ANNUAL REPORT 2017

University of Pikeville Health Professionals Education Building, Pikeville, KY
Photo by Jordan Gibson

YOUR COMPANY

"We are committed to increasing shareholder value by operating our community banking model with the core values of fairness, respect, and integrity."

-Mission Statement

Another Year of Record Earnings

Your Company continues to operate with a model of traditional community banking which has been the foundation of our customer service for more than 114 years and has driven our strong history of earnings. We are pleased that 2017 was another year of record earnings for Community Trust Bancorp, Inc.

Our operating model of community banking has allowed us to successfully meet the challenges of a highly competitive business environment and an ever-changing economy. We are large enough to meet all of our customers' product and service needs, yet our business operating model is locally focused and allows us to deliver our products and services with a personal, one-on-one level of customer service.

We are resolute in our commitment to personalized, localized service to the individuals, families, and businesses in the communities we serve. The directors, management, and employees of Community Trust Bancorp, Inc. are committed to turning the challenges we face into opportunities while remaining dedicated to serving our customers and shareholders.

2017 Common Stock				
Sales Price (quarterly)	Mar 31	Jun 30	Sep 30	Dec 31
High	$50.40	$46.90	$47.00	$51.90
Low	$43.25	$41.07	$40.33	$45.00
Close	$45.75	$43.75	$46.50	$47.10

Alltech Dueling Barrels Brewery, 2nd St., Pikeville, KY

TO OUR SHAREHOLDERS

Dear Shareholders

Your Company achieved its 3rd consecutive year of record earnings with net income of $51.5 million and basic earnings per share of $2.92. This performance represents a 1.27% return on average assets and a 9.93% return on average equity. The December enactment of the Tax Cuts and Jobs Act of 2017 resulted in an immediate positive impact on the Company's 2017 earnings of $2.8 million or $0.16 earnings per share. The tax rate reductions for businesses provided by the Act will continue to have a positive impact on the Company's after-tax earnings during 2018.

As a result of the positive impact of the tax cuts on your Company's earnings for 2017, your management and board of directors announced a one-time bonus for all non-executive employees of $1,000 per full-time employee and $500 per part-time employee. Your management continues to believe that the Company's most valuable asset is our employees and our gift of the bonus is an action demonstrating and supporting our belief.

During 2017, we continued our commitment to shareholders by sharing the earnings of the Company with them in the form of quarterly cash dividends. The quarterly cash dividend to shareholders was increased to $0.33 per share. This is the 37th consecutive year of increasing the cash dividend to shareholders, representing a 2017 dividend payout ratio of 44.5%. The cash dividend yield at December 31, 2017 was 2.80%. The earnings of the Company not paid to shareholders as cash dividends are retained and are reflected in the 6.0% increase in shareholders' equity. Shareholders' equity on December 31, 2017 was $530.7 million. The retained earnings are utilized for the continued growth of your Company to increase its earnings capacity long term.

Jean R. Hale
Chairman, President and CEO

Improving Economic Conditions

Economic conditions nationally and in the markets we serve in Kentucky, West Virginia, and Tennessee continued to improve during 2017 and are expected to continue on a path of growth during 2018. The improvement in the economy has been evidenced by the Federal Reserve increasing interest rates and executing the plan for unwinding its balance sheet as the country continued experiencing decreased unemployment rates, increased business activity, and consumer spending and willingness to take on additional debt. The level of inflation and the sustainability of economic growth remain somewhat uncertain. The full impact of the Tax and Jobs Act of 2017 on the economy will be determined as the changes become fully implemented.

There continues to be a feeling of optimism by both businesses and individuals in our market areas. Kentucky continues to exhibit strength within its economy in most parts of the state. We have seen improvement in the economy in the markets we serve, as evidenced by increased business and consumer activity and lower unemployment rates. However, the improvement has been less in our eastern and northeastern Kentucky regions than in our central and south central regions. There have

Alltech Dueling Barrels Brewery, Hambley Blvd., Pikeville, KY
Photo by Jordan Gibson

been several announcements regarding job creation and retraining of the workforce for our regions. Once new or expanding businesses begin hiring employees, there could be significant positive changes within the economies of these regions. **We have chosen to share with you through the pictures in this 2017 annual report some of the increased economic activity that we are seeing within our markets of operation**. We are actively working in our communities by providing financial support and volunteerism to improve economic conditions.

Operational Highlights

The total assets of your Company surpassed $4.1 billion this year, increasing $204.1 million, or 5.2%, during 2017. We continue to operate in a highly competitive environment for both loans and deposits. Our loan portfolio growth, during 2017, exceeded our retail deposit growth resulting in our participation in wholesale funding to support a portion of our loan growth. Our loan portfolio growth was $184.6 million, or 6.3%, and our deposit growth was $175.3 million, or 5.3%, including $82.3 million of wholesale funds. We continued to experience pressure on our net interest margin as it declined to 3.67% from the 3.70% of 2016.

Management believes cost control is a continuous action, not an event, and our ongoing focus on operational efficiencies has allowed us to consistently maintain an efficiency ratio of 59.3% or below over the last five years. Our efficiency ratio at year-end 2017 was 58.7%.

During 2017, your management team continued its focus on improving the asset quality of the Company's loan portfolio and reducing its level of foreclosed properties. We are pleased to report that we saw improvement in all of our credit matrices during 2017 allowing for a reduction of our loan loss reserve as a percentage of total loans to 1.16% at year-end from the 1.22% at December 31, 2016.

Strong Financial Performance

We believe the consistently strong financial performance of your Company continues to demonstrate why an investment in CTBI stock is considered a long-term core value investment. During 2017, the market capitalization of your Company exceeded $700 million, and we, therefore, became designated as a large accelerated filer with the Securities and Exchange Commission. There has been and continues to be significant volatility within the stock market. The 5-year cumulative total return of CTBI stock has underperformed the NASDAQ Stock Market and the NASDAQ Bank Stock Index. Stock price movements are often sector driven and are not necessarily a direct reflection of a company's financial performance. The price of our stock relative to our tangible book value has exceeded the average of our peers three of the past six years.

Our strong history of financial performance can be attributed to many things. Significant among these are the decision to manage your Company using a community banking business model, the strength and dedicated service of our directors, a highly qualified management team and their commitment to the execution of our strategic plan, and the hard work and dedication of our almost 1,000 employees. We believe challenges provide opportunities, and with our strong foundation and 114 years of experience, we have a long history of seizing opportunities for financial success. We are focused on the success of your Company.

We are dedicated to serving our constituents....Our Shareholders, Our Customers, Our Employees, and Our Communities, and your loyalty and support are invaluable to the success of your Company!

Jean R. Hale
Chairman, President and CEO

Bit Source (Coal Miners Coding), Pikeville, KY

FINANCIAL HIGHLIGHTS

(in thousands except ratios, per share amounts, and employees)

For the Year

	2017	2016	Percentage Change
Net income	$ 51,493	$ 47,346	8.8 %
Basic earnings per share	2.92	2.70	8.1
Diluted earnings per share	2.92	2.70	8.1
Cash dividends per share	1.30	1.26	3.2
Average shares outstanding	17,631	17,548	0.5 %

At Year End

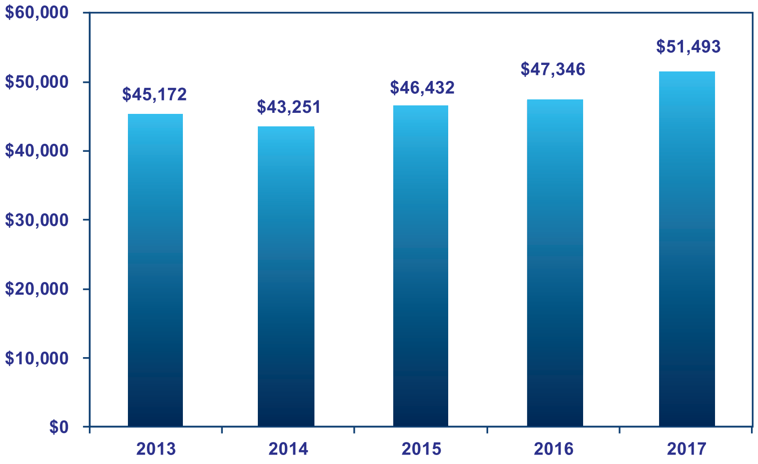
	2017	2016	Percentage Change
Assets	$4,136,231	$3,932,169	5.2 %
Earning assets	3,872,599	3,667,626	5.6
Deposits, incl. repurchase agreements	3,507,677	3,332,373	5.3
Loans	3,122,940	2,938,371	6.3
Allowance for loan and lease losses	36,151	35,933	0.6
Shareholders' equity	530,699	500,615	6.0
Book value per share	30.00	28.40	5.6
Market price per common share	47.10	49.60	(5.0)
Common shares outstanding	17,693	17,629	0.4 %
Full time equivalent employees	990	996	(0.6)

Significant Ratios

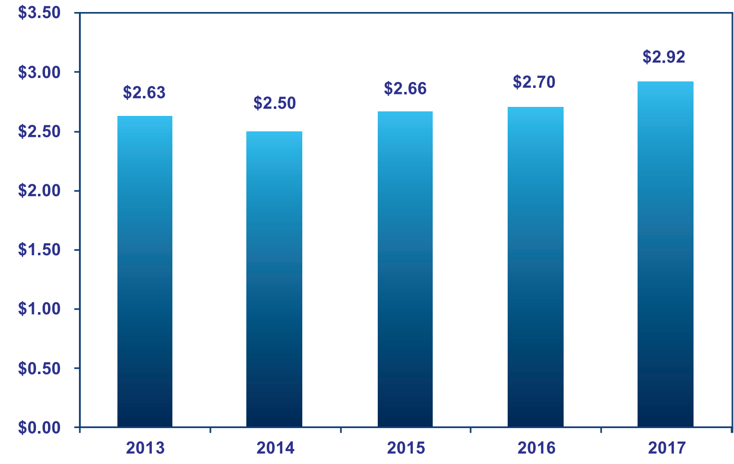
	2017	2016	Percentage Change
For the year			
Return on average assets	1.27 %	1.21 %	5.0 %
Return on average common equity	9.93	9.58	3.7
Net interest margin	3.67	3.70	(0.8)
Net charge-offs to average loans	0.24	0.28	(14.3)
Efficiency ratio	58.66	58.54	0.2
At year end			
Capital ratios:			
Equity to assets	12.83 %	12.73 %	0.8 %
Tier 1 leverage	12.89	12.75	1.1
Common equity Tier 1	15.33	15.18	1.0
Tier 1 risk based	17.22	17.25	(0.2)
Total risk based	18.41	18.50	(0.5)
Allowance to net loans	1.16	1.22	(4.9)
Allowance to nonperforming loans	127.76	130.81	(2.3)

Bit Source (Eastern Kentucky Historical Innovators), Pikeville, KY

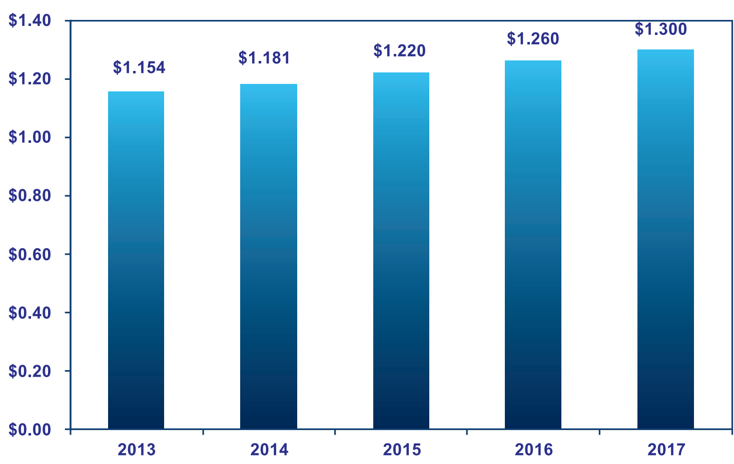
Net Income
(in thousands)



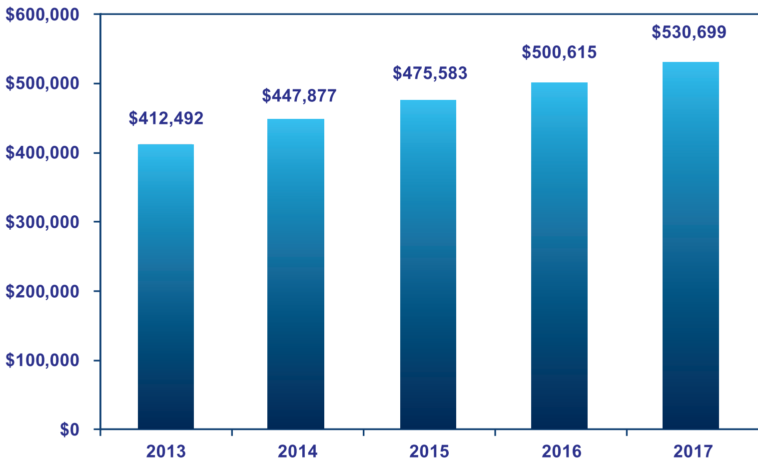
Earnings Per Share



Dividends Per Share



Shareholders' Equity
(in thousands)



Wright-Mix Materials Solutions, Ashland, KY

FINANCIAL HIGHLIGHTS

Consolidated Statements of Income

Year Ended December 31

(in thousands except per share data)	2017	2016	Percentage Change
Interest income	$ 155,696	$ 146,576	6.2 %
Interest expense	18,294	13,555	35.0
Net interest income	137,402	133,021	3.3
Provision for loan losses	7,521	7,872	(4.5)
Noninterest income	48,508	48,441	0.1
Noninterest expense	109,878	107,126	2.6
Income before income taxes	68,511	66,464	3.1
Income tax expense	17,018	19,118	(11.0)
Net Income	**$ 51,493**	**$ 47,346**	8.8
Cash dividends per share	$ 1.30	$ 1.26	3.2 %
Book value per share	30.00	28.40	5.6
Average shares outstanding	17,631	17,548	0.5 %

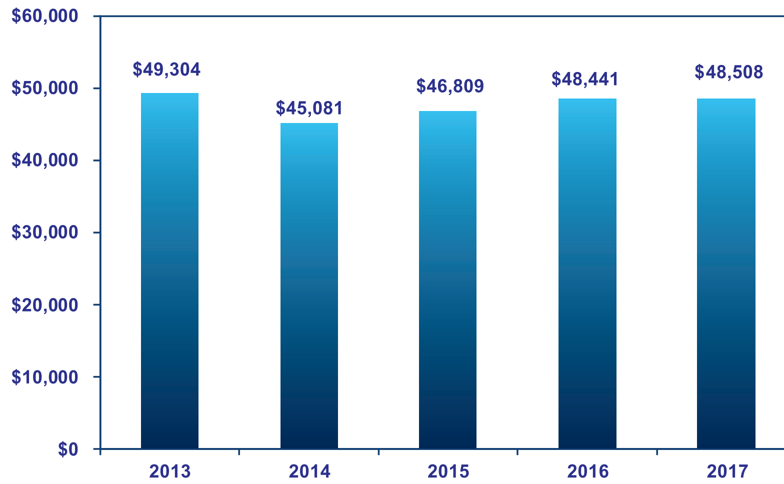
Consolidated Balance Sheets

At December 31

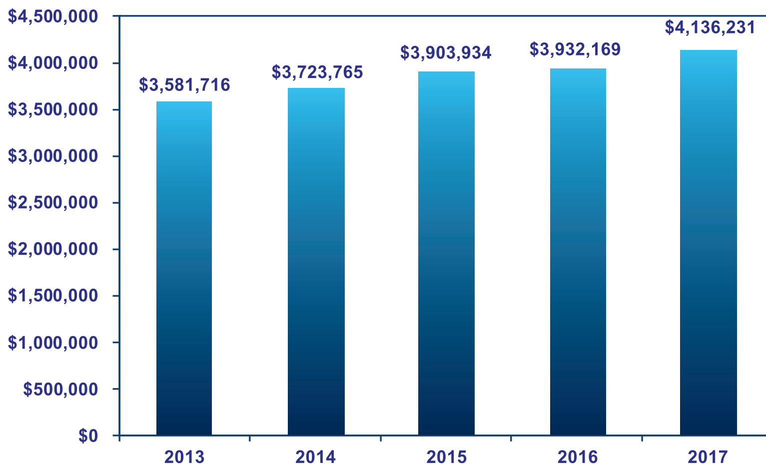
(in thousands)	2017	2016	Percentage Change
Assets			
Cash and deposits in other banks	$ 185,074	$ 145,169	27.5 %
Federal funds sold	0	527	0.0
Securities	586,420	606,260	(3.3)
Loans, net of allowance	3,086,789	2,902,438	6.4
Other assets	277,948	277,775	0.1
Total Assets	**$4,136,231**	**$3,932,169**	5.2
Liabilities and Shareholders' Equity			
Deposits	$3,263,863	$3,081,308	5.9 %
Repurchase agreements	243,814	251,065	(2.9)
Federal funds purchased	7,312	4,816	51.8
Advances from Federal Home Loan Bank	845	944	(10.5)
Long-term debt	59,341	61,341	(3.3)
Other liabilities	30,357	32,080	(5.4)
Total Liabilities	**3,605,532**	**3,431,554**	5.1
Shareholders' Equity	**530,699**	**500,615**	6.0
Total Liabilities and Shareholders' Equity	**$4,136,231**	**$3,932,169**	5.2

I-75 Expansion, Rockcastle, KY

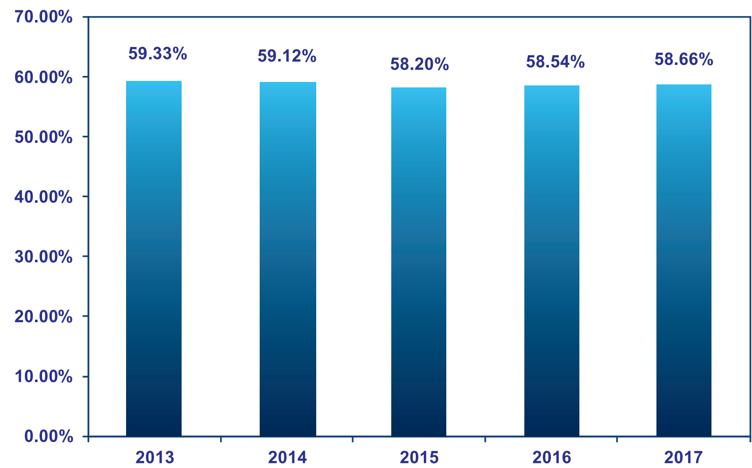
Noninterest Income
(in thousands)



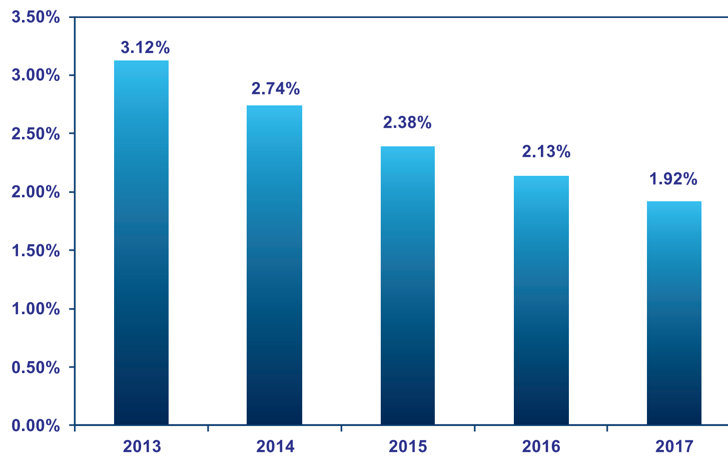
Total Assets
(in thousands)



Efficiency Ratio



Nonperforming Assets to Loans and Foreclosed Properties



Braidy Industries, Ashland, KY

SHAREHOLDERS

Our Company is focused on creating shareholder value by being a core value long-term investment. Our directors, officers, and employees focus on providing a stable and competitive return for our investors year after year. We maintained our commitment to share earnings with our investors during 2017, as we increased the cash dividend to our shareholders for the 37th consecutive year.

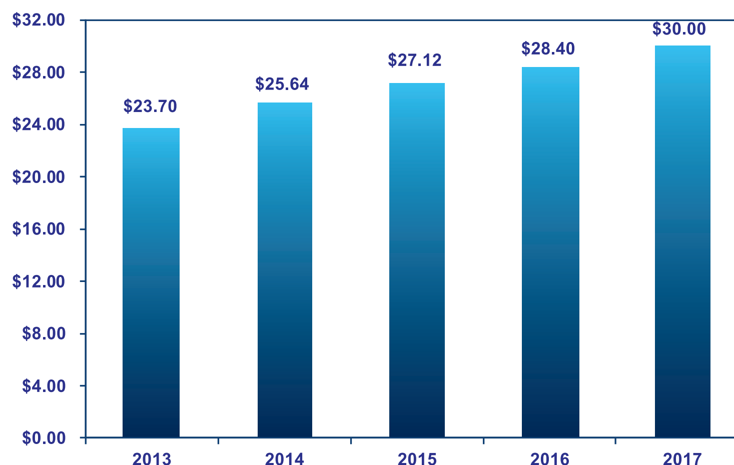
While increasing our cash dividend to our shareholders, we continued to grow our shareholders' equity to $530.7 million at December 31, 2017, a 6.0% increase from the $500.6 million at December 31, 2016. At December 31, 2017, our cash dividend yield was 2.80%, and the five-year compound growth rate of cash dividends per share was 2.7%. The five-year compound growth rate of earnings per share was 2.1% at December 31, 2017.

CTBI continues to maintain a significantly higher level of capital than required to be designated as "well-capitalized." To earn this designation, banks must maintain a Tier 1 leverage ratio of no less than 5.0%, a common equity Tier 1 capital ratio of no less than 6.5%, a Tier 1 risk based ratio of no less than 8.0%, and a total risk based ratio of no less than 10.0%. Our ratios as of December 31, 2017 were 12.89%, 15.33%, 17.22%, and 18.41%, respectively. On December 31, 2017, our tangible common equity to tangible assets ratio remained strong at 11.43%.

	Actual	For Capital Adequacy Purposes	To Be Well-Capitalized
Tier 1 capital (to average assets)	12.89%	4.00%	5.00%
Common equity Tier 1 capital (to risk weighted assets)	15.33%	4.50%	6.50%
Tier 1 capital (to risk weighted assets)	17.22%	6.00%	8.00%
Total capital (to risk weighted assets)	18.41%	8.00%	10.00%

Our stock is included in the Russell 2000 Index of Small Cap Companies, providing us with a good benchmark for comparing our stock's performance. During the 10-year period ending December 31, 2017, CTBI produced an annualized return of 10.57%, while the Russell 2000 Index produced an annualized return of 8.67%.

Our stock is traded on the prestigious NASDAQ Global Select Market (a founding stock selection) and is also one of 50 founding stocks of the NASDAQ's Dividend Achievers Index. An investment in CTBI stock on December 31, 2012 would have provided an annualized return of 13.21% as of December 31, 2017.



Braidy Industries, Ashland, KY

CUSTOMERS

We continually strive to help our customers meet their financial goals by identifying and providing outstanding products and services. In 2017, Community Trust served more than 274,000 customers – individuals, businesses, and organizations.

In 2017, for the ninth consecutive year, we were recognized by the Small Business Administration (SBA) as the top community bank SBA lender in the Commonwealth of Kentucky based on the total number of loans. We also offer USDA guaranteed loans and an entire suite of commercial loans and leases, mortgage loans, and consumer loans.

