



COMPANY UPDATE / ESTIMATES CHANGE/ RATING CHANGE

Key Metrics

SYBT - NASDAQ (as of 05/24/17)	\$37.00
Price Target	\$38.00
52-Week Range	\$26.53-\$48.05
Shares Outstanding (mm)	22.7
Market Cap. (\$mm)	\$838
3-Mo. Average Daily Volume (000)	49.1
Institutional Ownership	49.5%
Tangible Equity / Tangible Assets	9.5%
ROE	13.5%
Tangible Book Value Per Share	\$14.02
Price/Tangible Book Value	264.0%
Dividend Yield	2.2%
Price/LTM Earnings	20.1x

Operating EPS CY 12/31

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.44	\$0.47A	\$0.47A	\$0.52	\$0.52
2Q	\$0.45	\$0.49	\$0.49	\$0.56	\$0.56
3Q	\$0.46	\$0.51	\$0.51	\$0.59	\$0.59
4Q	\$0.46	\$0.50	\$0.50	\$0.59	\$0.59
Year	\$1.80	\$1.97	\$1.97	\$2.25	\$2.25
P/E	20.5x		18.8x		16.4x

Common Dividends

	2016A	Curr. 2017E	Prior % chg.	Curr. 2018E
1Q	\$0.17	\$0.19A	14.0	\$0.20
2Q	\$0.18	\$0.19	5.6	\$0.21
3Q	\$0.18	\$0.19	5.6	\$0.21
4Q	\$0.19	\$0.20	5.3	\$0.21
Year	\$0.72	\$0.77	7.4	\$0.83

Company Description - Stock Yards Bancorp is a commercial banking organization headquartered in Louisville, Kentucky. In addition to the Louisville MSA, the company has operations in greater Cincinnati and Indianapolis. SYBT is active in trust and wealth management services, with assets under management being similar in size to balance sheet assets.

Banks

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May 25, 2017

Stock Yards Bancorp, Inc.

SYBT -- NASDAQ -- Neutral -- 3

Upgrading to Neutral on Valuation

- With the pullback in SYBT's share price in recent weeks, the stock is now trading below our price target. Accordingly, we are raising our rating to Neutral from Underperform.
- We are retaining our 2017 and 2018 operating EPS estimates at \$1.97 and \$2.25, respectively.
- Our 12-month price target remains unchanged at \$38.00. We derive our price target through our discounted dividend model and the application of SYBT's historical forward multiple of approximately 15X to our 3Q18-2Q19 EPS estimates.
- Stock Yard's has a fairly neutral interest rate sensitivity position with its simulation model indicating that net interest income would increase 0.5% under a scenario wherein interest rates immediately increase by 100 bps. We believe SYBT's muted interest rate sensitivity relative to the sector is more fully reflected in its share price given the recent pullback.

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

SUITABILITY

Our suitability rating on SYBT 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.

