$3.03
P/E	17.9x		16.5x		13.2x

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	\$0.22A	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

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
October 24, 2017

Republic Bancorp, Inc.

RBCAA -- NASDAQ -- Neutral -- 3

Net Interest Margin Expansion Drives Beat; Retaining Neutral Rating

- **Earnings Results:** Excluding a \$0.02 charge related to a branch office held for sale, RBCAA reported Q3 GAAP and operating EPS of \$0.49, which was above our estimate and the Street consensus of \$0.46. The driver of the beat was higher than expected net interest income.

Positive Highlights: Net interest income rose \$5.2 million linked-quarter (LQ) to \$48.3 million on 30 bps of net interest margin (NIM) expansion to 4.17%, a 4.0% increase in average earning assets and an extra day in the quarter. We had projected net interest income of \$44.6 million and a 3.91% margin.

End-of-period loan growth was 1.1% LQ, while average loans increased 3.9%. Results were in line with our projections.

Excluding restructured loans, Nonperforming Assets/Assets fell one bp LQ to 0.31%, while the net charge-off ratio decreased 82 bps to 0.20%.

- **Negative Highlights:** Noninterest income dropped \$2.6 million sequentially to \$10.4 million, primarily on lower net refund transfer fees. We had modeled noninterest income of \$10.6 million.

Operating noninterest expense increased \$1.4 million LQ to \$37.1 million, which came in above our estimate of \$36.4 million.

The provision for loan losses fell \$0.8 million to \$4.2 million but was above our estimate of \$3.9 million.

- **Estimates:** We are increasing our 2017 and 2018 operating EPS estimates to \$2.44 and \$3.03 from \$2.44 and \$2.87 on higher net interest income. We reaffirm our Neutral rating.