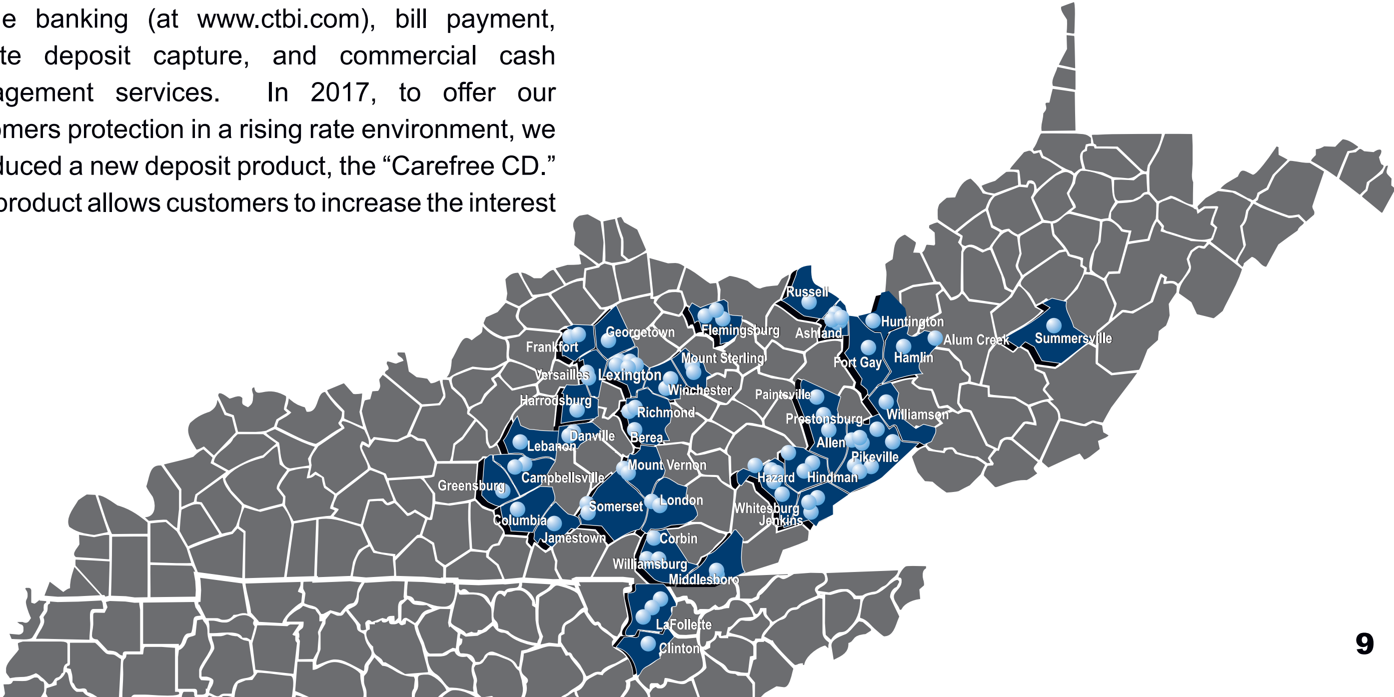
We offer customers a full line of wealth and trust management, estate planning, and retirement planning services, in addition to full service brokerage and life insurance products. Our trust and wealth management professionals are dedicated to helping individuals and businesses identify the right products and services to meet their unique needs.

Our deposit related products and services include certificates of deposits, savings accounts, online and mobile banking (at www.ctbi.com), bill payment, remote deposit capture, and commercial cash management services. In 2017, to offer our customers protection in a rising rate environment, we introduced a new deposit product, the “Carefree CD.” This product allows customers to increase the interest rate of their certificate of deposit once during its term. We will continue to develop and introduce new products and services that will be popular with our customers.

We offer our customers convenient access to their accounts through our network of 86 ATMs. The total number of ATMs to which our customers have free access is more than 125. Please visit our website at https://www.ctbi.com/ctbi/about-us/atm-location-listing for a complete listing of our ATM locations.

With our continuing focus on customer service, we were pleased in the past year to expand our menu of mobile and online banking services to include Samsung Pay, Google Pay, Consumer Mobile Banking for Tablets, Business Mobile Banking for Smartphones and Tablets, and Business and Consumer Check Remote Deposit Capture. Our customers can now make a deposit into their account by taking a picture of a check with their smartphone.

We are pleased to have served our customers for 114 years, through our 80 banking offices, our five trust offices, and our online and mobile banking systems.



Coal Field Industrial Park, Hazard, KY

EMPLOYEES

Community Trust's most valuable asset is our employees.

We recognize the long-term value of a highly skilled, dedicated workforce and are committed to providing our employees with opportunities for personal and professional growth. We meet this commitment by providing reimbursement of educational expenses, encouraging attendance at seminars and in-house training programs, or by sponsoring memberships in local civic organizations. Our employees participated in numerous coaching, training, and education programs throughout the year, including on-line training in which 144 different courses were completed during 2017. Certain training sessions are required to be completed periodically by employees to ensure they have the adequate knowledge and skills to perform their job duties and provide excellent customer service.

We actively support our employees with a wellness program. Since beginning the program in 2004, participating employees have experienced improvements in preventing cardiovascular disease, cancer, and diabetes. Many of our employees have experienced decreases in elevated medical risk factors. At a time of increasing medical costs, we are pleased to cover 75% of the cost of health insurance for our full time employees. We also provide all full time employees life insurance at 3 times their salary for their beneficiary.

In recognition of the hard work and dedication of our employees, we provide employees with the opportunity to earn cash bonuses and win awards for top achievement. In February 2018, we held our 19th annual "Pinnacle of Success" awards banquet and recognized 54 employees for their outstanding performance in business development and service during the prior year. We have included the names of those employees, as well as the offices, markets, and regions recognized, following the Branch Locations listing on page 16.

The success of our employees means success for your Company. Our employees' commitment to the mission of your Company and our constituents is evidenced by their ownership of the Company's stock. Through their 401(k) and ESOP plans, our employees collectively own 1.1 million shares, or 6.5%, of Community Trust Bancorp, Inc. stock, making them our largest shareholder.

In support of our employees and to encourage active partipation in their retirement planning, Community Trust proudly matches 401(k) contributions at 50% of participant contributions up to 4% of gross pay and contributes 4% of covered employees' gross compensation to the ESOP. In 2017, Community Trust Bancorp, Inc. contributed $2.6 million to the ESOP and 401(k) plans.

Ashford Oaks, Lexington, KY

COMMUNITIES

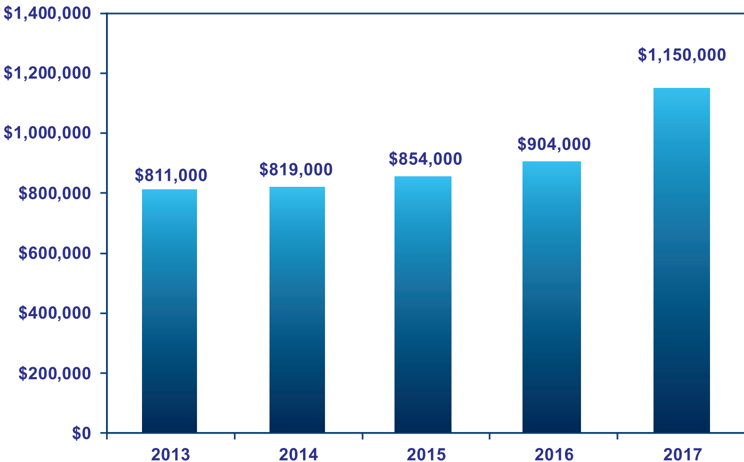
We believe in helping our friends and neighbors fulfill their financial dreams. We also believe in working to make lives better by building better communities.

Our continuing support of our communities, both financially and through the volunteer service of our employees, has helped build great places to live for both our customers and our employees. During 2017, we donated more than $1.1 million to community organizations involved in a wide variety of civic activities, including economic development, affordable housing, job creation, education, cultural enrichment, medical research, and health care.

Community Trust employees provide leadership, monetary support, and thousands of volunteer hours to many exceptional local, regional, and national community organizations in all of the communities we serve. Our employees are active in a wide variety of community organizations, including Chambers of Commerce, United Way, One East Kentucky, YMCA, American Cancer Society's Relay For Life, Habitat for Humanity, Kentucky Blood Center, Diabetes Coalition, March of Dimes, little league sports programs, Boy and Girl Scouts of America, The Salvation Army, volunteer fire departments, home realtor and builder organizations, and independent and state supported colleges and universities.

In 2017, Community Trust continued to actively support SOAR (Shaping Our Appalachian Region), an organization which was created to expand job opportunities; enhance the economy of the region; encourage innovation, entrepreneurship, geographic cooperation, and a diversified workforce; improve the quality of life of our citizens; and support all those working to achieve these goals. Community Trust actively participates in SOAR's board meetings, conferences, and workshops.

In hometowns across Kentucky, West Virginia, and Tennessee, Community Trust continues to help our communities grow and prosper.



Lemon Mill Development, Georgetown, KY

EXECUTIVE COMMITTEE

JEAN R. HALE
Chairman, President
and CEO
Community Trust Bancorp, Inc.
Chairman
Community Trust Bank, Inc. and
Community Trust and
Investment Company

MARK A. GOOCH
Executive Vice President and
Secretary
Community Trust Bancorp, Inc.
Director, President and CEO
Community Trust Bank, Inc.
Director and Vice President
Community Trust and
Investment Company

ANDY WATERS
Executive Vice President
Community Trust Bancorp, Inc.
Director, President and CEO
Community Trust and Investment
Company

JAMES B. DRAUGHN
Executive Vice President
Community Trust Bancorp, Inc.
Executive Vice
President/Operations
Community Trust Bank, Inc.

JAMES J. GARTNER
Executive Vice President
Community Trust Bancorp, Inc.
Executive Vice President/
Chief Credit Officer
Community Trust Bank, Inc.

C. WAYNE HANCOCK II
Executive Vice President
Community Trust Bancorp, Inc.
Executive Vice President/
Senior Staff Attorney
Community Trust Bank, Inc.

*STEVEN E. JAMESON
Executive Vice President
Community Trust Bancorp, Inc.
Executive Vice President/Chief
Internal Audit & Risk Officer
Community Trust Bank, Inc.

ANDREW JONES
Executive Vice President
Community Trust Bancorp, Inc.
Executive Vice President/
Northeastern Region President
Community Trust Bank, Inc.

LARRY W. JONES
Executive Vice President
Community Trust Bancorp, Inc.
Executive Vice President/
Central Kentucky Region President
Community Trust Bank, Inc.

RICHARD W. NEWSOM
Executive Vice President
Community Trust Bancorp, Inc.
Executive Vice President/
Eastern Region President
Community Trust Bank, Inc.

RICKY D. SPARKMAN
Executive Vice President
Community Trust Bancorp, Inc.
Executive Vice President/South
Central Region President
Community Trust Bank, Inc.

KEVIN J. STUMBO
Executive Vice President, CFO and Treasurer
Community Trust Bancorp, Inc.
Executive Vice President/CFO
Community Trust Bank, Inc.
Vice President
Community Trust and
Investment Company

* Non-voting Member

Thoroughbred Aviation, Debord, Martin County, KY

BOARDS OF DIRECTORS

* ** *** JEAN R. HALE
Chairman, President and CEO
Community Trust Bancorp, Inc.
Chairman
Community Trust Bank, Inc. and
Community Trust and Investment
Company

* ** *** MARK A. GOOCH
Executive Vice President and
Secretary
Community Trust Bancorp, Inc.
Director, President and CEO
Community Trust Bank, Inc.
Director and Vice President
Community Trust and Investment
Company

*** ANDY WATERS
Executive Vice President
Community Trust Bancorp, Inc.
Director, President and CEO
Community Trust and Investment
Company

* ** CHARLES J. BAIRD
President
Baird & Baird, P.S.C.
Pikeville, Kentucky

** J. MARK CAMPBELL
President
Cambrian Coal, LLC
Charleston, West Virginia

* NICK CARTER
Private Investor
Lexington, Kentucky

** DAVID E. COLLINS
Managing Partner
Collins & Slone, LLP
Pikeville, Kentucky

*** E.B. LOWMAN II
Chairman and CEO
Cardinal Management Ltd.
Ashland, Kentucky

** *** CRIT LUALLEN
Former Lt. Governor
Commonwealth of Kentucky
Frankfort, Kentucky

* JAMES E. MCGHEE II
President
Three JC Investments, LLC
Pikeville, Kentucky

** FRANKY MINNIFIELD
President
Minnifield Enterprize, Inc.
Lexington, Kentucky

* M. LYNN PARRISH
President
Marwood Land Company, Inc.
Pikeville, Kentucky

* DR. JAMES R. RAMSEY
Retired President and Professor
of Economics
University of Louisville
Director
Aquila Municipal Trust
Louisville, Kentucky

* ANTHONY W. ST. CHARLES
President and CEO
The St. Charles Group, LLC
Cincinnati, Ohio

** CHAD C. STREET
DMD, MD
Owner and President
East Kentucky Oral & Maxillofacial Surgery
Pikeville, Kentucky

In Appreciation
21 Years of
Dedicated Service

Krishna M.
Malempati

Boards of Directors

* Community Trust Bancorp, Inc.
** Community Trust Bank, Inc.
*** Community Trust and Investment Company

In Memorium
21 Years of
Dedicated Service

Hobart C.
Johnson

DoubleTree by Hilton, Huntington, WV

ADVISORY BOARD MEMBERS

Central Region

Larry W. Jones
Regional President

Lexington

Larry W. Jones
Regional President

James C. Baughman, Jr.
Robert A. Branham
Linda A. Carroll
C. Glen Combs
Jenny Dulworth-Albert
James Keeton III
Robert Kelly
Todd Sallee
Daryl Smith

Danville/Harrodsburg

David Maynard
Market President

Bob Allen
Scott Burks
James Walker Cox
Bob Davis
Bruce Harper
James G. Ingram
Alvis Johnson
Myrna Miller
Larry Scott, M.D.
Walter "Skip" Stocker

Mt. Sterling

Jody Oney
Market President

Byron Amburgey
Marcus Shane Back
Jeff Brother
Reid Evans
O. Keith Gannon
Angela Patrick
E. Dale Sorrell
Brigitte Danielle King, M.D.

Richmond

Tim Houck
Market President

Jeannette Crockett
Alison Emmons
David Fernandez
James H. Howard
Elizabeth McCarty
David McFaddin
Randall Stone

Versailles

Billie Dollins
Market President

Robert Cleveland
John Cook
Jack Givens
Phil Huddleston
Alice Kiviniemi
Rodney Mitchell
Billy Van Pelt
Mark Wainwright, M.D.

Winchester

David Wills
Market President

Thomas R. Goebel
Carl E. Jennings
Robert M. Powe, Jr.
David W. Underhill
Gardner D. Wagers

Eastern Region

Richard Newsom
Regional President

Pikeville*

William Brett Keene
Market President

Floyd/Knott/Johnson*

David Tackett
Market President

Hazard

Janice Brafford-King
Market President

William Bettinazzi
Frances Feltner
Meriwether W. Hall
Charles Housley
Syamala H. K. Reddy, M.D.
Jeff Sandlin
Tim Short
Alan Dale Williams

Tug Valley

Duanne Thompson
Market President

William F. Blackburn III
James H. Caines
Harold Davis
Timothy A. Hatfield
Philip Haywood
John Mark Hubbard
Louie Jiunta+
Paul E. Pinson

Whitesburg

Reed Caudill
Market President

Ina Matthews
Bill Joe Collier
Sam W. Quillen, Jr., D.M.D.
Pauline C. Ritter-Combs
Herbert Caudill++

Northeastern Region

Andrew Jones
Regional President

Ashland

Andrew Jones
Regional President

Paul Daniels, Sr.
E. B. Lowman II
E. B. Lowman III
John McMeans
Ann Perkins
James C. Williams

Advantage Valley

Allen Burner
Market President

Randie Gail Lawson
Christopher J. Plybon
Julian Saad
Steve Smith

Flemingsburg

Emery O. Clark III
Market President

Michael A. Boyd, M.D.
Steve Humphries
Duane Lowe
T. Scott Perkins, D.M.D.
Regina Rose
James Sauer
Frank Vice, D.V.M.

Summersville

Jeff Lilly
Market President

Paul Buechler
Ellis S. Frame III
David Michael Hughes
Marshall Robinson

South Central Region

Ricky Sparkman
Regional President

Campbellsville

Ricky Sparkman
Regional President

Barry Bertram
Salem M. George, M.D.
Jerry Russell
John Waldrop
James Whitlock

LaFollette

Rhonda Longmire
Market President

George Ellison
James C. Farris, M.D.
Marvin Minton
Peggy Payne
Tom Robards
Conrad Troutman
Robert L. Woodson III

Middlesboro

Tim Helton++++
Market President

Marcum Brogan
Meredith J. Evans, M.D.
Keith A. Nagle
Richard H. Tamer

Mt. Vernon

Michael Blount
Market President

Martha Cox
Connie Hunt
Gary W. Mink
Tommy Mink

Williamsburg

Michael Blount
Market President

R. Don Adkins+++
E. L. Ballou, D.M.D.
Ray F. Bryant
Joseph E. Early, Sr.
Paul Estes
Dallas B. Steely
Mark S. Stephens
Lonnie D. Walden

In Memorium
18 Years of
Dedicated Service

Timothy R.
Helton
Middlesboro Market President

+Deceased 4/5/2017 ++Deceased 12/17/2017 +++Deceased 12/13/2017 ++++Deceased 2/21/2018

*These markets are served by the Community Trust Bank, Inc. Board of Directors.

ACE Adventure Resort, Oak Hill, WV

SHAREHOLDER INFORMATION

Corporate Address
Community Trust Bancorp, Inc.
346 North Mayo Trail
P.O. Box 2947
Pikeville, KY 41502-2947
606.432.1414
www.ctbi.com

Notice of Annual Meeting
The annual meeting of the shareholders will be held at 10:00 a.m. on April 24, 2018 at:

Community Trust Bancorp, Inc.
346 North Mayo Trail
Pikeville, Kentucky

Transfer Agent
Inquiries relating to shareholder records, stock transfers, changes of ownership, changes of address, and dividend payments should be sent to the transfer agent at:

Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342
Brentwood, NY 11717-0718
866.232.3034
720.358.3637 (International)
shareholder@broadridge.com

Inquiries may also be directed to Community Trust Bancorp, Inc.'s Stock Transfer Administrator, Marilyn Justice, at:

Community Trust Bank, Inc.
P.O. Box 2947
Pikeville, KY 41502-2947
606.437.3279
800.422.1090, ext. 3279 (Toll Free)
justicma@ctbi.com

Dividend Reinvestment
Community Trust Bancorp, Inc. offers its shareholders an automatic dividend reinvestment program. The program enables shareholders to reinvest their dividends in shares at the prevailing market price. For more information, contact us at:

Community Trust Bancorp, Inc.
c/o Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342
Brentwood, NY 11717-0718
866.232.3034
shareholder@broadridge.com

Form 10-K
CTBI's annual report on Form 10-K filed with the Securities and Exchange Commission is available without charge on our website at www.ctbi.com or by writing:

Community Trust Bancorp, Inc.
Jean R. Hale
Chairman, President & CEO
P.O. Box 2947
Pikeville, KY 41502-2947

Current Analyst Coverage
J.J.B. Hilliard, W.L. Lyons, LLC
Raymond James and Associates, Inc.
Sandler O'Neill & Partners, LP
Stephens, Inc.

Twin Cove Marina, Caryville, TN

BRANCH LOCATIONS

Central Region

Danville

Danville Main Street	462 W. Main St.	859-239-9200
Danville Manor	1560 Hustonville Rd.	859-239-9460
Harrodsburg	570 Chestnut St.	859-734-4354

Lexington

*Lexington Vine	100 E. Vine St.	859-389-5350
Beaumont	901 Beaumont Centre Pkwy.	859-223-1111
Hamburg	2417 Sir Barton Way	859-264-1938
Leestown	109 Louie Place	859-258-2659
Pasadena	185 Pasadena Dr., Suite 100	859-313-5425
Richmond Road	3090 Richmond Rd.	859-269-0164

Mt. Sterling

Mt. Sterling Main	110 N. Maysville St.	859-497-6900
Mt. Sterling North	196 Evans Dr.	859-497-6970

Richmond

Eastern ByPass	860 Eastern Bypass	859-624-4622
Richmond Main	128 W. Main St.	859-623-2747
Berea North	525 Walnut Meadow Rd.	859-985-0561

Versailles

* Versailles Main	101 N. Main St.	859-879-5400
Woodford Plaza	470 Lexington Rd.	859-879-5480
Frankfort East	427 Versailles Rd.	502-848-0913
Frankfort West	1205 S. Hwy. 127	502-696-0720
Georgetown Wal-Mart	112 Osbourne Way	502-863-4693

Winchester

Winchester Main	120 S. Main St.	859-745-7200
Winchester Plaza	125 Winchester Plaza	859-745-7220

Eastern Region

Floyd/Knott/Johnson

Allen	6424 Ky Rt. 1428	606-874-0408
Floyd County	161 S. Lake Dr.	606-886-2382
Paintsville	470 N. Mayo Trl.	606-788-9934
Knott County	107 W. Main St.	606-785-5095

Hazard

Airport Gardens	1665 Combs Rd.	606-487-2160
Black Gold	100 Citizens Ln.	606-436-2157
Hazard Village	101 Village Ln.	606-487-2152

Tug Valley

Williamson	101 E. 2nd Ave.	304-235-5454
Tug Valley	28160 US Hwy. 119	606-237-6051

Pikeville

Elkhorn City	211 W. Russell St.	606-754-5589
Marrowbone	10579 Regina Belcher Hwy.	606-754-4462
Mouthcard	32 N. Levisa Rd.	606-835-4907
Phelps	38720 State Hwy. 194 E.	606-456-8701
* Pikeville Main	346 N. Mayo Trl.	606-432-1414
Pikeville Main Street	137 Main St. # 4	606-437-3326
Pikeville Wal-Mart	254 Cassidy Blvd.	606-437-0048
Town Mountain	105 Northgate Dr.	606-437-3323
Virgie	1056 KY Hwy. 610 W.	606-639-4451
Weddington Plaza	4205 N. Mayo Trl.	606-432-4529

Whitesburg

Whitesburg Main	155 Main St.	606-633-0161
West Whitesburg	24 Pkwy. Plaza Loop	606-633-4532
Jenkins	9505 Hwy. 805, Suite A	606-832-2477
Isom	56 Isom Plaza	606-633-5995
Neon	1001 Hwy. 317	606-855-4435

Northeastern Region

Advantage Valley

Alum Creek	315 Midway Rd.	304-756-3317
Hamlin	8049 Lynn Ave.	304-824-7223
Fort Gay	735 Court St.	304-648-7200
Pullman Square	952 3rd Ave.	304-697-0272

Flemingsburg

Ewing	1527 Ewing Rd.	606-267-2061
Flemingsburg Main	36 Brookhaven Dr.	606-845-3551
South Ridge	108 Clark St.	606-849-2304

Ashland

* Ashland Main	1544 Winchester Ave.	606-329-6000
South Ashland	2101 29th St.	606-329-6600
Summit	7100 US Route 60	606-928-9555
Westwood	721 Wheatley Rd.	606-329-6610
Russell	970 Diederich Blvd.	606-329-6680

Summersville

Summersville	507 Main St.	304-872-2711

South Central Region

Campbellsville

Campbellsville Main	1218 E. Broadway	270-789-5900
Campbellsville Bypass	402 Campbellsville Bypass	270-789-5900
Columbia	1005 Jamestown St.	270-384-4771
Greensburg	205 S. Main St.	270-932-7464
Lebanon	521 W. Main St.	270-692-0064
Somerset North	239 N. Hwy. 27	606-679-8826
Somerset South	3809 S. Hwy. 27	606-679-8446
Jamestown	752 N. Main St.	270-343-2556

Williamsburg

Williamsburg Main	201 N. 3rd St.	606-549-5000
Convenience Center	895 S. Hwy. 25 W.	606-539-2251
Corbin	678 US Hwy. 25 W.	606-526-8777
London South	1706 Hwy. 192 W.	606-877-2644
London North	38 Shiloh Dr.	606-864-2439

Middlesboro

Middlesboro Main	1918 Cumberland Ave.	606-248-9600
Middlesboro East	1206 E. Cumberland Ave.	606-248-9642
Pineville	11792 US Hwy. 25 E.	606-337-6122

Mt. Vernon

Mt. Vernon Main	2134 Lake Cumberland Rd.	606-256-5141
Mt. Vernon Downtown	120 Main St.	606-256-5142

LaFollette

* LaFollette Main	106 S. Tennessee Ave.	423-562-3364
LaFollette Mall	2205 Jacksboro Pike	423-562-9918
Jacksboro	2603 Jacksboro Pike	423-566-7800
Clinton	2106 Charles G. Seivers Blvd.	865-457-8684

*Community Trust and Investment Company has offices in these locations.

salutes our

2018

Pinnacle Award Winners

for their

2017 Sales

& Service

Individual Success

David Akers
Kevin Akers
Anthony D. Anderson
Jennifer Belcher
Steve Belcher
Nicole Bentley
Michael Blount
Mike Bonfield
Janice Brafford-King
Brian Bevins
Allen Burner
John R. Caldwell
Ryan Charles
Gerrie Clark

Brittany Coleman
Corey Coleman
Forrest Cook
Mike Damron
Sherry Dotson
Jonathan Drage
Dorothy Franklin
Betty Frederick
Todd Hargis
Tim Helton
Andrew Jarvis
Teresa Justice
Bob Kelly
Savi Kumar

Rhonda S. Longmire
Jenny Maggard
Bobby Terrell Medley
Charlene Miller
Lois Miller
Lucinda Mullins
Gaylon D. Neat
Tracy Osborne
Joyce Pelly
Barry Pennington
Coltan Phillips
Ty Reynolds
Melissa Rhodes
Erin Serrate

Denna Smith
Roger Smith
Terry Spears
Helena Syck
Charles J. Tackett
Jody Thompson
Bob Watson
Tammy Wheeler
Karissa Whitt
David Wills
Bianca Workman
Trina Yack

Team Success

Ashland Main Office
Ashland Market
Ashland Summit Office
Central Region

Eastern Region
Hazard Black Gold Office
LaFollette Market
Lexington Market

Northeastern Region
Pikeville Main Office
Pikeville Market

In Memorium
37 Years of
Dedicated Service

Perry L.
Adkins
SVP/Operations Information
Systems Manager

Community Trust® Bancorp, Inc.