	STOCK YARDS BANCORP, INC.										SYBT-NEUTRAL				
	1Q16 A	2Q16 A	3Q16 A	4Q16 A	1Q17 A	2Q17 E	3Q17 E	4Q17 E	FY 2015 A	FY 2016 A	FY 2017 E	FY 2018 E	FY 2016 A	FY 2017 E	FY 2018 E
\$Millions, Except for Per Share Data															
Balance Sheet Data:															
Total Assets	2,824.1	2,909.5	2,938.7	3,038.7	3,033.3	3,047.9	3,104.0	3,178.5	2,817.0	3,038.7	3,178.5	3,464.9	7.9%	4.6%	9.0%
Total Gross Loans	2,098.5	2,182.0	2,228.7	2,308.6	2,276.7	2,290.3	2,343.0	2,413.3	2,039.8	2,308.6	2,413.3	2,630.8	13.2%	4.5%	9.0%
Average Earning Assets	2,673.8	2,705.4	2,722.3	2,821.4	2,838.5	2,867.3	2,900.6	2,962.2	2,429.6	2,730.5	2,892.1	3,102.5	12.4%	5.9%	7.3%
Deposits	2,366.1	2,349.9	2,390.6	2,520.5	2,544.3	2,556.5	2,603.5	2,666.0	2,371.7	2,520.5	2,666.0	2,906.2	6.3%	5.8%	9.0%
Equity	296.3	305.1	311.6	313.9	319.7	328.9	338.5	347.9	286.4	313.9	347.9	391.9	9.6%	10.8%	12.7%
Statement of Operations:															
FTE Net Interest Income	23.7	24.2	25.0	25.3	25.4	25.9	26.8	27.1	89.2	98.1	105.3	113.6	9.9%	7.3%	7.9%
Net Interest Income	23.5	24.0	24.8	25.1	25.2	25.7	26.6	26.9	88.3	97.3	104.4	112.7	10.1%	7.4%	7.9%
Provision for Loan Losses	0.5	0.8	1.3	0.5	0.9	0.7	1.0	1.2	0.8	3.0	3.9	5.8	300.0%	28.3%	50.0%
Non-Interest Income:															
Investment Management & Trust	4.6	4.8	4.8	4.9	5.1	5.4	5.3	5.4	18.0	19.2	21.1	22.5	6.3%	10.2%	6.8%
Deposit Service Charges	2.1	2.3	2.5	2.5	2.4	2.5	2.7	2.5	8.9	9.5	10.1	10.3	6.3%	6.9%	1.3%
Bankcard Transaction Revenue	1.3	1.4	1.5	1.5	1.4	1.5	1.5	1.5	4.9	5.7	6.0	6.3	16.0%	5.9%	5.0%
Mortgage Banking	0.8	1.0	1.1	1.0	0.7	0.9	0.8	0.7	3.5	3.9	3.1	3.5	11.7%	-20.8%	14.7%
Brokerage Commissions & Fees	0.4	0.5	0.6	0.6	0.5	0.6	0.6	0.6	2.0	2.1	2.3	2.4	7.6%	9.3%	4.0%
BOLI	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.9	0.9	0.8	0.8	-2.0%	-6.3%	0.0%
Gain on Acquisition	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	NA	NA
Other	0.6	0.5	0.7	0.6	0.4	0.6	0.6	0.7	1.8	2.3	2.4	2.8	32.3%	1.4%	17.3%
Securities Gains	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	NA	NA
Total Non-Interest Income	10.1	10.8	11.4	11.3	10.8	11.7	11.7	11.6	40.0	43.5	45.8	48.6	9.0%	5.3%	6.1%
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	NA	NA	NA
Adjusted Non-Interest Income	10.1	10.8	11.4	11.3	10.8	11.7	11.7	11.6	40.0	43.5	45.8	48.6	9.0%	5.3%	6.1%
Non-Interest Expense:															
Salaries & Benefits	12.2	12.0	12.0	13.0	13.4	13.0	13.1	13.1	44.7	49.2	52.6	54.6	10.0%	6.9%	3.9%
Occupancy	1.5	1.5	1.6	1.6	1.6	1.6	1.6	1.6	5.9	6.3	6.4	6.4	6.2%	1.6%	1.0%
Data Processing	1.5	1.9	1.7	1.9	1.9	1.9	1.8	1.8	6.3	7.1	7.4	7.2	11.4%	3.9%	-1.5%
Furniture & Equipment	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.1	1.1	1.1	1.2	6.4%	-0.6%	2.6%
FDIC Insurance	0.3	0.4	0.4	0.4	0.2	0.2	0.2	0.2	1.3	1.2	0.9	1.0	-6.1%	-20.6%	7.6%
Other	3.7	4.2	4.4	4.4	3.1	3.1	3.2	3.2	14.1	16.7	12.6	13.0	18.2%	-24.4%	3.0%
Non-Interest Expense	19.5	20.2	20.5	21.3	21.1	21.1	21.1	21.2	73.4	81.5	84.6	87.5	11.1%	3.8%	3.4%
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	NA	NA	NA
Adjusted Non-Interest Expense	19.5	20.2	20.5	21.3	21.1	21.1	21.1	21.2	73.4	81.5	84.6	87.5	11.1%	3.8%	3.4%
Pretax Core Income	13.5	13.8	14.4	14.6	13.9	15.7	16.2	16.1	54.1	56.3	61.8	68.1	4.0%	9.9%	10.1%
Income Taxes	3.7	3.7	3.9	4.0	3.1	4.2	4.4	4.3	16.9	15.2	16.1	15.2	-10.0%	5.6%	-5.6%
Operating Net Income	9.8	10.1	10.5	10.6	10.8	11.4	11.8	11.7	37.2	41.0	45.7	52.9	10.3%	11.4%	15.6%
Share & Per Share Data:															
Diluted EPS	0.44	0.45	0.46	0.46	0.47	0.49	0.51	0.50	1.66	1.80	1.97	2.25	8.7%	9.4%	14.3%
Operating EPS	0.44	0.45	0.46	0.46	0.47	0.49	0.51	0.50	1.66	1.80	1.97	2.25	8.7%	9.4%	14.3%
Dividends	0.17	0.18	0.18	0.19	0.19	0.19	0.19	0.20	0.64	0.72	0.77	0.83	12.0%	7.4%	7.8%
Tangible Book Value	13.08	13.45	13.71	13.79	14.02	14.39	14.77	15.15	12.70	13.79	15.15	16.91	8.5%	9.9%	11.6%
Common Shares Outstanding	22,478	22,510	22,563	22,617	22,661	22,721	22,781	22,841	22,379	22,617	22,841	23,081	1.1%	1.0%	1.1%
Average Diluted Shares	22,592	22,704	22,803	22,952	23,002	23,201	23,261	23,321	22,432	22,763	23,196	23,471	10.3%	11.4%	15.6%
Key Financial Statistics (GAAP):															
Return on Assets	1.40%	1.42%	1.44%	1.41%	1.46%	1.51%	1.52%	1.48%	1.45%	1.42%	1.49%	1.61%	(3)	7	11
Return on Equity	13.45%	13.53%	13.55%	13.51%	13.59%	14.14%	14.01%	13.55%	13.56%	13.51%	13.82%	14.31%	(5)	31	49
Net Interest Margin	3.56%	3.59%	3.65%	3.56%	3.63%	3.63%	3.67%	3.64%	3.68%	3.59%	3.64%	3.66%	(9)	5	2
Fee Income/Operating Rev.	30.05%	31.04%	31.10%	31.10%	31.27%	31.27%	30.60%	30.12%	31.15%	30.91%	30.50%	30.16%	(24)	(41)	(33)
Efficiency Ratio	58.69%	57.96%	56.19%	58.00%	58.32%	55.92%	54.70%	54.68%	56.54%	57.72%	55.91%	53.86%	118	(181)	(204)
Tang. Equity/Tang. Assets	10.42%	10.42%	10.54%	10.27%	10.48%	10.73%	10.85%	10.89%	10.09%	10.27%	10.89%	11.27%	17	62	38
Dividend Payout Ratio	38.28%	40.43%	39.21%	41.08%	40.50%	38.57%	37.51%	39.79%	38.61%	39.75%	39.09%	36.92%	114	(65)	(217)
NCOs/Average Loans	0.10%	0.01%	0.00%	0.15%	0.07%	0.07%	0.10%	0.10%	0.17%	0.07%	0.09%	0.14%	(10)	2	5