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

OTHER KEY TAKEAWAYS

- Approximately 14 bps of NIM expansion were attributable to accelerated accretion resulting from the payoff of a large FDIC-acquired loan, which benefitted EPS by approximately \$0.05. The company indicated that the remainder of the increase in the margin was attributable to efforts to increase its sensitivity to a rising interest environment.
- Management further noted that deposit pricing has remained benign in light of the recent Fed interest rate increases.
- Management stated that the commercial loan pipeline remains strong.
- RBCAA noted that it is making efforts to enhance mortgage production through market and technology.
- 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 A	4Q017 E	FY 2016 A	FY 2017 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	4,993.2	5,039.0	4,230.3	4,816.3	5,359.1
Gross Loans	3,360.1	3,786.0	3,834.3	3,825.9	3,720.7	3,928.1	3,970.6	4,007.1	3,331.2	3,825.9	4,261.7
Average Earning Assets	4,172.8	4,153.6	4,315.5	4,422.0	4,520.4	4,458.8	4,636.9	4,688.4	3,788.7	4,265.4	4,872.2
Deposits	2,736.6	2,856.0	3,135.9	3,160.7	3,348.8	3,133.9	3,349.7	3,380.5	2,487.5	3,160.7	3,595.2
Equity	591.6	595.0	600.6	604.4	620.7	626.9	633.1	638.5	576.5	604.4	683.9
									13.9%	4.6%	6.4%
									14.9%	4.7%	6.4%
									12.6%	7.2%	6.6%
									27.1%	7.0%	6.4%
									4.8%	5.6%	7.1%
Statement of Operations:											
Net Interest Income	39.4	35.6	39.4	41.6	56.4	43.1	48.3	46.5	124.0	156.1	214.3
Provision for Loan Losses	5.2	1.8	2.5	5.0	12.4	5.1	4.2	4.3	5.4	14.5	28.3
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	13.6
Net Refund Transfer Fees	17.1	1.9	0.1	0.1	15.4	2.8	0.2	0.1	17.4	19.2	19.4
Mortgage Banking	1.3	1.6	3.1	1.0	1.2	1.4	1.1	0.9	4.4	6.9	4.0
Interchange Fees	2.1	2.2	2.4	2.3	2.3	2.5	2.5	2.5	8.4	9.0	10.4
Gain on Sales of OREO	0.2	0.1	-0.1	0.1	0.0	0.2	0.0	0.1	(0.3)	0.2	0.3
BOLI	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	1.4	1.5	1.6
Other	0.7	1.4	2.0	3.3	2.5	2.1	2.8	2.8	10.3	7.4	12.9
Securities Gains	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Non-Interest Income	24.9	10.8	11.3	10.5	25.0	12.9	10.4	10.3	48.0	57.5	62.2
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
Adjusted Non-Interest Income	24.9	10.8	11.3	10.5	25.0	12.9	10.4	10.3	47.9	57.5	62.2
Non-Interest Expense:											
Salaries & Benefits	17.1	17.8	18.1	16.9	21.2	20.0	20.5	20.9	58.1	69.9	87.9
Occupancy & Equipment	5.4	5.1	5.6	5.6	6.0	5.9	6.8	6.0	20.7	21.8	24.9
Communication & Transportation	1.1	0.9	1.0	1.0	1.3	0.9	1.2	1.2	3.8	4.7	5.1
Marketing	0.5	1.2	1.1	1.0	1.0	1.4	1.7	1.5	3.2	3.8	5.9
Other	8.5	6.9	7.7	7.3	9.5	7.5	7.8	7.8	27.6	30.4	33.7
Total Non-Interest Expense	32.5	31.9	33.5	32.2	38.9	35.7	38.0	37.4	113.3	130.1	157.5
Non-Core Adjustment	0.0	-0.7	-1.1	0.0	0.0	0.0	-0.9	0.0	(0.4)	(1.8)	(0.9)
Adjusted Non-Interest Expense	32.5	31.2	32.5	32.2	38.9	35.7	37.1	37.4	112.9	128.3	157.5
Pretax Income	26.6	13.4	15.7	15.0	30.1	15.3	17.3	15.1	53.6	70.7	90.6
Income Taxes	8.9	5.1	5.9	5.0	10.1	5.2	6.6	5.2	18.4	24.8	27.2
Net Income Available to Common	17.7	8.3	9.8	10.0	20.0	10.1	10.7	9.9	35.2	45.9	64.2
Share & Per Share Data:											
Diluted EPS	0.85	0.40	0.47	0.48	0.96	0.48	0.51	0.47	1.68	2.19	3.03
Operating EPS	0.85	0.42	0.50	0.48	0.96	0.48	0.53	0.47	1.69	2.25	3.03
Dividends Per Share	0.20	0.21	0.21	0.21	0.21	0.22	0.22	0.22	0.78	0.83	0.92
Tangible Book Value	27.81	27.68	27.95	27.89	28.93	29.23	29.53	29.78	27.10	27.89	31.97
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
Average Diluted Shares	21,009	20,958	20,938	20,941	20,996	21,230	21,236	21,168	20,942	20,963	21,168
Key Financial Statistics:											
Return on Assets	1.60%	0.77%	0.87%	0.87%	1.65%	0.86%	0.89%	0.78%	0.89%	1.03%	1.25%
Return on Equity	12.07%	5.59%	6.54%	6.62%	13.12%	6.42%	6.76%	6.17%	6.15%	7.72%	9.72%
Net Interest Margin	3.78%	3.43%	3.65%	3.77%	4.99%	3.87%	4.17%	3.99%	3.27%	3.66%	4.41%
Operating Non-Int. Inc./Operating Rev.	38.72%	23.29%	22.29%	20.11%	30.70%	23.06%	17.68%	18.08%	27.87%	26.93%	21.73%
Efficiency Ratio	50.44%	68.46%	65.83%	61.42%	47.72%	63.50%	64.67%	65.65%	65.97%	61.50%	58.10%
Tangible Common Ratio	13.72%	12.48%	12.12%	12.23%	12.98%	12.34%	12.38%	12.37%	13.42%	12.23%	12.48%
NCOs/Average Loans	0.15%	0.46%	0.15%	0.27%	0.31%	1.02%	0.20%	0.28%	0.07%	0.25%	0.51%
									14	2	20
									157	39	161
									39	60	16
									(94)	(455)	(65)
									(447)	(111)	(229)
									(119)	14	11
									18	20	6
									20.3%	18.3%	6.4%
									5.3%	13.3%	0.8%
									13.4%	10.4%	8.6%
									19.5%	46.6%	7.3%
									10.1%	6.9%	3.5%
									14.8%	15.3%	4.9%
									334.0%	-48.5%	-100.0%
									13.7%	16.2%	5.6%
									32.1%	10.1%	16.4%
									35.0%	9.4%	-2.9%
									30.5%	10.4%	26.7%
									30.4%	10.1%	25.8%
									33.0%	8.7%	24.3%
									5.6%	5.3%	5.9%
									2.9%	6.8%	7.3%
									-0.2%	0.0%	0.0%
									0.1%	0.9%	0.0%
									1.25%	1.05%	1.25%
									8.11%	8.11%	9.72%
									4.25%	4.25%	4.41%
									26.38%	26.38%	21.73%
									60.39%	60.39%	58.10%
									12.37%	12.37%	12.48%
									0.45%	0.45%	0.51%