346 North Mayo Trail
Pikeville, KY 41501

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
For the fiscal year ended December 31, 2017
Or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
For the transition period from _____________ to _____________

Commission file number 0-11129
COMMUNITY TRUST BANCORP, INC.
(Exact Name of Registrant as Specified in its Charter)

Kentucky	**61-0979818**
(State or Other Jurisdiction of Incorporation or Organization)	*(IRS Employer Identification No.)*
346 North Mayo Trail	**41501**
Pikeville, Kentucky	*(Zip Code)*
(Address of Principal Executive Offices)	

(606) 432-1414
(Registrant's Telephone Number)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $5.00 par value	**The NASDAQ Stock Market LLC**
(Title of Class)	*(Name of Exchange on Which Registered)*

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ✓ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No ✓

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)

Yes ✓ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ✓ Accelerated filer ☐ Non-accelerated filer ☐
(Do not check if a smaller reporting company)

Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No ✓

Based upon the closing price of the Common Shares of the Registrant on the NASDAQ-Stock Market LLC – Global Select Market, the aggregate market value of voting stock held by non-affiliates of the Registrant as of June 30, 2017 was $735.9 million. For the purpose of the foregoing calculation only, all directors and executive officers of the Registrant have been deemed affiliates. The number of shares outstanding of the Registrant's Common Stock as of January 31, 2018 was 17,710,852.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference certain information from Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on April 24, 2018.

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CAUTIONARY STATEMENT
REGARDING FORWARD LOOKING STATEMENTS

Certain of the statements contained herein that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Community Trust Bancorp, Inc.'s ("CTBI") actual results may differ materially from those included in the forward-looking statements. Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "intend," "estimate," "may increase," "may fluctuate," and similar expressions or future or conditional verbs such as "will," "should," "would," and "could." These forward-looking statements involve risks and uncertainties including, but not limited to, economic conditions, portfolio growth, the credit performance of the portfolios, including bankruptcies, and seasonal factors; changes in general economic conditions including the performance of financial markets, prevailing inflation and interest rates, realized gains from sales of investments, gains from asset sales, and losses on commercial lending activities; results of various investment activities; the effects of competitors' pricing policies, changes in laws and regulations, competition, and demographic changes on target market populations' savings and financial planning needs; industry changes in information technology systems on which we are highly dependent; failure of acquisitions to produce revenue enhancements or cost savings at levels or within the time frames originally anticipated or unforeseen integration difficulties; and the resolution of legal proceedings and related matters. In addition, the banking industry in general is subject to various monetary, operational, and fiscal policies and regulations, which include, but are not limited to, those determined by the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Consumer Financial Protection Bureau, and state regulators, whose policies, regulations, and enforcement actions could affect CTBI's results. These statements are representative only on the date hereof, and CTBI undertakes no obligation to update any forward-looking statements made.

PART I

Item 1. Business

Community Trust Bancorp, Inc. ("CTBI") is a bank holding company registered with the Board of Governors of the Federal Reserve System pursuant to Section 5(a) of the Bank Holding Company Act of 1956, as amended. CTBI was incorporated August 12, 1980, under the laws of the Commonwealth of Kentucky for the purpose of becoming a bank holding company. Currently, CTBI owns all the capital stock of one commercial bank and one trust company, serving small and mid-sized communities in eastern, northeastern, central, and south central Kentucky, southern West Virginia, and northeastern Tennessee. The commercial bank is Community Trust Bank, Inc., Pikeville, Kentucky ("CTB") and the trust company is Community Trust and Investment Company, Lexington, Kentucky.

At December 31, 2017, CTBI had total consolidated assets of $4.1 billion and total consolidated deposits, including repurchase agreements, of $3.5 billion. Total shareholders' equity at December 31, 2017 was $530.7 million. Trust assets under management at December 31, 2017 were $2.2 billion, including CTB's investment portfolio totaling $0.6 billion.

Through its subsidiaries, CTBI engages in a wide range of commercial and personal banking and trust and wealth management activities, which include accepting time and demand deposits; making secured and unsecured loans to corporations, individuals and others; providing cash management services to corporate and individual customers; issuing letters of credit; renting safe deposit boxes; and providing funds transfer services. The lending activities of CTB include making commercial, construction, mortgage, and personal loans. Lease-financing, lines of credit, revolving lines of credit, term loans, and other specialized loans, including asset-based financing, are also available. Our corporate subsidiaries act as trustees of personal trusts, as executors of estates, as trustees for employee benefit trusts, as paying agents for bond and stock issues, as investment agent, as depositories for securities, and as providers of full service brokerage and insurance services.

COMPETITION

CTBI's subsidiaries face substantial competition for deposit, credit, trust, wealth management, and brokerage relationships in the communities we serve. Competing providers include state banks, national banks, thrifts, trust companies, insurance companies, mortgage banking operations, credit unions, finance companies, brokerage companies, and other financial and non-financial companies which may offer products functionally equivalent to those offered by our subsidiaries. As financial services become increasingly dependent on technology, permitting transactions to be conducted by telephone, mobile banking, and the internet, non-bank institutions are able to attract funds and provide lending and other financial services without offices located in our market areas. Many of our nonbank competitors have fewer regulatory constraints, broader geographic service areas, greater capital and, in some cases, lower cost structures. In addition, competition for quality customers has intensified as a result of changes in regulation, consolidation among financial service providers, and advances in technology and product delivery systems. Many of these providers offer services within and outside the market areas served by our subsidiaries. We strive to offer competitively priced products along with quality customer service to build customer relationships in the communities we serve.

The United States and global markets, as well as general economic conditions, have been volatile. Larger financial institutions could strengthen their competitive position as a result of ongoing consolidation within the financial services industry.

Banking legislation in Kentucky places no limits on the number of banks or bank holding companies that a bank holding company may acquire. Interstate acquisitions are allowed where reciprocity exists between the laws of Kentucky and the home state of the bank or bank holding company to be acquired. Bank holding companies continue to be limited to control of less than 15% of deposits held by federally insured depository institutions in Kentucky (exclusive of inter-bank and foreign deposits). Competition for deposits may be increasing as a consequence of FDIC assessments shifting from deposits to an asset based formula, as larger banks may move away from non-deposit funding sources.

No material portion of our business is seasonal. We are not dependent upon any one customer or a few customers, and the loss of any one or a few customers would not have a material adverse effect on us. See note 19 to the consolidated financial statements for additional information regarding concentrations of credit.

We do not engage in any operations in foreign countries.

EMPLOYEES

As of December 31, 2017, CTBI and subsidiaries had 990 full-time equivalent employees. Our employees are provided with a variety of employee benefits. A retirement plan, an employee stock ownership plan, group life insurance, major medical insurance, a cafeteria plan, and management and employee incentive compensation plans are available to all eligible personnel.

SUPERVISION AND REGULATION

General

We, as a registered bank holding company, are restricted to those activities permissible under the Bank Holding Company Act of 1956, as amended, and are subject to actions of the Board of Governors of the Federal Reserve System thereunder. We are required to file an annual report with the Federal Reserve Board and are subject to an annual examination by the Board.

Community Trust Bank, Inc. is a state-chartered bank subject to state and federal banking laws and regulations and periodic examination by the Kentucky Department of Financial Institutions and the restrictions, including dividend restrictions, thereunder. CTB is also a member of the Federal Reserve System and is subject to certain restrictions imposed by and to examination and supervision under the Federal Reserve Act. Community Trust and Investment Company is also regulated by the Kentucky Department of Financial Institutions and the Federal Reserve.

Deposits of CTB are insured up to applicable limits by the Federal Deposit Insurance Corporation (FDIC), which subjects banks to regulation and examination under the provisions of the Federal Deposit Insurance Act.

The operations of CTBI and our subsidiaries are also affected by other banking legislation and policies and practices of various regulatory authorities. Such legislation and policies include statutory maximum rates on some loans, reserve requirements, domestic monetary and fiscal policy, and limitations on the kinds of services that may be offered.

CTBI's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge on our website at www.ctbi.com as soon as reasonably practicable after such materials are electronically filed with or furnished to the Securities and Exchange Commission. CTBI's Code of Business Conduct and Ethics and other corporate governance documents are also available on our website. Copies of our annual report will be made available free of charge upon written request to:

Community Trust Bancorp, Inc.
Jean R. Hale
Chairman, President and CEO
P.O. Box 2947
Pikeville, KY 41502-2947

Basel III

On July 2, 2013, the Federal Reserve approved final rules that substantially amend the regulatory risk-based capital rules applicable to CTBI and CTB. The FDIC subsequently approved these rules. The final rules implement the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act").

The rules include new risk-based capital and leverage ratios, which are being phased in from 2015 to 2019, and refine the definition of what constitutes "capital" for purposes of calculating those ratios. The new minimum capital level requirements applicable to CTBI and CTB under the final rules are: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from previous rules); and (iv) a Tier 1 leverage ratio of 4% for all institutions. The final rules also establish a "capital conservation buffer" above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital. The capital conservation buffer began to be phased in on January 1, 2016 at 0.625% of risk-weighted assets and will increase by 0.625% annually until fully implemented in January 2019. An institution is subject to limitations on certain activities including payment of dividends, share repurchases, and discretionary bonuses to executive officers if its capital level is below the total capital plus capital conservation buffer amount.

The final rules also implement revisions and clarifications consistent with Basel III regarding the various components of Tier 1 capital, including common equity, unrealized gains and losses (which are not considered a component of Tier 1 capital), as well as certain instruments that will no longer qualify as Tier 1 capital, some of which will be phased out over time. However, the final rules provide that small depository institution holding companies with less than $15 billion in total assets as of December 31, 2009 (which includes CTBI) will be able to permanently include non-qualifying instruments that were issued and included in Tier 1 or Tier 2 capital prior to May 19, 2010 in additional Tier 1 or Tier 2 capital until they redeem such instruments or until the instruments mature.

The final rules also contain revisions to the prompt corrective action framework, which is designed to place restrictions on insured depository institutions, including CTB, if their capital levels begin to show signs of weakness. These revisions took effect January 1, 2015. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions are required to meet the following increased capital level requirements in order to qualify as "well capitalized:" (i) a common equity Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8% (increased from 6%); (iii) a total capital ratio of 10% (unchanged from previous rules); and (iv) a Tier 1 leverage ratio of 5% (unchanged from previous rules).

The final rules set forth certain changes for the calculation of risk-weighted assets, which we were required to utilize beginning January 1, 2015. The standardized approach final rule utilizes an increased number of credit risk exposure categories and risk weights, and also addresses: (i) an alternative standard of creditworthiness consistent with Section 939A of the Dodd-Frank Act; (ii) revisions to recognition of credit risk mitigation; (iii) rules for risk weighting of equity exposures and past due loans; (iv) revised capital treatment for derivatives and repo-style transactions; and (v) disclosure requirements for top-tier banking organizations with $50 billion or more in total assets that are not subject to the "advance approach rules" that apply to banks with greater than $250 billion in consolidated assets. We currently satisfy the well-capitalized and the capital conservation standards, and based on our current capital composition and levels, we anticipate that our capital ratios, on a Basel III basis, will continue to exceed the well-capitalized minimum capital requirements and capital conservation buffer standards.

In December 2017, the Basel Committee on Banking Supervision unveiled the latest round of its regulatory framework, commonly referred to as Basel IV. The framework makes changes to the capital framework of Basel III and is targeted for a timeframe of 2022-2027 for implementation. The new framework appears designed to limit the flexibility of financial institutions using advanced approaches to calculate credit and other risks and also makes significant amendments to the standardized approaches to credit risk, credit valuation adjustment risk, and operational risk. The manner and the form in which the Basel IV framework will be implemented in the U.S. are uncertain.

Item 1A. Risk Factors

An investment in our common stock is subject to risks inherent to our business. The material risks and uncertainties that management believes affect us are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below, together with all of the other information included or incorporated by reference herein. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair our business operations. This report is qualified in its entirety by these risk factors. See also, "Cautionary Statement Regarding Forward-Looking Statements." If any of the following risks actually occur, our financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of our common stock could decline significantly, and you could lose all or part of your investment.

Economic Risk
CTBI may continue to be adversely affected by economic and market conditions.

Beginning in 2008, the U.S. economy faced a severe economic crisis including a major recession from which it is recovering. Commerce and business growth in certain regions in the U.S. remains reduced and local governments and many businesses continue to experience financial difficulty. In some areas of the U.S., including certain parts of our service area, unemployment levels remain elevated. There can be no assurance that these conditions will continue to improve and these conditions could worsen. In addition, the level of U.S. debt, the Federal Open Market Committee's monetary policy, potential volatility in oil prices, recent U.S. tax law modifications, political events, and possible healthcare reform may have a destabilizing effect on financial markets or a negative effect on the economy.

Our financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services we offer, is highly dependent upon the business environment in the markets where we operate, in the states of Kentucky, West Virginia, and Tennessee and in the United States as a whole. While unemployment rates have improved in all of the markets in which we operate, unemployment rates in our markets remain high compared to the national average. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, low unemployment, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity, or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation or interest rates; high unemployment; natural disasters; or a combination of these or other factors.

While economic conditions in the United States and worldwide have improved since the recession, there can be no assurance that this improvement will continue or that another recession will not occur. Economic pressure on consumers and uncertainty regarding continuing economic improvement may result in changes in consumer and business spending, borrowing, and savings habits. Such conditions could adversely affect the credit quality of our loans and our business, financial condition, and results of operations.

Economy of Our Markets
Our business may continue to be adversely affected by ongoing weaknesses in the local economies on which we depend.

Our loan portfolio is concentrated primarily in eastern, northeastern, central, and south central Kentucky, southern West Virginia, and northeastern Tennessee. Our profits depend on providing products and services to clients in these local regions. While unemployment rates have improved in all of the markets in which we operate, unemployment rates in our markets remain high compared to the national average. Increases in unemployment, decreases in real estate values, or increases in interest rates could weaken the local economies in which we operate. These economic indicators typically affect certain industries, such as real estate and financial services, more significantly. High levels of unemployment and depressed real estate asset values in certain of the markets we serve would likely prolong the economic recovery period in our market area. Also, our growth within certain of our markets may be adversely affected by inconsistent access to high speed internet, and the lack of population and business growth in such markets in recent years. Weakness in our market area could depress our earnings and consequently our financial condition because:

- Clients may not want, need, or qualify for our products and services;
- Borrowers may not be able to repay their loans;
- The value of the collateral securing our loans to borrowers may decline; and
- The quality of our loan portfolio may decline.

Mortgage Assistance Risk
As government funded mortgage assistance programs lapse, consumer real estate defaults may increase.

During the economic recession, various legislation was enacted designed to assist those hit hardest through economic subsidies. These subsidies most often came in the form of mortgage payment assistance or mortgage note restructuring. Examples of these programs include: Consumer Financial Protection Bureau Alternatives to Foreclosure In House Modification Program, Kentucky Housing Unemployed Bridge Loan Program, Tennessee Hardest Hit Fund, Home Affordable Modification Program, Home Affordable Refinance Program, and Freddie Mac Alternatives to Foreclosure. As these programs sunset, become more limited, or as the participants complete their eligibility in the program(s), we may experience significantly higher levels of past due mortgage loans and default rates.

Interest Rate Risk
Changes in interest rates could adversely affect our earnings and financial condition.

Our earnings and financial condition are dependent to a large degree upon net interest income, which is the difference between interest earned from loans and investments and interest paid on deposits and borrowings. The narrowing of interest-rate spreads, meaning the difference between the interest rates earned on loans and investments and the interest rates paid on deposits and borrowings, could adversely affect our earnings and financial condition. Interest rates are highly sensitive to many factors, including:

- The rate of inflation;
- The rate of economic growth;
- Employment levels;
- Monetary policies; and
- Instability in domestic and foreign financial markets.

Changes in market interest rates will also affect the level of voluntary prepayments on our loans and the receipt of payments on our mortgage-backed securities resulting in the receipt of proceeds that may be reinvested at a lower rate than the loan or mortgage-backed security being prepaid.

We originate residential loans for sale and for our portfolio. The origination of loans for sale is designed to meet client financing needs and earn fee income. The origination of loans for sale is highly dependent upon the local real estate market and the level and trend of interest rates. Increasing interest rates may reduce the origination of loans for sale and consequently the fee income we earn. While our commercial banking, construction, and income property business lines remain a significant portion of our activities, high interest rates may reduce our mortgage-banking activities and thereby our income. In contrast, decreasing interest rates have the effect of causing clients to refinance mortgage loans faster than anticipated. This causes the value of assets related to the servicing rights on loans sold to be lower than originally anticipated. If this happens, we may need to write down our servicing assets faster, which would accelerate our expense and lower our earnings.

We consider interest rate risk one of our most significant market risks. Interest rate risk is the exposure to adverse changes in net interest income due to changes in interest rates. Consistency of our net interest revenue is largely dependent upon the effective management of interest rate risk. We employ a variety of measurement techniques to identify and manage our interest rate risk including the use of an earnings simulation model to analyze net interest income sensitivity to changing interest rates. The model is based on actual cash flows and repricing characteristics for on and off-balance sheet instruments and incorporates market-based assumptions regarding the effect of changing interest rates on the prepayment rates of certain financial assets and liabilities. Assumptions based on the historical behavior of deposit rates and balances in relation to changes in interest rates are also incorporated into the model. These assumptions are inherently uncertain, and as a result, the model cannot precisely measure net interest income or precisely predict the impact of fluctuations in interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude, and frequency of interest rate changes as well as changes in market conditions and management strategies.

Liquidity Risk
CTBI is subject to liquidity risk.

CTBI requires liquidity to meet its deposit and debt obligations as they come due and to fund loan demands. CTBI's access to funding sources in amounts adequate to finance its activities or on terms that are acceptable to it could be impaired by factors that affect it specifically or the financial services industry or economy in general. Factors that could reduce its access to liquidity sources include a downturn in the market, difficult credit markets, or adverse regulatory actions against CTBI. CTBI's access to deposits may also be affected by the liquidity needs of its depositors. In particular, a substantial majority of CTBI's liabilities are demand, savings, interest checking, and money market deposits, which are payable on demand or upon several days' notice, while by comparison, a substantial portion of its assets are loans, which cannot be called or sold in the same time frame. To the extent that consumer confidence in other investment vehicles, such as the stock market, increases, customers may move funds from bank deposits and products into such other investment vehicles. Although CTBI historically has been able to replace maturing deposits and advances as necessary, it might not be able to replace such funds in the future, especially if a large number of its depositors sought to withdraw their accounts, regardless of the reason. As of December 31, 2017, CTBI had wholesale brokered deposits outstanding of $82.3 million (less than 3% of total deposits) with one, two, and three-year maturities and a weighted average maturity of 1.97 years. If CTBI ceases to be categorized as "well-capitalized" under banking regulations, it would be prohibited from accepting, renewing, or rolling over brokered deposits without a regulatory waiver. The cost of funds associated with brokered deposits is generally higher than locally generated deposits and may be a less stable funding source. A failure to maintain adequate liquidity could have a material adverse effect on our financial condition and results of operations.

Banking Reform
Our business may be adversely affected by "banking reform" legislation.

On July 2, 2013, the Federal Reserve approved final rules that substantially amend the regulatory risk-based capital rules applicable to CTBI and CTB. The FDIC subsequently approved these rules. The final rules implement the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act.

The rules include new risk-based capital and leverage ratios, which are being phased in from 2015 to 2019, and refine the definition of what constitutes "capital" for purposes of calculating those ratios. The new minimum capital level requirements applicable to CTBI and CTB under the final rules are: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from previous rules); and (iv) a Tier 1 leverage ratio of 4% for all institutions. The final rules also establish a "capital conservation buffer" above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital. The capital conservation buffer began to be phased in on January 1, 2016 at 0.625% of risk-weighted assets and will increase by 0.625% annually until fully implemented in January 2019. An institution is subject to limitations on certain activities including payment of dividends, share repurchases, and discretionary bonuses to executive officers if its capital level is below the total capital plus capital conservation buffer amount.

The final rules also implement revisions and clarifications consistent with Basel III regarding the various components of Tier 1 capital, including common equity, unrealized gains and losses (which are not considered a component of Tier 1 capital), as well as certain instruments that will no longer qualify as Tier 1 capital, some of which will be phased out over time. However, the final rules provide that small depository institution holding companies with less than $15 billion in total assets as of December 31, 2009 (which includes CTBI) will be able to permanently include non-qualifying instruments that were issued and included in Tier 1 or Tier 2 capital prior to May 19, 2010 in additional Tier 1 or Tier 2 capital until they redeem such instruments or until the instruments mature.

The final rules also contain revisions to the prompt corrective action framework, which is designed to place restrictions on insured depository institutions, including CTB, if their capital levels begin to show signs of weakness. These revisions took effect January 1, 2015. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions are required to meet the following increased capital level requirements in order to qualify as "well capitalized:" (i) a common equity Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8% (increased from 6%); (iii) a total capital ratio of 10% (unchanged from previous rules); and (iv) a Tier 1 leverage ratio of 5% (unchanged from previous rules).

The final rules set forth certain changes for the calculation of risk-weighted assets, which we were required to utilize beginning January 1, 2015. The standardized approach final rule utilizes an increased number of credit risk exposure categories and risk weights, and also addresses: (i) an alternative standard of creditworthiness consistent with Section 939A of the Dodd-Frank Act; (ii) revisions to recognition of credit risk mitigation; (iii) rules for risk weighting of equity exposures and past due loans; (iv) revised capital treatment for derivatives and repo-style transactions; and (v) disclosure requirements for top-tier banking organizations with $50 billion or more in total assets that are not subject to the "advance approach rules" that apply to banks with greater than $250 billion in consolidated assets. We currently satisfy the well-capitalized and the capital conservation standards, and based on our current capital composition and levels, we anticipate that our capital ratios, on a Basel III basis, will continue to exceed the well-capitalized minimum capital requirements and capital conservation buffer standards.

In December 2017, the Basel Committee on Banking Supervision unveiled the latest round of its regulatory framework, commonly referred to as Basel IV. The framework makes changes to the capital framework of Basel III and is targeted for a timeframe of 2022-2027 for implementation. The new framework appears designed to limit the flexibility of financial institutions using advanced approaches to calculate credit and other risks and also makes significant amendments to the standardized approaches to credit risk, credit valuation adjustment risk, and operational risk. The manner and the form in which the Basel IV framework will be implemented in the U.S. are uncertain.

Government Policies and Oversight
Our business may be adversely affected by legislation or changes in government policies and oversight.