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.

Stock Yards 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.

Hilliard Lyons customers own at least 5% of the outstanding common stock of Stock Yards Bancorp.

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.

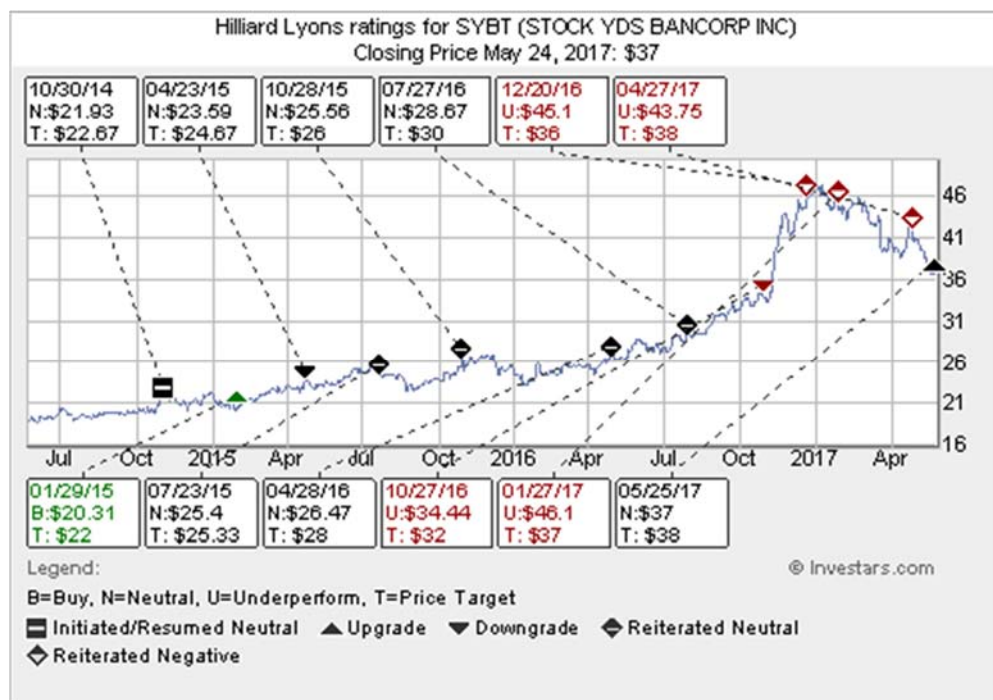
Definitions of Suitabilities:

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	32	26%	13%	88%
Hold/Neutral	79	64%	8%	92%
Sell	12	10%	0%	100%

As of 8 May 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.

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