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.

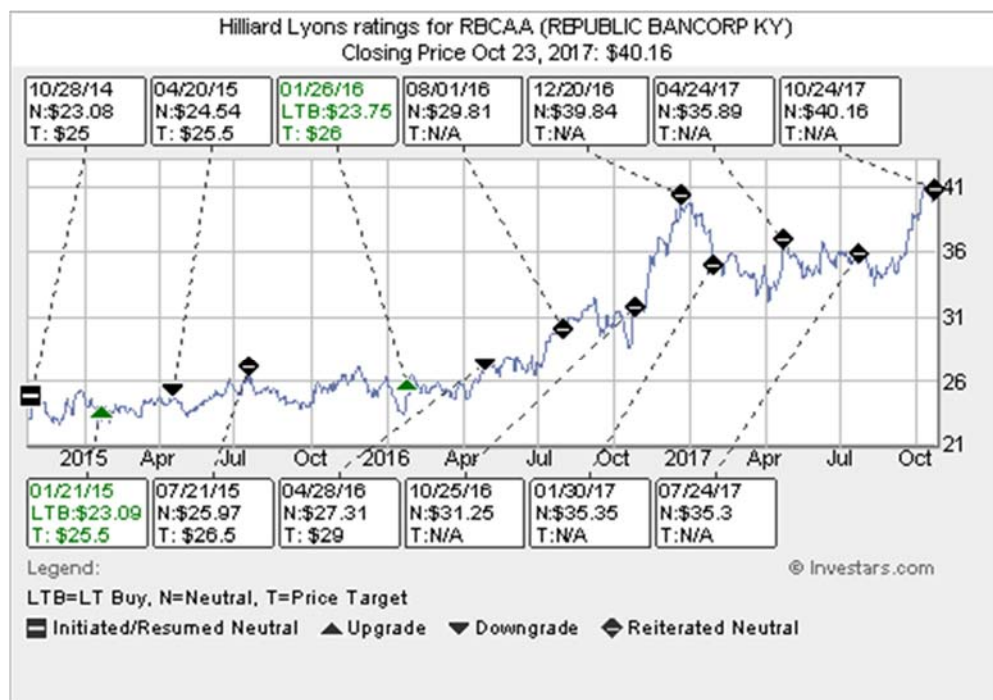
Definitions of Suitabilities:

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



Hilliard Lyons Recommended Issues			Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	39	32%	8%	92%
Hold/Neutral	74	60%	9%	91%
Sell	8	7%	0%	100%
Restriction	2	2%	100%	0%

As of 5 October 2017

Other Disclosures

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

J.J.B. Hilliard, W.L. Lyons, LLC is a multi-disciplined financial services firm that regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as placement agent in private transactions.

The information herein has been obtained from sources we believe to be reliable but is not guaranteed and does not purport to be a complete statement of all material factors. This is for informational purposes and is not a solicitation of orders to purchase or sell securities. Reproduction is forbidden unless authorized. All rights reserved.