The earnings of banks and bank holding companies such as ours are affected by the policies of regulatory authorities, including the Federal Reserve Board, which regulates the money supply. Among the methods employed by the Federal Reserve Board are open market operations in U.S. Government securities, changes in the discount rate on member bank borrowings, and changes in reserve requirements against member bank deposits. These methods are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may also affect interest rates charged on loans or paid on deposits. The monetary policies of the Federal Reserve Board have had a significant effect on the operating results of commercial and savings banks in the past and are expected to continue to do so in the future.

Many states and municipalities are experiencing financial stress. As a result, various levels of government have sought to increase their tax revenues through increased tax levies, which could have an adverse impact on our results of operations.

In recent years, federal banking regulators have increased regulatory scrutiny, and additional limitations (including those contained in the Dodd-Frank Act) on financial institutions have been proposed or adopted by regulators and by Congress. Moreover, banking regulatory agencies have increasingly over the last few years used authority under Section 5 of the Federal Trade Commission Act to take supervisory or enforcement action with respect to alleged unfair or deceptive acts or practices by banks to address practices that may not necessarily fall within the scope of a specific banking or consumer finance law. The banking industry is highly regulated and changes in federal and state banking regulations as well as policies and administration guidelines may affect our practices, growth prospects, and earnings. In particular, there is no assurance that governmental actions designed to stabilize the economy and banking system will not adversely affect the financial position or results of operations of CTBI.

From time to time, CTBI and/or its subsidiaries may be involved in information requests, reviews, investigations, and proceedings (both formal and informal) by various governmental agencies and law enforcement authorities regarding our respective businesses. Any of these matters may result in material adverse consequences to CTBI and its subsidiaries, including adverse judgements, findings, limitations on merger and acquisition activity, settlements, fines, penalties, orders, injunctions, and other actions. Such adverse consequences may be material to the financial position of CTBI or its results of operations.

In particular, consumer products and services are subject to increasing regulatory oversight and scrutiny with respect to compliance with consumer laws and regulations. We may face a greater number or wider scope of investigations, enforcement actions, and litigation in the future related to consumer practices. In addition, any required changes to our business operations resulting from these developments could result in a significant loss of revenue, require remuneration to customers, trigger fines or penalties, limit the products or services we offer, require us to increase certain prices and therefore reduce demand for our products, impose additional compliance costs on us, cause harm to our reputation, or otherwise adversely affect our consumer business.

The financial services industry is experiencing leadership changes at federal banking agencies, which may impact regulations and government policy applicable to us. For example, in 2017 and early 2018, Congress confirmed a new Chairman of the Federal Reserve and a new Vice Chairman for Supervision at the Federal Reserve. New appointments to the Board of Governors of the Federal Reserve could affect monetary policy and interest rates. The President, certain members of Congress, and others in the President’s leadership group have advocated for significant reduction of financial services regulation. Any regulatory relief is uncertain and, even if adopted, may not result in a meaningful reduction of our regulatory requirements and related costs.

In December 2017, the federal government enacted numerous amendments to the Internal Revenue Code of 1986 pursuant to an act known as the Tax Cuts and Jobs Act (the “TCJA”). While we expect that we will recognize a benefit from the TCJA in the form of reduced future income tax expense; the impact of the TCJA on our customers and vendors is unknown and may materially affect their ability to repay obligations or deliver their services as contractually agreed.

Credit Risk
Our earnings and reputation may be adversely affected if we fail to effectively manage our credit risk.

Originating and underwriting loans are integral to the success of our business. This business requires us to take “credit risk,” which is the risk of losing principal and interest income because borrowers fail to repay loans. Collateral values and the ability of borrowers to repay their loans may be affected at any time by factors such as:

- The length and severity of downturns in the local economies in which we operate or the national economy;
- The length and severity of downturns in one or more of the business sectors in which our customers operate, particularly the automobile, hotel/motel, coal, and residential development industries; or
- A rapid increase in interest rates.

Our loan portfolio includes loans with a higher risk of loss.

We originate commercial real estate loans, construction and development loans, consumer loans, and residential mortgage loans, primarily within our market area. Commercial real estate, commercial, and construction and development loans tend to involve larger loan balances to a single borrower or groups of related borrowers and are most susceptible to a risk of loss during a downturn in the business cycle. These loans also have historically had a greater credit risk than other loans for the following reasons:

Commercial Real Estate Loans. Repayment is dependent on income being generated in amounts sufficient to cover operating expenses and debt service. As of December 31, 2017, commercial real estate loans, including multi-family loans, comprised approximately 38% of our total loan portfolio.

Other Commercial Loans. Repayment is generally dependent upon the successful operation of the borrower's business. In addition, the collateral securing the loans may depreciate over time, be difficult to appraise, be illiquid, or fluctuate in value based on the success of the business. As of December 31, 2017, other commercial loans comprised approximately 11% of our total loan portfolio.

Construction and Development Loans. The risk of loss is largely dependent on our initial estimate of whether the property's value at completion equals or exceeds the cost of property construction and the availability of take-out financing. During the construction phase, a number of factors can result in delays or cost overruns. If our estimate is inaccurate or if actual construction costs exceed estimates, the value of the property securing our loan may be insufficient to ensure full repayment when completed through a permanent loan, sale of the property, or by seizure of collateral. As of December 31, 2017, construction and development loans comprised approximately 5% of our total loan portfolio.

Consumer loans may carry a higher degree of repayment risk than residential mortgage loans, particularly when the consumer loan is unsecured. Repayment of a consumer loan typically depends on the borrower's financial stability, and it is more likely to be affected adversely by job loss, illness, or personal bankruptcy. In addition, federal and state bankruptcy, insolvency, and other laws may limit the amount we can recover when a consumer client defaults. As of December 31, 2017, consumer loans comprised approximately 20% of our total loan portfolio.

A significant part of our lending business is focused on small to medium-sized business which may be impacted more severely during periods of economic weakness.

A significant portion of our commercial loan portfolio is tied to small to medium-sized businesses in our markets. During periods of economic weakness, small to medium-sized businesses may be impacted more severely than larger businesses. As a result, the ability of smaller businesses to repay their loans may deteriorate, particularly if economic challenges persist over a period of time, and such deterioration would adversely impact our results of operations and financial condition.

A large percentage of our loan portfolio is secured by real estate, in particular commercial real estate. Weakness in the real estate market or other segments of our loan portfolio would lead to additional losses, which could have a material adverse effect on our business, financial condition, and results of operations.

As of December 31, 2017, approximately 69% of our loan portfolio is secured by real estate, 41% of which is commercial real estate. High levels of commercial and consumer delinquencies or declines in real estate market values could require increased net charge-offs and increases in the allowance for loan and lease losses, which could have a material adverse effect on our business, financial condition, and results of operations and prospects.

Our level of other real estate owned remains above our historical norm, primarily as a result of foreclosures. To the extent that we continue to hold a higher level of other real estate owned, related real estate expense will likely remain high.

During the economic downturn which began in 2008, we experienced an increase in nonperforming real estate loans. As a result, we have experienced, and we continue to experience, an increased level of foreclosed properties. Foreclosed real estate expense consists of maintenance costs, taxes, valuation adjustments to appraisal values, and gains or losses on disposition. The amount that we may realize after a default is dependent upon factors outside of our control, including but not limited to: (i) general and local economic conditions; (ii) neighborhood values; (iii) interest rates; (iv) real estate tax rates; (v) operating expenses of the properties; (vi) environmental remediation liabilities; (vii) ability to obtain and maintain occupancy of the properties; (viii) zoning laws; (ix) governmental rules, regulations, and fiscal policies; (x) potential vandalism; and (xi) acts of God. Expenditures associated with the ownership of real estate, such as real estate taxes, insurance, and maintenance costs, may adversely affect income from the real estate. The cost of operating real property may exceed the income earned from the property, and we may need to advance funds in order to protect our investment in the property, or we may be required to dispose of the property at a loss. If our levels of other real estate owned increase or are sustained and local real estate values decline, our foreclosed real estate expense will increase, which would adversely impact our results of operations.

As of December 31, 2017, forty-three percent (based on book value) of our foreclosed properties had been held by us for over five years. Regulatory approval is required and has been obtained to hold these properties beyond the initial period of five years. Additional approval may be required to continue to hold these properties in the event they are not liquidated during the extension period, which is typically one year. While we have previously received regulatory approval to continue to hold foreclosed properties for over five years, to the extent such approval is not obtained in the future with respect to a foreclosed property, we might be forced to liquidate such property at a price less than its appraised value. To the extent we are not able to sell a foreclosed property in 10 years, our banking regulators may expect us to write down the entire remaining balance of such property.

Environmental Liability Risk

We are subject to environmental liability risk associated with lending activity.

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures to perform an environmental review before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our financial condition and results of operations.

Competition

Strong competition within our market area may reduce our ability to attract and retain deposits and originate loans.

We face competition both in originating loans and in attracting deposits. Competition in the financial services industry is intense. We compete for clients by offering excellent service and competitive rates on our loans and deposit products. The type of institutions we compete with include commercial banks, savings institutions, mortgage banking firms, credit unions, finance companies, mutual funds, insurance companies and brokerage and investment banking firms. Competition arises from institutions located within and outside our market areas. As financial services become increasingly dependent on technology, permitting transactions to be conducted by telephone, mobile banking, and the internet, non-bank institutions are able to attract funds and provide lending and other financial services without offices located in our market areas. As a result of their size and ability to achieve economies of scale, certain of our competitors offer a broader range of products and services than we offer. With the increased consolidation in the financial industry, larger financial institutions may strengthen their competitive positions. In addition, to stay competitive in our markets we may need to adjust the interest rates on our products to match the rates offered by our competitors, which could adversely affect our net interest margin. As a result, our profitability depends upon our continued ability to successfully compete in our market areas while achieving our investment objectives.

Technology and other changes are allowing consumers to complete financial transactions through alternative methods to those which historically involved banks. For example, consumers can now hold funds that would have been held as bank deposits in mutual funds, brokerage accounts, general purpose reloadable prepaid cards, or cyber currency. In addition, consumers can complete transactions, such as paying bills or transferring funds, directly without utilizing the services of a bank. The process of eliminating banks as intermediaries (known as disintermediation), could result in the loss of fee income, as well as the loss of deposits and the income that might be generated from those deposits. The related revenue reduction could adversely affect our financial condition, cash flows, and results of operations.

Acquisition Risk
We may have difficulty in the future continuing to grow through acquisitions.

We may experience difficulty in making acquisitions on acceptable terms due to the decreasing number of suitable acquisition targets, competition for attractive acquisitions, regulatory impediments, and certain limitations on interstate acquisitions.

Any future acquisitions or mergers by CTBI or its banking subsidiary are subject to approval by the appropriate federal and state banking regulators. The banking regulators evaluate a number of criteria in making their approval decisions, such as:

- Safety and soundness guidelines;
- Compliance with all laws including the USA Patriot Act, the International Money Laundering Abatement and Anti-Terrorist Financing Act, the Sarbanes-Oxley Act and the related rules and regulations promulgated under such Act or the Exchange Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Community Reinvestment Act, the Home Mortgage Disclosure Act, and all other applicable fair lending and consumer protection laws and other laws relating to discriminatory business practices; and
- Anti-competitive concerns with the proposed transaction.

If the banking regulators or a commenter on our regulatory application raise concerns about any of these criteria at the time a regulatory application is filed, the banking regulators may deny, delay, or condition their approval of a proposed transaction. A Federal Reserve investigation in 2014 has resulted in impediments to CTBI's merger and acquisition activity for an unspecified period of time.

We have grown, and, subject to regulatory approval, intend to continue to grow, through acquisitions of banks and other financial institutions. After these acquisitions, we may experience adverse changes in results of operations of acquired entities, unforeseen liabilities, asset quality problems of acquired entities, loss of key personnel, loss of clients because of change of identity, difficulties in integrating data processing and operational procedures, and deterioration in local economic conditions. These various acquisition risks can be heightened in larger transactions.

Integration Risk
We may not be able to achieve the expected integration and cost savings from our bank acquisition activities.

We have a long history of acquiring financial institutions and, subject to regulatory approval, we expect this acquisition activity to resume in the future. Difficulties may arise in the integration of the business and operations of the financial institutions that agree to merge with and into CTBI and, as a result, we may not be able to achieve the cost savings and synergies that we expect will result from the merger activities. Achieving cost savings is dependent on consolidating certain operational and functional areas, eliminating duplicative positions and terminating certain agreements for outside services. Additional operational savings are dependent upon the integration of the banking businesses of the acquired financial institution with that of CTBI, including the conversion of the acquired entity's core operating systems, data systems and products to those of CTBI and the standardization of business practices. Complications or difficulties in the conversion of the core operating systems, data systems, and products of these other banks to those of CTBI may result in the loss of clients, damage to our reputation within the financial services industry, operational problems, one-time costs currently not anticipated by us, and/or reduced cost savings resulting from the merger activities.

Operational Risk
An extended disruption of vital infrastructure or a security breach could negatively impact our business, results of operations, and financial condition.

Our operations depend upon, among other things, our infrastructure, including equipment and facilities. Extended disruption of vital infrastructure by fire, power loss, natural disaster, telecommunications failure, computer hacking or viruses, terrorist activity or the domestic and foreign response to such activity, or other events outside of our control could have a material adverse impact on the financial services industry as a whole and on our business, results of operations, cash flows, and financial condition in particular. Our business recovery plan may not work as intended or may not prevent significant interruption of our operations. The occurrence of any failures, interruptions, or security breaches of our information systems could damage our reputation, result in the loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have an adverse effect on our financial condition and results of operation.

Third party vendors provide key components of our business infrastructure, such as processing, internet connections, and network access. While CTBI has selected these third party vendors carefully through its vendor management process, it does not control their actions and generally is not able to obtain satisfactory indemnification provisions in its third party vendor written contracts. Any problems caused by third parties or arising from their services, such as disruption in service, negligence in the performance of services or a breach of customer data security with regard to the third parties' systems, could adversely affect our ability to deliver services, negatively impact our business reputation, cause a loss of customers, or result in increased expenses, regulatory fines and sanctions, or litigation.

Claims and litigation may arise pertaining to fiduciary responsibility.

Customers may, from time to time, make a claim and take legal action pertaining to our performance of fiduciary responsibilities. Whether customer claims and legal action related to our performance of fiduciary responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to us, they may result in significant financial liability, adversely affect the market perception of us and our products and services, and impact customer demand for those products and services. Any such financial liability or reputational damage could have an adverse effect on our business, financial condition, and results of operations.

Significant legal actions could subject us to uninsured liabilities.

From time to time, we may be subject to claims related to our operations. These claims and legal actions, including supervisory actions by our regulators, could involve significant amounts. We maintain insurance coverage in amounts and with deductibles we believe are appropriate for our operations. However, our insurance coverage may not cover all claims against us and related costs, and further insurance coverage may not continue to be available at a reasonable cost. As a result, CTBI could be exposed to uninsured liabilities, which could adversely affect CTBI's business, financial condition, or results of operations.

Market Risk

Community Trust Bancorp, Inc.'s stock price is volatile.

Our stock price has been volatile in the past, and several factors could cause the price to fluctuate substantially in the future. These factors include:

Actual or anticipated variations in earnings;
Changes in analysts' recommendations or projections;
CTBI's announcements of developments related to our businesses;
Operating and stock performance of other companies deemed to be peers;
New technology used or services offered by traditional and non-traditional competitors;
News reports of trends, concerns, and other issues related to the financial services industry; and
Additional governmental policies and enforcement of current laws.

Our stock price may fluctuate significantly in the future, and these fluctuations may be unrelated to CTBI's performance. Although investor confidence in financial institutions has strengthened, the financial crisis adversely impacted investor confidence in the financial institutions sector. General market price declines or market volatility in the future could adversely affect the price of our common stock, and the current market price may not be indicative of future market prices.

Technology Risk

CTBI continually encounters technological change.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

Cyber Risk

A breach in the security of our systems could disrupt our business, result in the disclosure of confidential information, damage our reputation, and create significant financial and legal exposure for us.

Our businesses are dependent on our ability and the ability of our third party service providers to process, record, and monitor a large number of transactions. If the financial, accounting, data processing, or other operating systems and facilities fail to operate properly, become disabled, experience security breaches, or have other significant shortcomings, our results of operations could be materially adversely affected.

Although we and our third party service providers devote significant resources to maintain and upgrade our systems and processes that are designed to protect the security of computer systems, software, networks, and other technology assets and the confidentiality, integrity, and availability of information belonging to us and our customers, there is no assurance that our security systems and those of our third party service providers will provide absolute security. Financial services institutions and companies engaged in data processing have reported breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disable or degrade service, or sabotage systems, often through the introduction of computer viruses or malware, cyber-attacks, and other means. Despite our efforts and those of our third party service providers to ensure the integrity of these systems, it is possible that we or our third party service providers may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, especially because techniques used change frequently or are not recognized until launched, and because security attacks can originate from a wide variety of sources.

A successful breach of the security of our systems or those of our third party service providers could cause serious negative consequences to us, including significant disruption of our operations, misappropriation of our confidential information or the confidential information of our customers, or damage to our computers or operating systems, and could result in violations of applicable privacy and other laws, financial loss to us or to our customers, loss in confidence in our security measures, customer dissatisfaction, litigation exposure, and harm to our reputation, all of which could have a material adverse effect on us. While we maintain insurance coverage that should, subject to policy terms and conditions, cover certain aspects of our cyber risks, this insurance coverage may be insufficient to cover all losses we could experience resulting from a cyber security breach.

We could incur increased costs or reductions in revenue or suffer reputational damage in the event of misuse of information.

Our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks regarding our customers and their accounts. To provide these products and services, we use information systems and infrastructure that we and third party service providers operate. As a financial institution, we also are subject to and examined for compliance with an array of data protection laws, regulations, and guidance, as well as to our own internal privacy and information security policies and programs.

Information security risks for financial institutions like us have generally increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, and other external parties. Our technologies and systems may become the target of cyber-attacks or other attacks that could result in the misuse or destruction of our or our customers' confidential, proprietary, or other information or that could result in disruptions to the business operations of us or our customers or other third parties. Also, our customers, in order to access some of our products and services, may use personal computers, smart mobile phones, tablet PCs, and other devices that are beyond our controls and security systems. Further, a breach or attack affecting one of our third-party service providers or partners could impact us through no fault of our own. In addition, because the methods and techniques employed by perpetrators of fraud and others to attack systems and applications change frequently and often are not fully recognized or understood until after they have been launched, we and our third-party service providers and partners may be unable to anticipate certain attack methods in order to implement effective preventative measures.

While we have policies and procedures designed to prevent or limit the effect of the possible security breach of our information systems, if unauthorized persons were somehow to get access to confidential or proprietary information in our possession or to our proprietary information, it could result in significant legal and financial exposure, damage to our reputation, or a loss of confidence in the security of our systems that could materially adversely affect our business.

Counterparty Risk
The soundness of other financial institutions could adversely affect CTBI.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional counterparties. As a result, defaults by, or even rumors or questions about, one or more financial services companies, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan due us. There is no assurance that any such losses would not materially and adversely affect our businesses, financial condition, or results of operations.

Item 1B. Unresolved Staff Comments

None.

SELECTED STATISTICAL INFORMATION

The following tables set forth certain statistical information relating to CTBI and subsidiaries on a consolidated basis and should be read together with our consolidated financial statements.

Consolidated Average Balance Sheets and Taxable Equivalent Income/Expense and Yields/Rates

	2017			2016			2015		
(in thousands)	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate
Earning assets:									
Loans (1)(2)(3)	$ 3,048,879	$ 141,821	4.65%	$ 2,916,031	$ 134,455	4.61%	$ 2,791,871	$ 131,304	4.70%
Loans held for sale	709	81	11.42	728	101	13.87	1,075	95	8.84
Securities:									
U.S. Treasury and agencies	449,339	7,263	1.62	445,500	6,669	1.50	446,081	7,425	1.66
Tax exempt state and political subdivisions (3)	110,393	4,632	4.20	99,086	4,182	4.22	101,382	4,162	4.11
Other securities	49,981	1,452	2.91	53,492	1,596	2.98	59,705	1,728	2.89
Federal Reserve Bank and Federal Home Loan Bank stock	22,814	1,189	5.21	22,814	1,011	4.43	22,812	1,010	4.43
Federal funds sold	3,139	41	1.31	3,121	19	0.61	3,344	13	0.39
Interest bearing deposits	103,066	1,084	1.05	108,546	538	0.50	90,106	219	0.24
Other investments	8,961	107	1.19	1,550	17	1.10	6,285	56	0.89
Investment in unconsolidated subsidiaries	1,847	52	2.82	1,846	43	2.33	1,845	35	1.90
Total earning assets	3,799,128	$ 157,722	4.15%	3,652,714	$ 148,631	4.07%	3,524,506	$ 146,047	4.14%
Allowance for loan and lease losses	(36,507)			(36,681)			(35,735)		
	3,762,621			3,616,033			3,488,771		
Nonearning assets:									
Cash and due from banks	52,321			50,946			53,641		
Premises and equipment, net	47,129			48,138			49,103		
Other assets	206,899			205,140			198,767		
Total assets	$ 4,068,970			$ 3,920,257			$ 3,790,282		

(in thousands)	2017 Average Balances	2017 Interest	2017 Average Rate	2016 Average Balances	2016 Interest	2016 Average Rate	2015 Average Balances	2015 Interest	2015 Average Rate
Interest bearing liabilities:									
Deposits:									
Savings and demand deposits	$ 1,134,147	$ 3,863	0.34%	$ 1,088,291	$ 2,566	0.24%	$ 1,018,866	$ 2,299	0.23%
Time deposits	1,243,181	10,487	0.84	1,203,081	8,355	0.69	1,217,225	7,317	0.60
Repurchase agreements and federal funds purchased	258,419	1,832	0.71	262,361	1,155	0.44	256,091	938	0.37
Advances from Federal Home Loan Bank	38,287	427	1.12	14,410	62	0.43	15,821	49	0.31
Long-term debt	60,042	1,685	2.81	61,341	1,417	2.31	61,341	1,170	1.91
Total interest bearing liabilities	2,734,076	$ 18,294	0.67%	2,629,484	$ 13,555	0.52%	2,569,344	$ 11,773	0.46%
Noninterest bearing liabilities:									
Demand deposits	778,304			758,555			720,508		
Other liabilities	37,823			37,820			34,748		
Total liabilities	3,550,203			3,425,859			3,324,600		
Shareholders' equity	518,767			494,398			465,682		
Total liabilities and shareholders' equity	$ 4,068,970			$ 3,920,257			$ 3,790,282		
Net interest income, tax equivalent		$ 139,428			$ 135,076			$ 134,274	
Less tax equivalent interest income		2,026			2,055			2,027	
Net interest income		$ 137,402			$ 133,021			$ 132,247	
Net interest spread			3.48%			3.55%			3.68%
Benefit of interest free funding			0.19			0.15			0.13
Net interest margin			3.67%			3.70%			3.81%

(1) Interest includes fees on loans of $1,808, $1,717, and $1,782 in 2017, 2016, and 2015, respectively.
(2) Loan balances include deferred loan origination costs and principal balances on nonaccrual loans.
(3) Tax exempt income on securities and loans is reported on a fully taxable equivalent basis using a 35% rate.

Net Interest Differential

The following table illustrates the approximate effect of volume and rate changes on net interest differentials between 2017 and 2016 and also between 2016 and 2015.

(in thousands)	Total Change 2017/2016	Change Due to Volume	Change Due to Rate	Total Change 2016/2015	Change Due to Volume	Change Due to Rate
Interest income:						
Loans	$ 7,366	$ 6,171	$ 1,195	$ 3,151	$ 5,760	$ (2,609)
Loans held for sale	(20)	(3)	(17)	6	(24)	30
U.S. Treasury and agencies	594	58	536	(756)	(10)	(746)
Tax exempt state and political subdivisions	450	475	(25)	20	(93)	113
Other securities	(144)	(107)	(37)	(132)	(176)	44
Federal Reserve Bank and Federal Home Loan Bank stock	178	0	178	1	0	1
Federal funds sold	22	0	22	6	(1)	7
Interest bearing deposits	546	(26)	572	319	52	267
Other investments	90	88	2	(39)	(35)	(4)
Investment in unconsolidated subsidiaries	9	0	9	8	0	8
Total interest income	9,091	6,656	2,435	2,584	5,473	(2,889)
Interest expense:						
Savings and demand deposits	1,297	112	1,185	267	161	106
Time deposits	2,132	287	1,845	1,038	(84)	1,122
Repurchase agreements and federal funds purchased	677	(17)	694	217	23	194
Advances from Federal Home Loan Bank	365	186	179	13	(4)	17
Long-term debt	268	(29)	297	247	0	247
Total interest expense	4,739	539	4,200	1,782	96	1,686
Net interest income	$ 4,352	$ 6,117	$ (1,765)	$ 802	$ 5,377	$ (4,575)

For purposes of the above table, changes which are due to both rate and volume are allocated based on a percentage basis, using the absolute values of rate and volume variance as a basis for percentages. Income is stated at a fully taxable equivalent basis, using a 35% tax rate.

Investment Portfolio

The maturity distribution and weighted average interest rates of securities at December 31, 2017 are as follows:

Available-for-sale

	Estimated Maturity at December 31, 2017										
	Within 1 Year		1-5 Years		5-10 Years		After 10 Years		Total Fair Value		Amortized Cost
(in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount
U.S. Treasury, government agencies, and government sponsored agency mortgage-backed securities	$ 2,957	2.56%	$ 145,138	1.57%	$ 60,042	1.96%	$ 207,744	2.37%	$ 415,881	2.03%	$ 420,533
State and political subdivisions	4,129	2.99	53,440	3.76	35,780	4.17	51,666	4.49	145,015	4.10	144,159
Other securities	0	0.00	0	0.00	0	0.00	24,865	2.17	24,865	2.17	25,507
Total	$ 7,086	2.81%	$ 198,578	2.16%	$ 95,822	2.77%	$ 284,275	2.73%	$ 585,761	2.55%	$ 590,199

Held-to-maturity

	Estimated Maturity at December 31, 2017										
	Within 1 Year		1-5 Years		5-10 Years		After 10 Years		Total Amortized Cost		Fair Value
(in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount
U.S. Treasury, government agencies, and government sponsored agency mortgage-backed securities	$ 0	0.00%	$ 0	0.00%	$ 0	0.00%	$ 0	0.00%	$ 0	0.00%	$ 0
State and political subdivisions	0	0.00	659	4.37	0	0.00	0	0.00	659	4.37	660
Total	$ 0	0.00%	$ 659	4.37%	$ 0	0.00%	$ 0	0.00%	$ 659	4.37%	$ 660

Total Securities

	Estimated Maturity at December 31, 2017										
	Within 1 Year		1-5 Years		5-10 Years		After 10 Years		Total Book Value		Fair Value
(in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount
Total	$ 7,086	2.81%	$ 199,237	2.16%	$ 95,822	2.78%	$ 284,275	2.73%	$ 586,420	2.55%	$ 586,421

The calculations of the weighted average interest rates for each maturity category are based upon yield weighted by the respective costs of the securities. The weighted average rates on state and political subdivisions are computed on a taxable equivalent basis using a 35% tax rate.

Excluding those holdings of the investment portfolio in U.S. Treasury securities, government agencies, and government sponsored agency mortgage-backed securities, there were no securities of any one issuer that exceeded 10% of our shareholders' equity at December 31, 2017.

The book values of securities available-for-sale and securities held-to-maturity as of December 31, 2017 and 2016 are presented in note 3 to the consolidated financial statements.

The book value of securities at December 31, 2015 is presented below:

(in thousands)	Available-for-Sale	Held-to-Maturity
U.S. Treasury and government agencies	$ 240,434	$ 480
State and political subdivisions	125,665	1,181
U.S. government sponsored agency mortgage-backed securities	202,282	0
Total debt securities	568,381	1,661
CRA investment funds	25,000	0
Total securities	$ 593,381	$ 1,661

Loan Portfolio

(in thousands)	2017	2016	2015	2014	2013
Commercial:					
Construction	$ 76,479	$ 66,998	$ 78,020	$ 121,942	$ 110,779
Secured by real estate	1,188,680	1,085,428	1,052,919	948,626	872,542
Equipment lease financing	3,042	5,512	8,514	10,344	8,840
Commercial other	351,034	350,159	358,898	352,048	374,881
Total commercial	1,619,235	1,508,097	1,498,351	1,432,960	1,367,042
Residential:					
Real estate construction	67,358	57,966	61,750	62,412	56,075
Real estate mortgage	709,570	702,969	707,874	712,465	697,601
Home equity	99,356	91,511	89,450	88,335	84,880
Total residential	876,284	852,446	859,074	863,212	838,556
Consumer:					
Consumer direct	137,754	133,093	126,406	122,136	122,215
Consumer indirect	489,667	444,735	390,130	315,516	287,541
Total consumer	627,421	577,828	516,536	437,652	409,756
Total loans	$ 3,122,940	$ 2,938,371	$ 2,873,961	$ 2,733,824	$ 2,615,354
Percent of total year-end loans					
Commercial:					
Construction	2.45%	2.28%	2.71%	4.46%	4.24%
Secured by real estate	38.06	36.94	36.64	34.70	33.36
Equipment lease financing	0.10	0.18	0.30	0.38	0.34
Commercial other	11.24	11.92	12.49	12.88	14.33
Total commercial	51.85	51.32	52.14	52.42	52.27
Residential:					
Real estate construction	2.16	1.97	2.15	2.28	2.15
Real estate mortgage	22.72	23.93	24.63	26.06	26.67
Home equity	3.18	3.11	3.11	3.23	3.25
Total residential	28.06	29.01	29.89	31.57	32.07
Consumer:					
Consumer direct	4.41	4.53	4.40	4.47	4.67
Consumer indirect	15.68	15.14	13.57	11.54	10.99
Total consumer	20.09	19.67	17.97	16.01	15.66
Total loans	100.00%	100.00%	100.00%	100.00%	100.00%

The total loans above are net of deferred loan fees and costs.

The following table shows the amounts of loans (excluding residential mortgages of 1-4 family residences, consumer loans and lease financing) which, based on the remaining scheduled repayments of principal are due in the periods indicated. Also, the amounts are classified according to sensitivity to changes in interest rates (fixed, variable).

	Maturity at December 31, 2017			
(in thousands)	Within One Year	After One but Within Five Years	After Five Years	Total
Commercial secured by real estate and commercial other	$ 222,480	$ 217,299	$ 1,099,935	$ 1,539,714
Commercial and real estate construction	92,632	22,686	28,519	143,837
	$ 315,112	$ 239,985	$ 1,128,454	$ 1,683,551
Rate sensitivity:				
Fixed rate	$ 93,709	$ 70,274	$ 21,501	$ 185,484
Adjustable rate	221,403	169,711	1,106,953	1,498,067
	$ 315,112	$ 239,985	$ 1,128,454	$ 1,683,551

Nonperforming Assets

(in thousands)	2017	2016	2015	2014	2013
Nonaccrual loans	$ 18,119	$ 16,623	$ 16,563	$ 20,971	$ 19,958
90 days or more past due and still accruing interest	10,176	10,847	12,046	17,985	23,599
Total nonperforming loans	28,295	27,470	28,609	38,956	43,557
Other repossessed assets	155	103	183	90	0
Foreclosed properties	31,996	35,856	40,674	36,776	39,188
Total nonperforming assets	$ 60,446	$ 63,429	$ 69,466	$ 75,822	$ 82,745
Nonperforming assets to total loans and foreclosed properties	1.92%	2.13%	2.38%	2.74%	3.12%
Allowance to nonperforming loans	127.76%	130.81%	126.16%	88.43%	78.08%

Nonaccrual and Past Due Loans

(in thousands)	Nonaccrual loans	As a % of Loan Balances by Category	Accruing Loans Past Due 90 Days or More	As a % of Loan Balances by Category	Balances
December 31, 2017					
Commercial construction	$ 1,207	1.58%	$ 31	0.04%	$ 76,479
Commercial secured by real estate	7,028	0.59	2,665	0.22	1,188,680
Equipment lease financing	0	0.00	0	0.00	3,042
Commercial other	934	0.27	87	0.02	351,034
Real estate construction	318	0.47	223	0.33	67,358
Real estate mortgage	8,243	1.16	6,293	0.89	709,570
Home equity	389	0.39	167	0.17	99,356
Consumer direct	0	0.00	62	0.05	137,754
Consumer indirect	0	0.00	648	0.13	489,667
Total	$ 18,119	0.58%	$ 10,176	0.33%	$ 3,122,940
December 31, 2016					
Commercial construction	$ 1,912	2.85%	$ 28	0.04%	$ 66,998
Commercial secured by real estate	6,326	0.58	3,015	0.28	1,085,428
Equipment lease financing	0	0.00	0	0.00	5,512
Commercial other	1,559	0.45	141	0.04	350,159
Real estate construction	11	0.02	152	0.26	57,966
Real estate mortgage	6,260	0.89	6,295	0.90	702,969
Home equity	555	0.61	467	0.51	91,511
Consumer direct	0	0.00	68	0.05	133,093
Consumer indirect	0	0.00	681	0.15	444,735
Total	$ 16,623	0.57%	$ 10,847	0.37%	$ 2,938,371

Discussion of the Nonaccrual Policy

The accrual of interest income on loans is discontinued when management believes, after considering economic and business conditions, collateral value, and collection efforts, that the borrower's financial condition is such that the collection of interest is doubtful. Cash payments received on nonaccrual loans generally are applied against principal, and interest income is only recorded once principal recovery is reasonably assured. Any loans greater than 90 days past due must be well secured and in the process of collection to continue accruing interest. See note 1 for further discussion on our nonaccrual policy.

Potential Problem Loans

Interest accrual is discontinued when we believe, after considering economic and business conditions, collateral value, and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful.

Foreign Outstandings

None

Loan Concentrations

We had no concentration of loans exceeding 10% of total loans at December 31, 2017. See note 19 to the consolidated financial statements for further information.

Analysis of the Allowance for Loan and Lease Losses

(in thousands)	2017	2016	2015	2014	2013
Allowance for loan and lease losses, beginning of year	$ 35,933	$ 36,094	$ 34,447	$ 34,008	$ 33,245
Loans charged off:					
Commercial construction	(10)	(316)	(3)	(15)	(1,135)
Commercial secured by real estate	(2,038)	(1,641)	(1,379)	(2,163)	(1,607)
Commercial other	(1,893)	(2,136)	(1,961)	(3,141)	(2,265)
Real estate construction	0	(192)	(135)	(123)	(89)
Real estate mortgage	(615)	(1,043)	(1,421)	(1,058)	(744)
Home equity	(178)	(54)	(129)	(115)	(241)
Consumer direct	(965)	(1,236)	(1,306)	(1,326)	(1,166)
Consumer indirect	(5,386)	(5,050)	(3,536)	(3,495)	(3,802)
Total charge-offs	(11,085)	(11,668)	(9,870)	(11,436)	(11,049)
Recoveries of loans previously charged off:					
Commercial construction	49	36	13	28	309
Commercial secured by real estate	75	178	60	305	163
Commercial other	532	439	585	621	557
Real estate construction	0	7	4	2	4
Real estate mortgage	87	101	117	40	56
Home equity	4	9	54	5	11
Consumer direct	525	615	435	566	495
Consumer indirect	2,510	2,250	1,599	1,553	1,649
Total recoveries	3,782	3,635	2,867	3,120	3,244
Net charge-offs:					
Commercial construction	39	(280)	10	13	(826)
Commercial secured by real estate	(1,963)	(1,463)	(1,319)	(1,858)	(1,444)
Commercial other	(1,361)	(1,697)	(1,376)	(2,520)	(1,708)
Real estate construction	0	(185)	(131)	(121)	(85)
Real estate mortgage	(528)	(942)	(1,304)	(1,018)	(688)
Home equity	(174)	(45)	(75)	(110)	(230)
Consumer direct	(440)	(621)	(871)	(760)	(671)
Consumer indirect	(2,876)	(2,800)	(1,937)	(1,942)	(2,153)
Total net charge-offs	(7,303)	(8,033)	(7,003)	(8,316)	(7,805)
Provisions charged against operations	7,521	7,872	8,650	8,755	8,568
Balance, end of year	$ 36,151	$ 35,933	$ 36,094	$ 34,447	$ 34,008
Allocation of allowance, end of year:					
Commercial construction	$ 686	$ 884	$ 2,199	$ 2,896	$ 3,396
Commercial secured by real estate	14,509	14,191	14,434	13,618	14,535
Equipment lease financing	18	42	79	119	121
Commercial other	5,039	4,656	4,225	4,263	5,238
Real estate construction	660	629	550	534	397
Real estate mortgage	5,688	6,027	6,678	6,094	4,939
Home equity	857	774	839	756	601
Consumer direct	1,863	1,885	1,594	1,574	1,127
Consumer indirect	6,831	6,845	5,496	4,593	3,654
Balance, end of year	$ 36,151	$ 35,933	$ 36,094	$ 34,447	$ 34,008
Average loans outstanding, net of deferred loan costs and fees	$ 3,048,879	$ 2,916,031	$ 2,791,871	$ 2,642,231	$ 2,579,805
Loans outstanding at end of year, net of deferred loan costs and fees	$ 3,122,940	$ 2,938,371	$ 2,873,961	$ 2,733,824	$ 2,615,354
Net charge-offs to average loan type:					
Commercial construction	(0.05)%	0.40%	(0.01)%	(0.01)%	0.77%
Commercial secured by real estate	0.17	0.14	0.13	0.21	0.17
Commercial other	0.39	0.47	0.39	0.70	0.46
Real estate construction	0.00	0.32	0.21	0.20	0.16
Real estate mortgage	0.07	0.13	0.18	0.15	0.10
Home equity	0.18	0.05	0.08	0.13	0.28
Consumer direct	0.33	0.48	0.71	0.63	0.55
Consumer indirect	0.61	0.67	0.55	0.67	0.75
Total	0.24%	0.28%	0.25%	0.31%	0.30%
Other ratios:					
Allowance to net loans, end of year	1.16%	1.22%	1.26%	1.26%	1.30%
Provision for loan losses to average loans	0.25%	0.27%	0.31%	0.33%	0.33%

The allowance for loan and lease losses balance is maintained at a level considered adequate to cover anticipated probable losses based on past loss experience, general economic conditions, information about specific borrower situations including their financial position and collateral values, and other factors and estimates which are subject to change over time. This analysis is completed quarterly and forms the basis for allocation of the loan loss reserve and what charges to the provision may be required. See notes 1, 4, and 7 to the consolidated financial statements for further information.

Average Deposits and Other Borrowed Funds

(in thousands)	2017	2016	2015
Deposits:			
Noninterest bearing deposits	$ 778,304	$ 758,555	$ 720,508
NOW accounts	49,975	49,037	36,227
Money market accounts	668,609	640,297	613,804
Savings accounts	415,563	398,957	368,835
Certificates of deposit of $100,000 or more	628,165	578,669	571,660
Certificates of deposit < $100,000 and other time deposits	615,016	624,412	645,565
Total deposits	3,155,632	3,049,927	2,956,599
Other borrowed funds:			
Repurchase agreements and federal funds purchased	258,419	262,361	256,091
Advances from Federal Home Loan Bank	38,287	14,410	15,821
Long-term debt	60,042	61,341	61,341
Total other borrowed funds	356,748	338,112	333,253
Total deposits and other borrowed funds	$ 3,512,380	$ 3,388,039	$ 3,289,852

The maximum balance for federal funds purchased and repurchase agreements at any month-end during 2017 occurred at March 31, 2017, with a month-end balance of $268.9 million. The maximum balance for federal funds purchased and repurchase agreements at any month-end during 2016 occurred at October 31, 2016, with a month-end balance of $269.3 million. The maximum balance for federal funds purchased and repurchase agreements at any month-end during 2015 occurred at September 30, 2015, with a month-end balance of $265.4 million.

Maturities and/or repricing of time deposits of $100,000 or more outstanding at December 31, 2017 are summarized as follows:

(in thousands)	Certificates of Deposit	Other Time Deposits	Total
Three months or less	$ 106,380	$ 8,735	$ 115,115
Over three through six months	87,203	8,105	95,308
Over six through twelve months	332,503	13,456	345,959
Over twelve through sixty months	176,132	26,511	202,643
Over sixty months	0	0	0
	$ 702,218	$ 56,807	$ 759,025

Item 2. Properties

Our main office, which is owned by Community Trust Bank, Inc., is located at 346 North Mayo Trail, Pikeville, Kentucky 41501. Following is a schedule of properties owned and leased by CTBI and its subsidiaries as of December 31, 2017:

Location	Owned	Leased	Total
Banking locations:			
Community Trust Bank, Inc.			
* Pikeville Market (lease land at 3 owned locations)	9	1	10
10 locations in Pike County, Kentucky			
Floyd/Knott/Johnson Market (lease land at 1 owned location)	3	1	4
2 locations in Floyd County, Kentucky, 1 location in Knott County, Kentucky, and 1 location in Johnson County, Kentucky			
Tug Valley Market (lease land at 1 owned location)	2	0	2
1 location in Pike County, Kentucky, 1 location in Mingo County, West Virginia			
Whitesburg Market (lease land at 1 owned location)	4	1	5
5 locations in Letcher County, Kentucky			
Hazard Market (lease land at 2 owned locations)	3	0	3
3 locations in Perry County, Kentucky			
* Lexington Market (lease land at 3 owned locations)	4	2	6
6 locations in Fayette County, Kentucky			
Winchester Market	2	0	2
2 locations in Clark County, Kentucky			
Richmond Market (lease land at 1 owned location)	3	0	3
3 locations in Madison County, Kentucky			
Mt. Sterling Market	2	0	2
2 locations in Montgomery County, Kentucky			
* Versailles Market (lease land at 1 owned location)	2	3	5
2 locations in Woodford County, Kentucky, 2 locations in Franklin County, Kentucky, and 1 location in Scott County, Kentucky			
Danville Market (lease land at 1 owned location)	3	0	3
2 locations in Boyle County, Kentucky and 1 location in Mercer County, Kentucky			
* Ashland Market (lease land at 1 owned location)	5	0	5
4 locations in Boyd County, Kentucky and 1 location in Greenup County, Kentucky			
Flemingsburg Market	3	0	3
3 locations in Fleming County, Kentucky			
Advantage Valley Market	3	1	4
2 locations in Lincoln County, West Virginia, 1 location in Wayne County, West Virginia, and 1 location in Cabell County, West Virginia			
Summersville Market	1	0	1
1 location in Nicholas County, West Virginia			
Middlesboro Market (lease land at 1 owned location)	3	0	3
3 locations in Bell County, Kentucky			
Williamsburg Market	5	0	5
2 locations in Whitley County, Kentucky and 3 locations in Laurel County, Kentucky			
Campbellsville Market (lease land at 2 owned locations)	8	0	8
2 locations in Taylor County, Kentucky, 2 locations in Pulaski County, Kentucky, 1 location in Adair County, Kentucky, 1 location in Green County, Kentucky, 1 location in Russell County, Kentucky, and 1 location in Marion County, Kentucky			
Mt. Vernon Market	2	0	2
2 locations in Rockcastle County, Kentucky			
* LaFollette Market	3	1	4
3 locations in Campbell County, Tennessee and 1 location in Anderson County, Tennessee			
Total banking locations	70	10	80
Operational locations:			
Community Trust Bank, Inc.			
Pikeville (Pike County, Kentucky) (lease land at 1 owned location)	1	0	1
Total operational locations	1	0	1
Total locations	71	10	81

*Community Trust and Investment Company has leased offices in the main office locations in these markets.

See notes 8 and 16 to the consolidated financial statements included herein for the year ended December 31, 2017, for additional information relating to lease commitments and amounts invested in premises and equipment.

Item 3. Legal Proceedings

CTBI and subsidiaries, and from time to time, our officers, are named defendants in legal actions arising from ordinary business activities. Management, after consultation with legal counsel, believes any pending actions are without merit or that the ultimate liability, if any, will not materially affect our consolidated financial position or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Shareholder Matters, and Issuer Purchases of Equity Securities

Our common stock is listed on The NASDAQ-Stock Market LLC – Global Select Market under the symbol CTBI. As of January 31, 2018, there were approximately 7,400 holders of record of our outstanding common shares.

Dividends

The annual dividend paid to our stockholders was increased from $1.26 per share to $1.30 per share during 2017. We have adopted a conservative policy of cash dividends by generally maintaining an average annual cash dividend ratio of approximately 45%, with periodic stock dividends. The current year cash dividend ratio was 44.5%. Dividends are typically paid on a quarterly basis. Future dividends are subject to the discretion of CTBI's Board of Directors, cash needs, general business conditions, dividends from our subsidiaries, and applicable governmental regulations and policies. For information concerning restrictions on dividends from the subsidiary bank to CTBI, see note 21 to the consolidated financial statements included herein for the year ended December 31, 2017.

Stock Repurchases

CTBI did not acquire any shares of common stock through the stock repurchase program during the years 2017 and 2016. There are 67,371 shares remaining under CTBI's current repurchase authorization. For further information, see the Stock Repurchase Program section of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

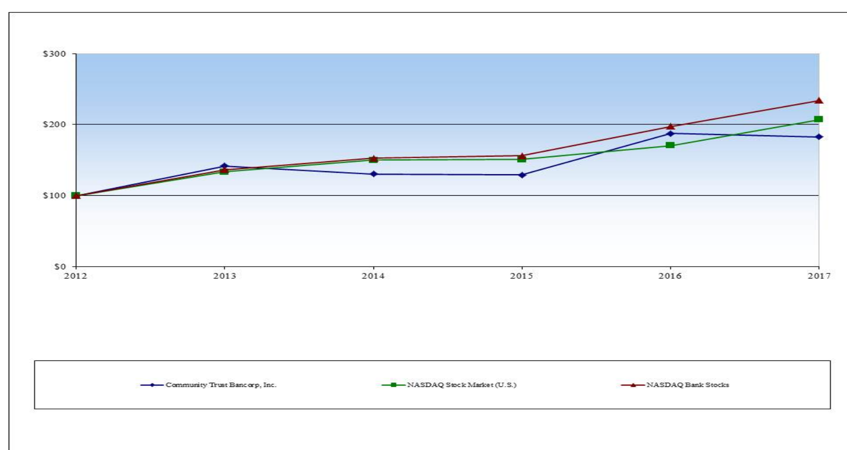
Securities Authorized for Issuance Under Equity Compensation Plans

For information concerning securities authorized for issuance under CTBI's equity compensation plans, see Part III, Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

Common Stock Performance

The following graph shows the cumulative total return experienced by CTBI's shareholders during the last five years compared to the NASDAQ Stock Market (U.S.) and the NASDAQ Bank Stock Index. The graph assumes the investment of $100 on December 31, 2012 in CTBI's common stock and in each index and the reinvestment of all dividends paid during the five-year period. The quarterly high and low sales prices for CTBI's common stock for 2012 through 2017 are shown in Item 6 below.

Comparison of 5 Year Cumulative Total Return
among Community Trust Bancorp, Inc., NASDAQ Stock Market (U.S.),
and NASDAQ Bank Stocks



Fiscal Year Ending December 31 ($)

	2012	2013	2014	2015	2016	2017
Community Trust Bancorp, Inc.	100.00	141.62	130.38	128.85	187.45	182.92
NASDAQ Stock Market (U.S.)	100.00	133.48	150.12	150.84	170.46	206.91
NASDAQ Bank Stocks	100.00	136.62	152.77	156.15	197.60	233.94

Item 6. Selected Financial Data 2013-2017

(in thousands except ratios, per share amounts and # of employees)

Year Ended December 31	2017	2016	2015	2014	2013
Interest income	$ 155,696	$ 146,576	$ 144,020	$ 143,867	$ 148,127
Interest expense	18,294	13,555	11,773	11,797	13,440
Net interest income	137,402	133,021	132,247	132,070	134,687
Provision for loan losses	7,521	7,872	8,650	8,755	8,568
Noninterest income	48,508	48,441	46,809	45,081	49,304
Noninterest expense	109,878	107,126	105,443	105,999	110,251
Income before income taxes	68,511	66,464	64,963	62,397	65,172
Income taxes	17,018	19,118	18,531	19,146	20,000
Net income	$ 51,493	$ 47,346	$ 46,432	$ 43,251	$ 45,172
Per common share:					
Basic earnings per share	$ 2.92	$ 2.70	$ 2.66	$ 2.50	$ 2.63
Diluted earnings per share	$ 2.92	$ 2.70	$ 2.66	$ 2.49	$ 2.62
Cash dividends declared-	$ 1.300	$ 1.260	$ 1.220	$ 1.181	$ 1.154
as a % of net income	44.52%	46.67%	45.86%	47.24%	43.79%
Book value, end of year	$ 30.00	$ 28.40	$ 27.12	$ 25.64	$ 23.70
Market price, end of year	$ 47.10	$ 49.60	$ 34.96	$ 36.61	$ 41.05
Market to book value, end of year	1.57x	1.75x	1.29x	1.43x	1.73x
Price/earnings ratio, end of year	16.13x	18.37x	13.14x	14.64x	15.57x
Cash dividend yield, for the year	2.76%	2.54%	3.49%	3.23%	2.81%
At year-end:					
Total assets	$ 4,136,231	$ 3,932,169	$ 3,903,934	$ 3,723,765	$ 3,581,716
Long-term debt	59,341	61,341	61,341	61,341	61,341
Shareholders' equity	530,699	500,615	475,583	447,877	412,492
Averages:					
Assets	$ 4,068,970	$ 3,920,257	$ 3,790,282	$ 3,679,531	$ 3,651,541
Deposits, including repurchase agreements	3,406,627	3,306,550	3,201,545	3,130,338	3,127,709
Earning assets	3,799,128	3,652,714	3,524,506	3,422,450	3,384,211
Loans	3,048,879	2,916,031	2,791,871	2,642,231	2,579,805
Shareholders' equity	518,767	494,398	465,682	435,290	408,782
Profitability ratios:					
Return on average assets	1.27%	1.21%	1.23%	1.18%	1.24%
Return on average equity	9.93	9.58	9.97	9.94	11.05
Capital ratios:					
Equity to assets, end of year	12.83%	12.73%	12.18%	12.03%	11.52%
Average equity to average assets	12.75	12.61	12.29	11.83	11.19
Risk based capital ratios:					
Tier 1 leverage	12.89%	12.75%	12.40%	12.04%	11.51%
Common equity Tier 1 capital	15.33	15.18	14.58	--	--
Tier 1 capital	17.22	17.25	16.70	16.51	16.15
Total capital	18.41	18.50	17.95	17.76	17.40
Other significant ratios:					
Allowance to net loans, end of year	1.16%	1.22%	1.26%	1.26%	1.30%
Allowance to nonperforming loans, end of year	127.76	130.81	126.16	88.43	78.08
Nonperforming assets to loans and foreclosed properties, end of year	1.92	2.13	2.38	2.74	3.12
Net interest margin, tax equivalent	3.67	3.70	3.81	3.92	4.03
Efficiency ratio*	58.66	58.54	58.20	59.12	59.33
Other statistics:					
Average common shares outstanding	17,631	17,548	17,431	17,326	17,158
Number of full-time equivalent employees, end of year	990	996	984	1,012	1,022

* Efficiency ratio is calculated by dividing noninterest expense by net interest income (tax equivalent) plus noninterest income minus securities gains (losses).

Quarterly Financial Data
(Unaudited)

(in thousands except ratios and per share amounts)

Three Months Ended	December 31	September 30	June 30	March 31
2017				
Net interest income	$ 35,102	$ 34,970	$ 34,240	$ 33,090
Net interest income, taxable equivalent basis	35,615	35,475	34,739	33,599
Provision for loan losses	2,862	666	2,764	1,229
Noninterest income	12,416	12,202	12,311	11,579
Noninterest expense	27,736	26,932	27,566	27,644
Net income	14,912	13,763	11,541	11,277
Per common share:				
Basic earnings per share	$ 0.84	$ 0.78	$ 0.65	$ 0.64
Diluted earnings per share	0.84	0.78	0.65	0.64
Dividends declared	0.33	0.33	0.32	0.32
Common stock price:				
High	$ 51.90	$ 47.00	$ 46.90	$ 50.40
Low	45.00	40.33	41.07	43.25
Last trade	47.10	46.50	43.75	45.75
Selected ratios:				
Return on average assets, annualized	1.43%	1.33%	1.14%	1.15%
Return on average common equity, annualized	11.18	10.45	8.97	9.02
Net interest margin, annualized	3.65	3.67	3.68	3.68

Three Months Ended	December 31	September 30	June 30	March 31
2016				
Net interest income	$ 33,411	$ 33,227	$ 33,059	$ 33,324
Net interest income, taxable equivalent basis	33,930	33,726	33,565	33,855
Provision for loan losses	2,043	2,191	1,873	1,765
Noninterest income	12,515	13,186	11,769	10,971
Noninterest expense	27,005	26,687	27,192	26,242
Net income	11,866	12,312	11,566	11,602
Per common share:				
Basic earnings per share	$ 0.67	$ 0.70	$ 0.66	$ 0.66
Diluted earnings per share	0.67	0.70	0.66	0.66
Dividends declared	0.32	0.32	0.31	0.31
Common stock price:				
High	$ 51.35	$ 37.49	$ 36.95	$ 36.00
Low	35.85	33.71	32.98	30.89
Last trade	49.60	37.11	34.66	35.32
Selected ratios:				
Return on average assets, annualized	1.19%	1.25%	1.19%	1.20%
Return on average common equity, annualized	9.41	9.81	9.46	9.63
Net interest margin, annualized	3.66	3.66	3.71	3.76

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand Community Trust Bancorp, Inc., our operations, and our present business environment. The MD&A is provided as a supplement to—and should be read in conjunction with—our consolidated financial statements and the accompanying notes thereto contained in Item 8 of this annual report. The MD&A includes the following sections:

- Our Business
- Financial Goals and Performance
- Results of Operations and Financial Condition
- Contractual Obligations and Commitments
- Liquidity and Market Risk
- Interest Rate Risk
- Capital Resources
- Impact of Inflation, Changing Prices, and Economic Conditions
- Stock Repurchase Program
- Critical Accounting Policies and Estimates

Our Business

Community Trust Bancorp, Inc. ("CTBI") is a bank holding company headquartered in Pikeville, Kentucky. Currently, we own one commercial bank, Community Trust Bank, Inc. ("CTB") and one trust company, Community Trust and Investment Company. Through our subsidiaries, we have eighty banking locations in eastern, northeastern, central, and south central Kentucky, southern West Virginia, and northeastern Tennessee, four trust offices across Kentucky, and one trust office in northeastern Tennessee. At December 31, 2017, we had total consolidated assets of $4.1 billion and total consolidated deposits, including repurchase agreements, of $3.5 billion. Total shareholders' equity at December 31, 2017 was $530.7 million. Trust assets under management, which are excluded from CTBI's total consolidated assets, at December 31, 2017, were $2.2 billion. Trust assets under management include CTB's investment portfolio totaling $0.6 billion.

Through its subsidiaries, CTBI engages in a wide range of commercial and personal banking and trust and wealth management activities, which include accepting time and demand deposits; making secured and unsecured loans to corporations, individuals and others; providing cash management services to corporate and individual customers; issuing letters of credit; renting safe deposit boxes; and providing funds transfer services. The lending activities of CTB include making commercial, construction, mortgage, and personal loans. Lease-financing, lines of credit, revolving lines of credit, term loans, and other specialized loans, including asset-based financing, are also available. Our corporate subsidiaries act as trustees of personal trusts, as executors of estates, as trustees for employee benefit trusts, as paying agents for bond and stock issues, as investment agent, as depositories for securities, and as providers of full service brokerage and insurance services. For further information, see Item 1 of this annual report.

Financial Goals and Performance

The following table shows the primary measurements used by management to assess annual performance. The goals in the table below should not be viewed as a forecast of our performance for 2018. Rather, the goals represent a range of target performance for 2018. There is no assurance that any or all of these goals will be achieved. See "Cautionary Statement Regarding Forward Looking Statements."

	2017 Goals	2017 Performance	2018 Goals
Basic earnings per share	$2.76 - $2.86	$2.92	$3.32 - $3.40
Net income*	$49.0 - $50.2 million	$51.5 million	$58.8 - $60.2 million
ROAA	1.19% - 1.25%	1.27%	1.41% - 1.44%
ROAE	9.10% - 10.10%	9.93%	10.72% - 10.97%
Revenues	$187.8 - $193.8 million	$185.9 million	$188.9 - $194.6 million
Noninterest revenue as of % of total revenue	25.00% - 25.80%	25.84%	25.00% - 27.00%
Assets	$3.90 - $4.40 billion	$4.14 billion	$4.15 - $4.32 billion
Loans	$3.00 - $3.20 billion	$3.12 billion	$3.15 - $3.35 billion
Deposits, including repurchase agreements	$3.30 - $3.50 billion	$3.51 billion	$3.47 - $3.61 billion
Shareholders' equity	$510.0 - $550.0 million	$530.7 million	$552.6 - $575.2 million

* Approximately $8 million of the increased net income goal is related to projected tax savings associated with the decrease in our 2018 federal income tax expense resulting from the Tax Cuts and Jobs Act of 2017.

Results of Operations and Financial Condition

We reported record earnings of $51.5 million, or $2.92 per basic share, for the year ended December 31, 2017 compared to $47.3 million, or $2.70 per basic share, for the year ended December 31, 2016 and $46.4 million, or $2.66 per basic share, for the year ended December 31, 2015.

The December 22, 2017 enactment of the Tax Cuts and Jobs Act of 2017 resulted in an immediate recognition of a tax benefit of $2.8 million as CTBI is in a net deferred tax liability position. The impact to earnings per share was $0.16 per share for the year ended December 31, 2017. As a result of the positive impact on income tax expense during the period, CTBI announced a one-time bonus for all non-executive employees of $1,000 per full-time employee and $500 per part-time employee. The $0.7 million after-tax impact to earnings per share resulting from this accrual was $0.04 per share for the year ended December 31, 2017. The net impact to earnings per share from these two events, therefore, was an increase of $0.12 per share.

2017 Highlights

- Net interest income for the year ended December 31, 2017 increased $4.4 million, or 3.3%, from December 31, 2016.
- Provision for loan losses for the year ended December 31, 2017 decreased $0.4 million, or 4.5%, from December 31, 2016.
- Our loan portfolio increased $184.6 million, or 6.3%, from December 31, 2016.
- Net loan charge-offs for the year ended December 31, 2017 were $7.3 million, or 0.24% of average loans annualized, compared to $8.0 million, or 0.28%, experienced for the year 2016.
- Nonperforming loans at $28.3 million increased $0.8 million, or 3.0%, from December 31, 2016. Nonperforming assets at $60.4 million decreased $3.0 million, or 4.7%, from December 31, 2016.
- Deposits, including repurchase agreements, increased $175.3 million, or 5.3%, from December 31, 2016.
- Noninterest income for the year ended December 31, 2017 of $48.5 million was a $0.1 million, or 0.1%, increase from the year ended December 31, 2016.
- Noninterest expense for the year ended December 31, 2017 increased $2.8 million, or 2.6%, compared to the year ended December 31, 2016, as a result of a $1.8 million increase in personnel expense and a $1.6 million increase in net other real estate owned expense, partially offset by a $0.6 million decrease in FDIC insurance. The increase year over year in personnel expense included a $1.1 million increase in salaries, a $0.5 million increase in bonuses and incentives, and a $0.4 million increase in the cost of group medical and life insurance.

Income Statement Review

(dollars in thousands)				Change 2017 vs. 2016	
Year Ended December 31	2017	2016	2015	Amount	Percent
Net interest income	$ 137,402	$ 133,021	$ 132,247	$ 4,381	3.3%
Provision for loan losses	7,521	7,872	8,650	(351)	(4.5)
Noninterest income	48,508	48,441	46,809	67	0.1
Noninterest expense	109,878	107,126	105,443	2,752	2.6
Income taxes	17,018	19,118	18,531	(2,100)	(11.0)
Net income	$ 51,493	$ 47,346	$ 46,432	$ 4,147	8.8%
Average earning assets	$ 3,799,128	$ 3,652,714	$ 3,524,506	$ 146,414	4.0%
Yield on average earnings assets, tax equivalent*	4.15%	4.07%	4.14%	0.08%	2.0%
Cost of interest bearing funds	0.67%	0.52%	0.46%	0.15%	28.8%
Net interest margin, tax equivalent*	3.67%	3.70%	3.81%	(0.03)%	(0.8)%

*Yield on average earning assets and net interest margin are computed on a taxable equivalent basis using a 35% tax rate.

Net Interest Income

Net interest income for the year ended December 31, 2017 of $137.4 million increased $4.4 million, or 3.3%, from prior year. Average earning assets increased $146.4 million over prior year. Our yield on average earning assets increased 8 basis points from prior year, while our cost of interest bearing funds increased 15 basis points. Average loans to deposits, including repurchase agreements, for the year ended December 31, 2017 were 89.5% compared to 88.2% for the year ended December 31, 2016.

Net interest income for the year ended December 31, 2016 of $133.0 million increased $0.8 million, or 0.6%, from prior year. Average earning assets increased $128.2 million over prior year. Our yield on average earning assets decreased 7 basis points from 2015, while our cost of interest bearing funds increased 6 basis points. Average loans to deposits, including repurchase agreements, for the year ended December 31, 2016 were 88.2% compared to 87.2% for the year ended December 31, 2015.

Provision for Loan Losses

The provision for loan losses added to the allowance for 2017 of $7.5 million was a $0.4 million decrease from prior year. This provision represented a charge against current earnings in order to maintain the allowance at an appropriate level determined using the accounting estimates described in the Critical Accounting Policies and Estimates section.

The provision for loan losses added to the allowance for 2016 of $7.9 million was a $0.8 million decrease from 2015.

Noninterest Income

Noninterest income for the year ended December 31, 2017 of $48.5 million was a $0.1 million, or 0.1% increase, from the year ended December 31, 2016.

Noninterest income for the year ended December 31, 2016 of $48.4 million was an increase of $1.6 million, or 3.5%, from 2015. The increase in noninterest income year over year was primarily due to a $0.7 million increase in deposit services charges, a $0.3 million increase in trust revenue, a $0.3 million increase in loan related fees, and a $0.6 million positive variance in securities gains (losses).

Noninterest Expense

Noninterest expense for the year ended December 31, 2017 increased $2.8 million, or 2.6%, compared to the year ended December 31, 2016, as a result of a $1.8 million increase in personnel expense and a $1.6 million increase in net other real estate owned expense, partially offset by a $0.6 million decrease in FDIC insurance. The increase year over year in personnel expense included a $1.1 million increase in salaries, a $0.5 million increase in bonuses and incentives, and a $0.4 million increase in the cost of group medical and life insurance.

Noninterest expense for the year ended December 31, 2016 of $107.1 million increased $1.7 million, or 1.6%, from prior year. The increase in noninterest expense was primarily due to an increase in personnel expense, partially offset by decreased FDIC insurance expense. The increase in our personnel expense was a result of changes in our group medical insurance expense caused by differences in our claims paid experience as a self-insured employer.

Balance Sheet Review

CTBI's total assets at $4.1 billion increased $204.1 million, or 5.2%, from December 31, 2016. Loans outstanding at December 31, 2017 were $3.1 billion, increasing $184.6 million, or 6.3%, year over year. We experienced growth during the year of $111.2 million in the commercial loan portfolio, $44.9 million in the indirect loan portfolio, $4.7 million in the consumer direct loan portfolio, and $23.8 million in the residential loan portfolio. CTBI's investment portfolio decreased $19.8 million, or 3.3%, from December 31, 2016. Deposits in other banks increased $41.0 million from December 31, 2016. Deposits, including repurchase agreements, at $3.5 billion increased $175.3 million, or 5.3%, from December 31, 2016. Wholesale brokered deposits acquired in the third quarter 2017 accounted for $82.3 million of the year over year deposit growth.

Shareholders' equity at December 31, 2017 was $530.7 million, a 6.0% increase from the $500.6 million at December 31, 2016. CTBI's annualized dividend yield to shareholders as of December 31, 2017 was 2.80%.

Loans

(in thousands)	December 31, 2017				
Loan Category	Balance	Variance from Prior Year	Net Charge-Offs	Nonperforming	ALLL
Commercial:					
Construction	$ 76,479	14.2%	$ 39	$ 1,238	$ 686
Secured by real estate	1,188,680	9.5	(1,963)	9,693	14,509
Equipment lease financing	3,042	(44.8)	0	0	18
Other commercial	351,034	0.2	(1,361)	1,021	5,039
Total commercial	1,619,235	7.4	(3,285)	11,952	20,252
Residential:					
Real estate construction	67,358	16.2	0	541	660
Real estate mortgage	709,570	0.9	(528)	14,536	5,688
Home equity	99,356	8.6	(174)	556	857
Total residential	876,284	2.8	(702)	15,633	7,205
Consumer:					
Consumer direct	137,754	3.5	(440)	62	1,863
Consumer indirect	489,667	10.1	(2,876)	648	6,831
Total consumer	627,421	8.6	(3,316)	710	8,694
Total loans	$ 3,122,940	6.3%	$ (7,303)	$ 28,295	$ 36,151

Asset Quality

CTBI's total nonperforming loans, not including troubled debt restructurings, were $28.3 million, or 0.91% of total loans, at December 31, 2017 compared to $27.5 million, or 0.93% of total loans, at December 31, 2016. Accruing loans 90+ days past due decreased $0.7 million from December 31, 2016. Nonaccrual loans increased $1.5 million from December 31, 2016. Accruing loans 30-89 days past due at $19.4 million was an increase of $3.0 million from December 31, 2016. Our loan portfolio management processes focus on the immediate identification, management, and resolution of problem loans to maximize recovery and minimize loss. Our loan portfolio risk management processes include weekly delinquent loan review meetings at the market levels and monthly delinquent loan review meetings involving senior corporate management to review all nonaccrual loans and loans 30 days or more past due. Any activity regarding a criticized/classified loan (i.e. problem loan) must be approved by CTB's Watch List Asset Committee (i.e. Problem Loan Committee). CTB's Watch List Asset Committee also meets on a quarterly basis and reviews every criticized/classified loan of $100,000 or greater. We also have a Loan Review Department that reviews every market within CTB annually and performs extensive testing of the loan portfolio to assure the accuracy of loan grades and classifications for delinquency, troubled debt restructuring, impaired status, impairment, nonaccrual status, and adequate loan loss reserves. The Loan Review Department has annually reviewed on average 95% of the outstanding commercial loan portfolio for the past three years. The average annual review percentage of the consumer and residential loan portfolio for the past three years was 85% based on the loan production during the number of months included in the review scope. The review scope is generally four to six months of production.

Impaired loans, loans not expected to meet contractual principal and interest payments, at December 31, 2017 totaled $47.4 million compared to $52.2 million at December 31, 2016. Included in certain loan categories of impaired loans are troubled debt restructurings that were classified as impaired. At December 31, 2017, CTBI had $31.5 million in commercial loans secured by real estate, $4.6 million in commercial real estate construction loans, $9.4 million in commercial other loans, $0.3 million in consumer real estate construction, and $1.6 million in real estate mortgage loans that were modified in troubled debt restructurings and/or impaired. Management evaluates all impaired loans for impairment and records a direct charge-off or provides specific reserves when necessary.

For further information regarding nonperforming and impaired loans, see note 4 to the consolidated financial statements.

CTBI generally does not offer high risk loans such as option ARM products, high loan to value ratio mortgages, interest-only loans, loans with initial teaser rates, or loans with negative amortizations, and therefore, CTBI would have no significant exposure to these products.

Our level of foreclosed properties at $32.0 million at December 31, 2017 was a decrease of $3.9 million from the $35.9 million at December 31, 2016. Sales of foreclosed properties for the year ended December 31, 2017 totaled $6.1 million while new foreclosed properties totaled $5.4 million. At December 31, 2017, the book value of properties under contracts to sell was $2.2 million; however, the closings had not occurred at year-end.

When foreclosed properties are acquired, appraisals are obtained and the properties are booked at the current market value less expected sales costs. Additionally, periodic updated appraisals are obtained on unsold foreclosed properties. When an updated appraisal reflects a market value below the current book value, a charge is booked to current earnings to reduce the property to its new market value less expected sales costs. Charges to earnings in 2017 to reflect the decrease in current market values of foreclosed properties totaled $3.0 million. There were 69 properties reappraised during 2017. Of these, 33 were written down by a total of $1.7 million. Charges during the year ended December 31, 2016 were $1.2 million. Our policy for determining the frequency of periodic reviews is based upon consideration of the specific properties and the known or perceived market fluctuations in a particular market and is typically between 12 and 18 months but generally not more than 24 months. Approximately ninety-nine percent of our OREO properties have appraisals dated within the past 18 months. Management anticipates that our foreclosed properties will remain elevated as we work through current market conditions.

The appraisal aging analysis of foreclosed properties, as well as the holding period, at December 31, 2017 is shown below:

(in thousands)

Appraisal Aging Analysis		
Days Since Last Appraisal		Current Book Value
Up to 3 months	$	1,978
3 to 6 months		4,115
6 to 9 months		16,687
9 to 12 months		4,581
12 to 18 months		4,298
18 to 24 months		297
Over 24 months		40
Total	$	31,996

Holding Period Analysis		
Holding Period		Current Book Value
Less than one year	$	4,672
1 year		2,615
2 years		8,156
3 years		2,143
4 years		546
5 years		1,200
6 years*		8,816
7 years*		90
8 years*		3,735
9 years*		23
Total	$	31,996

* Regulatory approval is required and has been obtained to hold these properties beyond the initial period of 5 years. Additional approval may be required to continue to hold these properties should they not be liquidated during the extension period, which is typically one year. To the extent we are not able to sell a foreclosed property in 10 years, our banking regulators may require us to write down the entire remaining balance of such property.

Net loan charge-offs for the year were $7.3 million, or 0.24% of average loans annualized, a decrease from prior year's $8.0 million, or 0.28% of average loans annualized. Of the total net charge-offs, $3.3 million were in commercial loans, $2.9 million were in indirect auto loans, $0.7 million were in residential real estate mortgage loans, and $0.4 million were in direct consumer loans.

Our loan loss reserve as a percentage of total loans outstanding at December 31, 2017 decreased to 1.16% from the 1.22% at December 31, 2016. The decline as a percentage of loans is primarily attributable to reductions in allocations for specific reserves for problem loans and reductions in allocations to soft factors including allocations for current economic conditions, allocations for specific industry concentrations, and allocations for interest rate risks associated with our borrowers' ability to repay in a rapidly rising rate environment. Our reserve coverage (allowance for loan and lease loss reserve to nonperforming loans) was 127.8% at December 31, 2017 compared to 130.8% at December 31, 2016.

Contractual Obligations and Commitments

As disclosed in the notes to the consolidated financial statements, we have certain obligations and commitments to make future payments under contracts. At December 31, 2017, the aggregate contractual obligations and commitments are:

Contractual Obligations:	Payments Due by Period			
(in thousands)	Total	1 Year	2-5 Years	After 5 Years
Deposits without stated maturity	$ 1,950,720	$ 1,950,720	$ 0	$ 0
Certificates of deposit and other time deposits	1,313,143	1,011,975	301,055	113
Repurchase agreements and federal funds purchased	251,126	251,126	0	0
Advances from Federal Home Loan Bank	845	411	81	353
Interest on advances from Federal Home Loan Bank*	10	9	1	0
Long-term debt	59,341	0	0	59,341
Interest on long-term debt*	46,753	2,123	9,510	35,120
Annual rental commitments under leases	12,039	2,050	6,206	3,783
Total contractual obligations	$ 3,633,977	$ 3,218,414	$ 316,853	$ 98,710

*The amounts provided as interest on advances from Federal Home Loan Bank and interest on long-term debt assume the liabilities will not be prepaid and interest is calculated to their individual maturities.

The interest on $59.3 million in long-term debt is calculated based on the three-month LIBOR plus 1.59% until its maturity of June 1, 2037. The three-month LIBOR rate is projected using the most likely rate forecast from assumptions incorporated in the interest rate risk model and is determined two business days prior to the interest payment date. These assumptions are uncertain, and as a result, the actual payments will differ from the projection due to changes in economic conditions.

Other Commitments:	Amount of Commitment - Expiration by Period			
(in thousands)	Total	1 Year	2-5 Years	After 5 Years
Standby letters of credit	$ 29,308	$ 29,252	$ 56	$ 0
Commitments to extend credit	516,731	454,801	51,386	10,544
Total other commitments	$ 546,039	$ 484,053	$ 51,442	$ 10,544

Commitments to extend credit and standby letters of credit do not necessarily represent future cash requirements in that these commitments often expire without being drawn upon. Refer to note 18 to the consolidated financial statements for additional information regarding other commitments.

Liquidity and Market Risk

The objective of CTBI's Asset/Liability management function is to maintain consistent growth in net interest income within our policy limits. This objective is accomplished through management of our consolidated balance sheet composition, liquidity, and interest rate risk exposures arising from changing economic conditions, interest rates, and customer preferences. The goal of liquidity management is to provide adequate funds to meet changes in loan and lease demand or deposit withdrawals. This is accomplished by maintaining liquid assets in the form of cash and cash equivalents and investment securities, sufficient unused borrowing capacity, and growth in core deposits and wholesale funding (including the use of wholesale brokered deposits). As of December 31, 2017, we had approximately $175.3 million in cash and cash equivalents and approximately $585.8 million in securities valued at estimated fair value designated as available-for-sale and available to meet liquidity needs on a continuing basis compared to $144.7 million and $605.4 million at December 31, 2016. Additional asset-driven liquidity is provided by the remainder of the securities portfolio and the repayment of loans. In addition to core deposit funding, we also have a variety of other short-term and long-term funding sources available. As of December 31, 2017, we had wholesale brokered deposits outstanding of $82.3 million with one, two, and three-year maturities and a weighted average maturity of 1.97 years. We also rely on Federal Home Loan Bank advances for both liquidity and management of our asset/liability position. Federal Home Loan Bank advances were $0.8 million at December 31, 2017 compared to $0.9 million at December 31, 2016. As of December 31, 2017, we had a $295.5 million available borrowing position with the Federal Home Loan Bank compared to $295.8 million at December 31, 2016. We generally rely upon net inflows of cash from financing activities, supplemented by net inflows of cash from operating activities, to provide cash for our investing activities. However, since our loan production had outpaced internal deposit growth, management determined that it was appropriate to fund this growth with longer term brokered deposits instead of shorter term Federal Home Loan Bank advances. As is typical of many financial institutions, significant financing activities include deposit gathering, use of short-term borrowing facilities such as repurchase agreements and federal funds purchased, use of wholesale brokered deposits, and issuance of long-term debt. At December 31, 2017 and December 31, 2016, we had $57 million in lines of credit with various correspondent banks available to meet any future cash needs. Our primary investing activities include purchases of securities and loan originations. We do not rely on any one source of liquidity and manage availability in response to changing consolidated balance sheet needs. Included in our cash and cash equivalents at December 31, 2017 were deposits with the Federal Reserve of $124.3 million compared to $93.4 million at December 31, 2016. At December 31, 2016, cash and cash equivalents included federal funds sold of $0.5 million. Additionally, we project cash flows from our investment portfolio to generate additional liquidity over the next 90 days.

The investment portfolio consists of investment grade short-term issues suitable for bank investments. The majority of the investment portfolio is in U.S. government and government sponsored agency issuances. At the end of 2017, available-for-sale ("AFS") securities comprised substantially all of the total investment portfolio, and the AFS portfolio was approximately 110% of equity capital. Ninety-five percent of the pledge eligible portfolio was pledged.

Interest Rate Risk

We consider interest rate risk one of our most significant market risks. Interest rate risk is the exposure to adverse changes in net interest income due to changes in interest rates. Consistency of our net interest revenue is largely dependent upon the effective management of interest rate risk. We employ a variety of measurement techniques to identify and manage our interest rate risk including the use of an earnings simulation model to analyze net interest income sensitivity to changing interest rates. The model is based on actual cash flows and repricing characteristics for on and off-balance sheet instruments and incorporates market-based assumptions regarding the effect of changing interest rates on the prepayment rates of certain assets and liabilities. Assumptions based on the historical behavior of deposit rates and balances in relation to changes in interest rates are also incorporated into the model. These assumptions are inherently uncertain, and as a result, the model cannot precisely measure net interest income or precisely predict the impact of fluctuations in interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude, and frequency of interest rate changes as well as changes in market conditions and management strategies.

CTBI's Asset/Liability Management Committee (ALCO), which includes executive and senior management representatives and reports to the Board of Directors, monitors and manages interest rate risk within Board-approved policy limits. Our current exposure to interest rate risks is determined by measuring the anticipated change in net interest income spread evenly over the twelve-month period.

The following table shows our estimated earnings sensitivity profile as of December 31, 2017:

Change in Interest Rates (basis points)	Percentage Change in Net Interest Income (12 Months)
+400	7.49%
+300	5.70%
+200	3.86%
+100	1.92%
-25	(0.29)%

The following table shows our estimated earnings sensitivity profile as of December 31, 2016:

Change in Interest Rates (basis points)	Percentage Change in Net Interest Income (12 Months)
+400	7.05%
+300	5.10%
+200	3.15%
+100	1.30%
-25	(0.21)%

The simulation model used the yield curve spread evenly over a twelve-month period. The measurement at December 31, 2017 estimates that our net interest income in an up-rate environment would increase by 7.49% at a 400 basis point change, 5.70% increase at a 300 basis point change, 3.86% increase at a 200 basis point change, and a 1.92% increase at a 100 basis point change. In a down-rate environment, a 25 basis point decrease in interest rates would decrease net interest income by 0.29% over one year. In order to reduce the exposure to interest rate fluctuations and to manage liquidity, we have developed sale procedures for several types of interest-sensitive assets. Primarily all long-term, fixed rate single family residential mortgage loans underwritten according to Federal Home Loan Mortgage Corporation guidelines are sold for cash upon origination or originated under terms where they could be sold. Periodically, additional assets such as commercial loans are also sold. In 2017 and 2016, $59.4 million and $81.4 million, respectively, were realized on the sale of fixed rate residential mortgages. We focus our efforts on consistent net interest revenue and net interest margin growth through each of the retail and wholesale business lines. We do not currently engage in trading activities.

The preceding analysis was prepared using a rate ramp analysis which attempts to spread changes evenly over a specified time period as opposed to a rate shock which measures the impact of an immediate change. Had these measurements been prepared using the rate shock method, the results would vary.

Our static repricing GAP as of December 31, 2017 is presented below. In the 12 month cumulative repricing GAP, rate sensitive liabilities ("RSL") exceeded rate sensitive assets ("RSA") by $244.2 million.

(dollars in thousands)	1-3 Months	4-6 Months	7-9 Months	10-12 Months	2-3 Years	4-5 Years	> 5 Years
Assets	$ 1,440,944	$ 221,323	$ 196,391	$ 191,618	$ 1,009,052	$ 457,752	$ 619,151
Liabilities and Equity	777,277	393,323	490,866	633,049	1,180,168	99,474	562,074
Periodic repricing GAP	663,667	(172,000)	(294,474)	(441,431)	(171,116)	358,278	57,076
Cumulative GAP	663,667	491,667	197,193	(244,238)	(415,354)	(57,076)	0
RSA/RSL	1.85x	0.56x	0.40x	0.30x	0.86x	4.60x	1.10x
Cumulative GAP to total assets	16.05%	11.89%	4.77%	(5.90)%	(10.04)%	(1.38)%	0.00%

Capital Resources

We continue to grow our shareholders' equity while also providing an annual dividend yield for the year 2017 of 2.76% to shareholders. Shareholders' equity increased 6.0% from December 31, 2016 to $530.7 million at December 31, 2017. Our primary source of capital growth is the retention of earnings. Cash dividends were $1.30 per share for 2017 and $1.26 per share for 2016. We retained 55.5% of our earnings in 2017 compared to 53.3% in 2016.

Regulatory guidelines require bank holding companies, commercial banks, and savings banks to maintain certain minimum capital ratios and define companies as "well-capitalized" that sufficiently exceed the minimum ratios. The banking regulators may alter minimum capital requirements as a result of revising their internal policies and their ratings of individual institutions. To be "well-capitalized" banks and bank holding companies must maintain a Tier 1 leverage ratio of no less than 5%, a common equity Tier 1 capital ratio of no less than 6.5%, a Tier 1 risk based ratio of no less than 8%, and a total risk based ratio of no less than 10%. Our ratios as of December 31, 2017 were 12.89%, 15.33%, 17.22%, and 18.41%, respectively, all exceeding the threshold for meeting the definition of "well-capitalized." Our capital conservation buffer at December 31, 2017 was 10.41%. See note 21 to the consolidated financial statements for further information.

As of December 31, 2017, we are not aware of any current recommendations by banking regulatory authorities which, if they were to be implemented, would have, or are reasonably likely to have, a material adverse impact on our liquidity, capital resources, or operations. However, CTB will be required to make certain customer reimbursements related to two deposit add-on products. As previously discussed in CTBI's prior year Form 10-K and most recent Form 10-Q, management established a related accrual in 2014, which was not considered material. The time period and amount of the reimbursements have not yet been determined; therefore, the actual amount may materially vary from the amount management has evaluated as most likely at December 31, 2017.

Basel III

On July 2, 2013, the Federal Reserve approved final rules that substantially amend the regulatory risk-based capital rules applicable to CTBI and CTB. The FDIC subsequently approved these rules. The final rules implement the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act.

The rules include new risk-based capital and leverage ratios, which are being phased in from 2015 to 2019, and refine the definition of what constitutes "capital" for purposes of calculating those ratios. The new minimum capital level requirements applicable to CTBI and CTB under the final rules are: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from previous rules); and (iv) a Tier 1 leverage ratio of 4% for all institutions. The final rules also establish a "capital conservation buffer" above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital. The capital conservation buffer began to be phased in on January 1, 2016 at 0.625% of risk-weighted assets and will increase by 0.625% annually until fully implemented in January 2019. An institution is subject to limitations on certain activities including payment of dividends, share repurchases, and discretionary bonuses to executive officers if its capital level is below the total capital plus capital conservation buffer amount.

The final rules also implement revisions and clarifications consistent with Basel III regarding the various components of Tier 1 capital, including common equity, unrealized gains and losses (which are not considered a component of Tier 1 capital), as well as certain instruments that will no longer qualify as Tier 1 capital, some of which will be phased out over time. However, the final rules provide that small depository institution holding companies with less than $15 billion in total assets as of December 31, 2009 (which includes CTBI) will be able to permanently include non-qualifying instruments that were issued and included in Tier 1 or Tier 2 capital prior to May 19, 2010 in additional Tier 1 or Tier 2 capital until they redeem such instruments or until the instruments mature.

The final rules also contain revisions to the prompt corrective action framework, which is designed to place restrictions on insured depository institutions, including CTB, if their capital levels begin to show signs of weakness. These revisions took effect January 1, 2015. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions are required to meet the following increased capital level requirements in order to qualify as "well capitalized:" (i) a common equity Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8% (increased from 6%); (iii) a total capital ratio of 10% (unchanged from previous rules); and (iv) a Tier 1 leverage ratio of 5% (unchanged from previous rules).

The final rules set forth certain changes for the calculation of risk-weighted assets, which we were required to utilize beginning January 1, 2015. The standardized approach final rule utilizes an increased number of credit risk exposure categories and risk weights, and also addresses: (i) an alternative standard of creditworthiness consistent with Section 939A of the Dodd-Frank Act; (ii) revisions to recognition of credit risk mitigation; (iii) rules for risk weighting of equity exposures and past due loans; (iv) revised capital treatment for derivatives and repo-style transactions; and (v) disclosure requirements for top-tier banking organizations with $50 billion or more in total assets that are not subject to the "advance approach rules" that apply to banks with greater than $250 billion in consolidated assets. We currently satisfy the well-capitalized and the capital conservation standards, and based on our current capital composition and levels, we anticipate that our capital ratios, on a Basel III basis, will continue to exceed the well-capitalized minimum capital requirements and capital conservation buffer standards.

In December 2017, the Basel Committee on Banking Supervision unveiled the latest round of its regulatory framework, commonly referred to as Basel IV. The framework makes changes to the capital framework of Basel III and is targeted for a timeframe of 2022-2027 for implementation. The new framework appears designed to limit the flexibility of financial institutions using advanced approaches to calculate credit and other risks and also makes significant amendments to the standardized approaches to credit risk, credit valuation adjustment risk, and operational risk. The manner and the form in which the Basel IV framework will be implemented in the U.S. are uncertain.

Impact of Inflation, Changing Prices, and Economic Conditions

The majority of our assets and liabilities are monetary in nature. Therefore, CTBI differs greatly from most commercial and industrial companies that have significant investment in nonmonetary assets, such as fixed assets and inventories. However, inflation does have an important impact on the growth of assets in the banking industry and on the resulting need to increase equity capital at higher than normal rates in order to maintain an appropriate equity to assets ratio. Inflation also affects other expenses, which tend to rise during periods of general inflation.

We believe one of the most significant impacts on financial and operating results is our ability to react to changes in interest rates. We seek to maintain an essentially balanced position between interest rate sensitive assets and liabilities in order to protect against the effects of wide interest rate fluctuations.

Beginning in 2008, the U.S. economy faced a severe economic crisis including a major recession from which it is recovering. Commerce and business growth in certain regions in the U.S. remains reduced and local governments and many businesses continue to experience financial difficulty. In some areas of the U.S., including certain parts of our service area, unemployment levels remain elevated. There can be no assurance that these conditions will continue to improve and these conditions could worsen. In addition, the level of U.S. debt, the Federal Open Market Committee's monetary policy, potential volatility in oil prices, recent U.S. tax law modifications, political events, and possible healthcare reform may have a destabilizing effect on financial markets or a negative effect on the economy.

Our financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services we offer, is highly dependent upon the business environment in the markets where we operate, in the states of Kentucky, West Virginia, and Tennessee and in the United States as a whole. While unemployment rates have improved in all of the markets in which we operate, unemployment rates in our markets remain high compared to the national average. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, low unemployment, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity, or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation or interest rates; high unemployment; natural disasters; or a combination of these or other factors.

While economic conditions in the United States and worldwide have improved since the recession, there can be no assurance that this improvement will continue or that another recession will not occur. Economic pressure on consumers and uncertainty regarding continuing economic improvement may result in changes in consumer and business spending, borrowing, and savings habits. Such conditions could adversely affect the credit quality of our loans and our business, financial condition, and results of operations.

Stock Repurchase Program

CTBI's stock repurchase program began in December 1998 with the authorization to acquire up to 500,000 shares and was increased by an additional 1,000,000 shares in July 2000 and in May 2003. We have not repurchased any shares of our common stock since February 2008. There are currently 67,371 shares remaining under CTBI's current repurchase authorization. As of December 31, 2017, a total of 2,432,629 shares have been repurchased through this program. The following table shows Board authorizations and repurchases made through the stock repurchase program for the years 1998 through 2017:

		Repurchases*		
	Board Authorizations	Average Price ($)	# of Shares	Shares Available for Repurchase
1998	500,000	-	0	
1999	0	14.45	144,669	
2000	1,000,000	10.25	763,470	
2001	0	13.35	489,440	
2002	0	17.71	396,316	
2003	1,000,000	19.62	259,235	
2004	0	23.14	60,500	
2005	0	-	0	
2006	0	-	0	
2007	0	28.56	216,150	
2008	0	25.53	102,850	
2009-2017	0	-	0	
Total	2,500,000	15.93	2,432,629	67,371

*Repurchased shares and average prices have been restated to reflect stock dividends that have occurred; however, board authorized shares have not been adjusted.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in our consolidated financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to the consolidated financial statements.

We believe the application of accounting policies and the estimates required therein are reasonable. These accounting policies and estimates are constantly reevaluated, and adjustments are made when facts and circumstances dictate a change. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

Our accounting policies are described in note 1 to the consolidated financial statements. We have identified the following critical accounting policies:

Investments – Management determines the classification of securities at purchase. We classify securities into held-to-maturity, trading, or available-for-sale categories. Held-to-maturity securities are those which we have the positive intent and ability to hold to maturity and are reported at amortized cost. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Investment Securities*, investments in debt securities that are not classified as held-to-maturity and equity securities that have readily determinable fair values shall be classified in one of the following categories and measured at fair value in the statement of financial position:

a. Trading securities. Securities that are bought and held principally for the purpose of selling them in the near term (thus held for only a short period of time) shall be classified as trading securities. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price.

b. Available-for-sale securities. Investments not classified as trading securities (nor as held-to-maturity securities) shall be classified as available-for-sale securities.

We do not have any securities that are classified as trading securities. Available-for-sale securities are reported at fair value, with unrealized gains and losses included as a separate component of shareholders' equity, net of tax. If declines in fair value are other than temporary, the carrying value of the securities is written down to fair value as a realized loss with a charge to income for the portion attributable to credit losses and a charge to other comprehensive income for the portion that is not credit related.

Gains or losses on disposition of securities are computed by specific identification for all securities except for shares in mutual funds, which are computed by average cost. Interest and dividend income, adjusted by amortization of purchase premium or discount, is included in earnings.

When the fair value of a security is below its amortized cost, and depending on the length of time the condition exists and the extent the fair market value is below amortized cost, additional analysis is performed to determine whether an other than temporary impairment condition exists. Available-for-sale and held-to-maturity securities are analyzed quarterly for possible other than temporary impairment. The analysis considers (i) whether we have the intent to sell our securities prior to recovery and/or maturity and (ii) whether it is more likely than not that we will not have to sell our securities prior to recovery and/or maturity. Often, the information available to conduct these assessments is limited and rapidly changing, making estimates of fair value subject to judgment. If actual information or conditions are different than estimated, the extent of the impairment of the security may be different than previously estimated, which could have a material effect on the CTBI's results of operations and financial condition.

Loans – Loans with the ability and the intent to be held until maturity and/or payoff are reported at the carrying value of unpaid principal reduced by unearned interest, an allowance for loan and lease losses, and unamortized deferred fees or costs. Income is recorded on the level yield basis. Interest accrual is discontinued when management believes, after considering economic and business conditions, collateral value, and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful. Any loan greater than 90 days past due must be well secured and in the process of collection to continue accruing interest. Cash payments received on nonaccrual loans generally are applied against principal, and interest income is only recorded once principal recovery is reasonably assured. Loans are not reclassified as accruing until principal and interest payments remain current for a period of time, generally six months, and future payments appear reasonably certain. Included in certain loan categories of impaired loans are troubled debt restructurings that were classified as impaired. A restructuring of a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider.

Loan origination and commitment fees and certain direct loan origination costs are deferred and the net amount amortized over the estimated life of the related loans, leases, or commitments as a yield adjustment.

Allowance for Loan and Lease Losses – We maintain an allowance for loan and lease losses ("ALLL") at a level that is appropriate to cover estimated credit losses on individually evaluated loans determined to be impaired, as well as estimated credit losses inherent in the remainder of the loan and lease portfolio. Credit losses are charged and recoveries are credited to the ALLL.

We utilize an internal risk grading system for commercial credits. Those larger commercial credits that exhibit probable or observed credit weaknesses are subject to individual review. The borrower's cash flow, adequacy of collateral coverage, and other options available to CTBI, including legal remedies, are evaluated. The review of individual loans includes those loans that are impaired as defined by ASC 310-10-35, *Impairment of a Loan*. We evaluate the collectability of both principal and interest when assessing the need for loss provision. Historical loss rates are analyzed and applied to other commercial loans not subject to specific allocations. The ALLL allocation for this pool of commercial loans is established based on the historical average, maximum, minimum, and median loss ratios.

A loan is considered impaired when, based on current information and events, it is probable that CTBI will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Homogenous loans, such as consumer installment, residential mortgages, and home equity lines are not individually risk graded. The associated ALLL for these loans is measured under ASC 450, *Contingencies*.

When any secured commercial loan is considered uncollectable, whether past due or not, a current assessment of the value of the underlying collateral is made. If the balance of the loan exceeds the fair value of the collateral, the loan is placed on nonaccrual and the loan is charged down to the value of the collateral less estimated cost to sell or a specific reserve equal to the difference between book value of the loan and the fair value assigned to the collateral is created until such time as the loan is foreclosed. When the foreclosed collateral has been legally assigned to CTBI, the estimated fair value of the collateral less costs to sell is then transferred to other real estate owned or other repossessed assets, and a charge-off is taken for any remaining balance. When any unsecured commercial loan is considered uncollectable the loan is charged off no later than at 90 days past due.

All closed-end consumer loans (excluding conventional 1-4 family residential loans and installment and revolving loans secured by real estate) are charged off no later than 120 days (5 monthly payments) delinquent. If a loan is considered uncollectable, it is charged off earlier than 120 days delinquent. For conventional 1-4 family residential loans and installment and revolving loans secured by real estate, when a loan is 90 days past due, a current assessment of the value of the real estate is made. If the balance of the loan exceeds the fair value of the property, the loan is placed on nonaccrual. Foreclosure proceedings are normally initiated after 120 days. When the foreclosed property has been legally assigned to CTBI, the fair value less estimated costs to sell is transferred to other real estate owned and the remaining balance is taken as a charge-off.

Historical loss rates for loans are adjusted for significant factors that, in management's judgment, reflect the impact of any current conditions on loss recognition. We use twelve rolling quarters for our historical loss rate analysis. Factors that we consider include delinquency trends, current economic conditions and trends, strength of supervision and administration of the loan portfolio, levels of underperforming loans, level of recoveries to prior year's charge-offs, trends in loan losses, industry concentrations and their relative strengths, amount of unsecured loans, and underwriting exceptions. Management continually reevaluates the other subjective factors included in its ALLL analysis.

Other Real Estate Owned – When foreclosed properties are acquired, appraisals are obtained and the properties are booked at the current fair market value less expected sales costs. Additionally, periodic updated appraisals are obtained on unsold foreclosed properties. When an updated appraisal reflects a fair market value below the current book value, a charge is booked to current earnings to reduce the property to its new fair market value less expected sales costs. Our policy for determining the frequency of periodic reviews is based upon consideration of the specific properties and the known or perceived market fluctuations in a particular market and is typically between 12 and 18 months but generally not more than 24 months. All revenues and expenses related to the carrying of other real estate owned are recognized through the income statement.

Income Taxes – Income tax expense is based on the taxes due on the consolidated tax return plus deferred taxes based on the expected future tax benefits and consequences of temporary differences between carrying amounts and tax bases of assets and liabilities, using enacted tax rates. Any interest and penalties incurred in connection with income taxes are recorded as a component of income tax expense in the consolidated financial statements. During the years ended December 31, 2017, 2016, and 2015, CTBI has not recognized a significant amount of interest expense or penalties in connection with income taxes.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

CTBI currently does not engage in any hedging activity or any derivative activity which management considers material. Analysis of CTBI's interest rate sensitivity can be found in the Interest Rate Risk section of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 8. Financial Statements and Supplementary Data

Community Trust Bancorp, Inc.
Consolidated Balance Sheets

(dollars in thousands)

December 31	2017	2016
Assets:		
Cash and due from banks	$ 47,528	$ 48,603
Interest bearing deposits	127,746	95,586
Federal funds sold	0	527
Cash and cash equivalents	175,274	144,716
Certificates of deposit in other banks	9,800	980
Securities available-for-sale at fair value (amortized cost of $590,199 and $608,939, respectively)	585,761	605,394
Securities held-to-maturity at amortized cost (fair value of $660 and $867, respectively)	659	866
Loans held for sale	1,033	1,244
Loans	3,122,940	2,938,371
Allowance for loan and lease losses	(36,151)	(35,933)
Net loans	3,086,789	2,902,438
Premises and equipment, net	46,318	47,940
Federal Home Loan Bank stock	17,927	17,927
Federal Reserve Bank stock	4,887	4,887
Goodwill	65,490	65,490
Core deposit intangible (net of accumulated amortization of $8,616 and $8,483, respectively)	0	133
Bank owned life insurance	65,354	63,881
Mortgage servicing rights	3,484	3,433
Other real estate owned	31,996	35,856
Other assets	41,459	36,984
Total assets	$ 4,136,231	$ 3,932,169
Liabilities and shareholders' equity:		
Deposits:		
Noninterest bearing	$ 790,930	$ 767,918
Interest bearing	2,472,933	2,313,390
Total deposits	3,263,863	3,081,308
Repurchase agreements	243,814	251,065
Federal funds purchased	7,312	4,816
Advances from Federal Home Loan Bank	845	944
Long-term debt	59,341	61,341
Deferred taxes	4,434	7,836
Other liabilities	25,923	24,244
Total liabilities	3,605,532	3,431,554
Commitments and contingencies (notes 18 and 20)		
Shareholders' equity:		
Preferred stock, 300,000 shares authorized and unissued	-	-
Common stock, $5 par value, shares authorized 25,000,000; shares outstanding 2017 – 17,692,912; 2016 – 17,628,695	88,465	88,144
Capital surplus	221,472	219,697
Retained earnings	224,268	195,078
Accumulated other comprehensive loss, net of tax	(3,506)	(2,304)
Total shareholders' equity	530,699	500,615
Total liabilities and shareholders' equity	$ 4,136,231	$ 3,932,169

See notes to consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

(in thousands except per share data)

Year Ended December 31	**2017**	**2016**	**2015**
Interest income:			
Interest and fees on loans, including loans held for sale	$ 141,497	$ 133,965	$ 130,829
Interest and dividends on securities:			
Taxable	8,715	8,265	9,153
Tax exempt	3,011	2,718	2,705
Interest and dividends on Federal Reserve Bank and Federal Home Loan Bank stock	1,189	1,011	1,010
Other, including interest on federal funds sold	1,284	617	323
Total interest income	155,696	146,576	144,020
Interest expense:			
Interest on deposits	14,350	10,921	9,616
Interest on repurchase agreements	1,832	1,155	938
Interest on advances from Federal Home Loan Bank	427	62	49
Interest on long-term debt	1,685	1,417	1,170
Total interest expense	18,294	13,555	11,773
Net interest income	137,402	133,021	132,247
Provision for loan losses	7,521	7,872	8,650
Net interest income after provision for loan losses	129,881	125,149	123,597
Noninterest income:			
Service charges on deposit accounts	25,121	24,966	24,282
Gains on sales of loans, net	1,320	1,831	1,978
Trust and wealth management income	10,453	9,585	9,286
Loan related fees	3,678	4,107	3,821
Bank owned life insurance	2,172	2,199	2,158
Brokerage revenue	1,324	1,314	1,426
Securities gains (losses)	73	522	(106)
Other noninterest income	4,367	3,917	3,964
Total noninterest income	48,508	48,441	46,809
Noninterest expense:			
Officer salaries and employee benefits	11,823	12,198	11,652
Other salaries and employee benefits	47,006	44,877	42,911
Occupancy, net	8,072	7,999	7,826
Equipment	3,049	2,950	3,049
Data processing	7,100	6,497	6,743
Bank franchise tax	5,478	5,671	5,174
Legal fees	1,668	1,906	2,236
Professional fees	1,991	1,890	1,884
Advertising and marketing	2,721	2,614	2,428
FDIC insurance	1,239	1,789	2,382
Other real estate owned provision and expense	4,500	2,879	3,533
Repossession expense	911	1,156	1,265
Amortization of limited partnership investments	2,419	2,623	2,580
Other noninterest expense	11,901	12,077	11,780
Total noninterest expense	109,878	107,126	105,443
Income before income taxes	68,511	66,464	64,963
Income taxes	17,018	19,118	18,531
Net income	$ 51,493	$ 47,346	$ 46,432
Other comprehensive loss:			
Unrealized holding losses on securities available-for-sale:			
Unrealized holding losses arising during the period	(820)	(4,578)	(342)
Less: Reclassification adjustments for realized gains (losses) included in net income	73	522	(106)
Tax benefit	(312)	(1,785)	(83)
Unrealized holding loss on securities available-for-sale, net of tax	(581)	(3,315)	(153)
Implementation of ASU 2018-02	(621)	0	0
Other comprehensive loss, net of tax	(1,202)	(3,315)	(153)
Comprehensive income	$ 50,291	$ 44,031	$ 46,279
Basic earnings per share	$ 2.92	$ 2.70	$ 2.66
Diluted earnings per share	$ 2.92	$ 2.70	$ 2.66
Weighted average shares outstanding-basic	17,631	17,548	17,431
Weighted average shares outstanding-diluted	17,653	17,566	17,483
Dividends declared per share	$ 1.30	$ 1.26	$ 1.22

See notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(in thousands except per share and share amounts)	Common Shares	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total
Balance, January 1, 2015	17,466,375	$ 87,332	$ 214,684	$ 144,697	$ 1,164	$ 447,877
Net income				46,432		46,432
Other comprehensive loss, net of tax of $(83)					(153)	(153)
Cash dividends declared ($1.22 per share)				(21,274)		(21,274)
Issuance of common stock	112,837	564	1,518			2,082
Repurchase of common stock	(5,724)	(29)	(160)			(189)
Vesting of restricted stock	(46,482)	(232)	232			0
Issuance of restricted stock	10,582	53	(53)			0
Forfeiture of restricted stock	(674)	(3)	3			0
Stock-based compensation and related excess tax benefits			808			808
Balance, December 31, 2015	17,536,914	87,685	217,032	169,855	1,011	475,583
Net income				47,346		47,346
Other comprehensive loss, net of tax of $(1,785)					(3,315)	(3,315)
Cash dividends declared ($1.26 per share)				(22,123)		(22,123)
Issuance of common stock	138,605	693	2,292			2,985
Repurchase of common stock	(11,574)	(57)	(325)			(382)
Vesting of restricted stock	(52,963)	(265)	265			0
Issuance of restricted stock	18,069	90	(90)			0
Forfeiture of restricted stock	(356)	(2)	2			0
Stock-based compensation and related excess tax benefits			521			521
Balance, December 31, 2016	17,628,695	88,144	219,697	195,078	(2,304)	500,615
Net income				51,493		51,493
Unrealized holding loss on securities available-for-sale, net of tax of $(312)					(581)	(581)
Cash dividends declared ($1.30 per share)				(22,924)		(22,924)
Issuance of common stock	55,191	276	1,237			1,513
Vesting of restricted stock	(11,965)	(60)	60			0
Issuance of restricted stock	23,668	118	(118)			0
Forfeiture of restricted stock	(2,677)	(13)	13			0
Stock-based compensation			583			583
Implementation of ASU 2018-02				621	(621)	0
Balance, December 31, 2017	17,692,912	$ 88,465	$ 221,472	$ 224,268	$ (3,506)	$ 530,699

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)

Year Ended December 31	2017	2016	2015
Cash flows from operating activities:			
Net income	$ 51,493	$ 47,346	$ 46,432
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,007	3,904	3,932
Deferred taxes	(3,090)	701	115
Stock-based compensation	636	458	783
Excess tax benefits of stock-based compensation	0	100	104
Provision for loan losses	7,521	7,872	8,650
Write-downs of other real estate owned and other repossessed assets	3,034	1,214	1,656
Gains on sale of loans held for sale	(1,320)	(1,831)	(1,978)
Securities (gains) losses	(73)	(522)	106
Gain on debt repurchase	(560)	0	0
Gains (losses) on sale of assets, net	40	46	(321)
Proceeds from sale of mortgage loans held for sale	59,400	81,441	80,571
Funding of mortgage loans held for sale	(57,869)	(79,682)	(77,501)
Amortization of securities premiums and discounts, net	3,437	2,452	3,098
Change in cash surrender value of bank owned life insurance	(1,473)	(1,546)	(1,638)
Mortgage servicing rights:			
Fair value adjustments	361	324	289
New servicing assets created	(412)	(521)	(557)
Changes in:			
Other assets	(4,412)	(3,205)	(6,274)
Other liabilities	1,631	2,874	(2,488)
Net cash provided by operating activities	62,351	61,425	54,979
Cash flows from investing activities:			
Certificates of deposit in other banks:			
Purchase of certificates of deposit	(11,760)	0	0
Maturity of certificates of deposit	2,940	2,852	4,365
Securities available-for-sale (AFS):			
Purchase of AFS securities	(231,680)	(176,236)	(81,456)
Proceeds from sales of AFS securities	87,472	54,446	44,198
Proceeds from prepayments, calls, and maturities of AFS securities	159,584	104,302	79,068
Securities held-to-maturity (HTM):			
Proceeds from prepayments and maturities of HTM securities	207	795	1
Change in loans, net	(194,548)	(74,379)	(161,702)
Purchase of premises and equipment	(2,400)	(3,498)	(2,246)
Proceeds from sale and retirement of premises and equipment	25	10	239
Additional investment in Federal Reserve Bank stock	0	0	(18)
Proceeds from sale of other real estate owned and repossessed assets	3,574	5,601	9,287
Additional investment in other real estate owned and repossessed assets	0	0	(85)
Net cash used in investing activities	(186,586)	(86,107)	(108,349)
Cash flows from financing activities:			
Change in deposits, net	182,555	100,526	106,525
Change in repurchase agreements and federal funds purchased, net	(4,755)	1,060	8,594
Advances from Federal Home Loan Bank	350,000	50,000	170,000
Payments on advances from Federal Home Loan Bank	(350,099)	(150,112)	(130,114)
Repurchase of long-term debt	(1,440)	0	0
Issuance of common stock	1,513	2,985	2,082
Repurchase of common stock	0	(382)	(189)
Excess tax benefits of stock-based compensation	0	(100)	(104)
Dividends paid	(22,981)	(22,190)	(21,330)
Net cash provided by (used in) financing activities	154,793	(18,213)	135,464
Net increase (decrease) in cash and cash equivalents	30,558	(42,895)	82,094
Cash and cash equivalents at beginning of year	144,716	187,611	105,517
Cash and cash equivalents at end of year	$ 175,274	$ 144,716	$ 187,611
Supplemental disclosures:			
Income taxes paid	$ 21,400	$ 19,244	$ 20,527
Interest paid	17,266	13,426	11,609
Non-cash activities:			
Loans to facilitate the sale of other real estate owned and repossessed assets	2,679	3,964	4,343
Common stock dividends accrued, paid in subsequent quarter	205	209	239
Real estate acquired in settlement of loans	5,235	5,900	18,557

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Accounting Policies

Basis of Presentation – The consolidated financial statements include Community Trust Bancorp, Inc. ("CTBI") and its subsidiaries, including its principal subsidiary, Community Trust Bank, Inc. ("CTB"). Intercompany transactions and accounts have been eliminated in consolidation.

Nature of Operations – Substantially all assets, liabilities, revenues, and expenses are related to banking operations, including lending, investing of funds, obtaining of deposits, trust and wealth management operations, full service brokerage operations, and other financing activities. All of our business offices and the majority of our business are located in eastern, northeastern, central, and south central Kentucky, southern West Virginia, and northeastern Tennessee.

Use of Estimates – In preparing the consolidated financial statements, management must make certain estimates and assumptions. These estimates and assumptions affect the amounts reported for assets, liabilities, revenues, and expenses, as well as affecting the disclosures provided. Future results could differ from the current estimates. Such estimates include, but are not limited to, the allowance for loan and lease losses, valuation of other real estate owned, fair value of securities and mortgage servicing rights, goodwill, and valuation of deferred tax assets.

The accompanying financial statements have been prepared using values and information currently available to CTBI.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in asset values, the allowance for loan and lease losses, and capital.

Cash and Cash Equivalents – CTBI considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents include cash on hand, amounts due from banks, interest bearing deposits in other financial institutions, and federal funds sold. Generally, federal funds are sold for one-day periods.

Certificates of Deposit in Other Banks – Certificates of deposit in other banks generally mature within 18 months and are carried at cost.

Investments – Management determines the classification of securities at purchase. We classify securities into held-to-maturity, trading, or available-for-sale categories. Held-to-maturity securities are those which we have the positive intent and ability to hold to maturity and are reported at amortized cost. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Investment Securities*, investments in debt securities that are not classified as held-to-maturity and equity securities that have readily determinable fair values shall be classified in one of the following categories and measured at fair value in the statement of financial position:

a. Trading securities. Securities that are bought and held principally for the purpose of selling them in the near term (thus held for only a short period of time) shall be classified as trading securities. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price.

b. Available-for-sale securities. Investments not classified as trading securities (nor as held-to-maturity securities) shall be classified as available-for-sale securities.

We do not have any securities that are classified as trading securities. Available-for-sale securities are reported at fair value, with unrealized gains and losses included as a separate component of shareholders' equity, net of tax. If declines in fair value are other than temporary, the carrying value of the securities is written down to fair value as a realized loss with a charge to income for the portion attributable to credit losses and a charge to other comprehensive income for the portion that is not credit related.

Gains or losses on disposition of securities are computed by specific identification for all securities except for shares in mutual funds, which are computed by average cost. Interest and dividend income, adjusted by amortization of purchase premium or discount, is included in earnings.

When the fair value of a security is below its amortized cost, and depending on the length of time the condition exists and the extent the fair market value is below amortized cost, additional analysis is performed to determine whether an other than temporary impairment condition exists. Available-for-sale and held-to-maturity securities are analyzed quarterly for possible other than temporary impairment. The analysis considers (i) whether we have the intent to sell our securities prior to recovery and/or maturity and (ii) whether it is more likely than not that we will not have to sell our securities prior to recovery and/or maturity. Often, the information available to conduct these assessments is limited and rapidly changing, making estimates of fair value subject to judgment. If actual information or conditions are different than estimated, the extent of the impairment of the security may be different than previously estimated, which could have a material effect on the CTBI's results of operations and financial condition.

Loans – Loans with the ability and the intent to be held until maturity and/or payoff are reported at the carrying value of unpaid principal reduced by unearned interest, an allowance for loan and lease losses, and unamortized deferred fees or costs. Income is recorded on the level yield basis. Interest accrual is discontinued when management believes, after considering economic and business conditions, collateral value, and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful. Any loan greater than 90 days past due must be well secured and in the process of collection to continue accruing interest. Cash payments received on nonaccrual loans generally are applied against principal, and interest income is only recorded once principal recovery is reasonably assured. Loans are not reclassified as accruing until principal and interest payments remain current for a period of time, generally six months, and future payments appear reasonably certain. Included in certain loan categories of impaired loans are troubled debt restructurings that were classified as impaired. A restructuring of a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider.

Loan origination and commitment fees and certain direct loan origination costs are deferred and the net amount amortized over the estimated life of the related loans, leases, or commitments as a yield adjustment.

Allowance for Loan and Lease Losses – We maintain an allowance for loan and lease losses ("ALLL") at a level that is appropriate to cover estimated credit losses on individually evaluated loans determined to be impaired, as well as estimated credit losses inherent in the remainder of the loan and lease portfolio. Credit losses are charged and recoveries are credited to the ALLL.

We utilize an internal risk grading system for commercial credits. Those larger commercial credits that exhibit probable or observed credit weaknesses are subject to individual review. The borrower's cash flow, adequacy of collateral coverage, and other options available to CTBI, including legal remedies, are evaluated. The review of individual loans includes those loans that are impaired as defined by ASC 310-10-35, *Impairment of a Loan*. We evaluate the collectability of both principal and interest when assessing the need for loss provision. Historical loss rates are analyzed and applied to other commercial loans not subject to specific allocations. The ALLL allocation for this pool of commercial loans is established based on the historical average, maximum, minimum, and median loss ratios.

A loan is considered impaired when, based on current information and events, it is probable that CTBI will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Homogenous loans, such as consumer installment, residential mortgages, and home equity lines are not individually risk graded. The associated ALLL for these loans is measured under ASC 450, *Contingencies*.

When any secured commercial loan is considered uncollectable, whether past due or not, a current assessment of the value of the underlying collateral is made. If the balance of the loan exceeds the fair value of the collateral, the loan is placed on nonaccrual and the loan is charged down to the value of the collateral less estimated cost to sell or a specific reserve equal to the difference between book value of the loan and the fair value assigned to the collateral is created until such time as the loan is foreclosed. When the foreclosed collateral has been legally assigned to CTBI, the estimated fair value of the collateral less costs to sell is then transferred to other real estate owned or other repossessed assets, and a charge-off is taken for any remaining balance. When any unsecured commercial loan is considered uncollectable the loan is charged off no later than at 90 days past due.

All closed-end consumer loans (excluding conventional 1-4 family residential loans and installment and revolving loans secured by real estate) are charged off no later than 120 days (5 monthly payments) delinquent. If a loan is considered uncollectable, it is charged off earlier than 120 days delinquent. For conventional 1-4 family residential loans and installment and revolving loans secured by real estate, when a loan is 90 days past due, a current assessment of the value of the real estate is made. If the balance of the loan exceeds the fair value of the property, the loan is placed on nonaccrual. Foreclosure proceedings are normally initiated after 120 days. When the foreclosed property has been legally assigned to CTBI, the fair value less estimated costs to sell is transferred to other real estate owned and the remaining balance is taken as a charge-off.

Historical loss rates for loans are adjusted for significant factors that, in management's judgment, reflect the impact of any current conditions on loss recognition. We use twelve rolling quarters for our historical loss rate analysis. Factors that we consider include delinquency trends, current economic conditions and trends, strength of supervision and administration of the loan portfolio, levels of underperforming loans, level of recoveries to prior year's charge-offs, trends in loan losses, industry concentrations and their relative strengths, amount of unsecured loans, and underwriting exceptions. Management continually reevaluates the other subjective factors included in its ALLL analysis.

Loans Held for Sale – Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses, if any, are recognized by charges to income. Gains and losses on loan sales are recorded in noninterest income.

Premises and Equipment – Premises and equipment are stated at cost less accumulated depreciation and amortization. Capital leases are included in premises and equipment at the capitalized amount less accumulated amortization. Premises and equipment are evaluated for impairment on a quarterly basis.

Depreciation and amortization are computed primarily using the straight-line method. Estimated useful lives range up to 40 years for buildings, 2 to 10 years for furniture, fixtures, and equipment, and up to the lease term for leasehold improvements. Capitalized leased assets are amortized on a straight-line basis over the lives of the respective leases.

Federal Home Loan Bank and Federal Reserve Stock – CTB is a member of the Federal Home Loan Bank ("FHLB") system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery par value. Both cash and stock dividends are reported as income.

CTB is also a member of its regional Federal Reserve Bank. Federal Reserve Bank stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery par value. Both cash and stock dividends are reported as income.

Other Real Estate Owned – When foreclosed properties are acquired, appraisals are obtained and the properties are booked at the current fair market value less expected sales costs. Additionally, periodic updated appraisals are obtained on unsold foreclosed properties. When an updated appraisal reflects a fair market value below the current book value, a charge is booked to current earnings to reduce the property to its new fair market value less expected sales costs. Our policy for determining the frequency of periodic reviews is based upon consideration of the specific properties and the known or perceived market fluctuations in a particular market and is typically between 12 and 18 months but generally not more than 24 months. All revenues and expenses related to the carrying of other real estate owned are recognized through the income statement.

Goodwill and Core Deposit Intangible – We evaluate total goodwill and core deposit intangible for impairment, based upon ASC 350, *Intangibles-Goodwill and Other*, using fair value techniques including multiples of price/equity. Goodwill and core deposit intangible are evaluated for impairment on an annual basis or as other events may warrant.

The balance of goodwill, at $65.5 million, has not changed since January 1, 2015. The activity to core deposit intangible for the years ended December 31, 2017, 2016, and 2015 is shown below.

(in thousands)	2017	2016	2015
Beginning balance, January 1	$ 133	$ 291	$ 477
Amortization	(133)	(158)	(186)
Ending balance, December 31	$ 0	$ 133	$ 291

Our core deposit intangible has been fully amortized as of December 31, 2017.

Transfers of Financial Assets – Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from CTBI—put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) CTBI does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Income Taxes – Income tax expense is based on the taxes due on the consolidated tax return plus deferred taxes based on the expected future tax benefits and consequences of temporary differences between carrying amounts and tax bases of assets and liabilities, using enacted tax rates. Any interest and penalties incurred in connection with income taxes are recorded as a component of income tax expense in the consolidated financial statements. During the years ended December 31, 2017, 2016, and 2015, CTBI has not recognized a significant amount of interest expense or penalties in connection with income taxes.

Earnings Per Share ("EPS") – Basic EPS is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding, excluding restricted shares.

Diluted EPS adjusts the number of weighted average shares of common stock outstanding by the dilutive effect of stock options, including restricted shares, as prescribed in ASC 718, *Share-Based Payment*.

Segments – Management analyzes the operation of CTBI assuming one operating segment, community banking services. CTBI, through its operating subsidiaries, offers a wide range of consumer and commercial community banking services. These services include: (i) residential and commercial real estate loans; (ii) checking accounts; (iii) regular and term savings accounts and savings certificates; (iv) full service securities brokerage services; (v) consumer loans; (vi) debit cards; (vii) annuity and life insurance products; (viii) Individual Retirement Accounts and Keogh plans; (ix) commercial loans; (x) trust and wealth management services; (xi) commercial demand deposit accounts; and (xii) repurchase agreements.

Bank Owned Life Insurance – CTBI's bank owned life insurance policies are carried at their cash surrender value. We recognize tax-free income from the periodic increases in cash surrender value of these policies and from death benefits.

Mortgage Servicing Rights – Mortgage servicing rights ("MSRs") are carried at fair market value following the accounting guidance in ASC 860-50, *Servicing Assets and Liabilities*. MSRs are valued using Level 3 inputs as defined in ASC 820, *Fair Value Measurements*. The fair value is determined quarterly based on an independent third-party valuation using a discounted cash flow analysis and calculated using a computer pricing model. The system used in this evaluation, Compass Point, attempts to quantify loan level idiosyncratic risk by calculating a risk derived value. As a result, each loan's unique characteristics determine the valuation assumptions ascribed to that loan. Additionally, the computer valuation is based on key economic assumptions including the prepayment speeds of the underlying loans generated using the Andrew Davidson Prepayment Model, FHLMC/FNMA guidelines, the weighted-average life of the loan, the discount rate, the weighted-average coupon, and the weighted-average default rate, as applicable. Along with the gains received from the sale of loans, fees are received for servicing loans. These fees include late fees, which are recorded in interest income, and ancillary fees and monthly servicing fees, which are recorded in noninterest income. Costs of servicing loans are charged to expense as incurred. Changes in fair market value of the MSRs are reported as an increase or decrease to mortgage banking income.

Share-Based Compensation – CTBI has a share-based employee compensation plan, which is described more fully in note 15 to the consolidated financial statements. CTBI accounts for this plan under the recognition and measurement principles of ASC 718, *Share-Based Payment*.

Comprehensive Income – Comprehensive income consists of net income and other comprehensive income, net of applicable income taxes. Other comprehensive income includes unrealized appreciation (depreciation) on available-for-sale securities and unrealized appreciation (depreciation) on available-for-sale securities for which a portion of an other than temporary impairment has been recognized in income.

Transfers between Fair Value Hierarchy Levels – Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs), and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Reclassifications – Certain reclassifications considered to be immaterial have been made in the prior year consolidated financial statements to conform to current year classifications. These reclassifications had no effect on net income.

New Accounting Standards –

- **Financial Instruments – Overall** – In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10)*. The amendments in this Update require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments in this Update also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, the amendments in this Update eliminate the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. Public business entities will be required to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. This Update is the final version of Proposed ASU 2013-220—Financial Instruments—Overall (Subtopic 825-10) and Proposed ASU 2013-221—Financial Instruments—Overall (Subtopic 825-10). For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amendments should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption. At December 31, 2017, we had $25 million in equity securities with a net unrealized loss of $0.6 million. Accordingly, an adjustment has been made as a cumulative effect adjustment to our consolidated balance sheet effective January 2018.

- **Leases** – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 establishes a right of use model that requires a lessee to record a right of use asset and a lease liability for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor does not convey risks and rewards or control, an operating lease results. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public business entities. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, with certain practical expedients available. Early adoption is permitted. CTBI has an implementation team working through the provisions of ASU 2016-02 including reviewing all leases to assess the impact on its accounting and disclosures. CTBI does not anticipate a significant increase in leasing activity between now and the date of adoption. We have calculated the minimum and maximum net present value of all potential lease payments to be between $10.1 million and $20.3 million. The next step in the analysis will be to determine the renewal periods reasonably expected to be exercised.

- **Investments—Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting** – In March 2016, the FASB issued ASU No. 2016-07, *Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting*. The amendments affect all entities that have an investment that becomes qualified for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence.

The amendments eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required.

The amendments require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method.

The amendments became effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016 and did not have a material impact on CTBI's consolidated financial statements.

- **Compensation—Stock Compensation: Improvements to Employee Share-Based Payment Accounting** – In April 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The amendments are intended to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees.

Several aspects of the accounting for share-based payment award transactions are simplified, including: *(a)* income tax consequences; *(b)* classification of awards as either equity or liabilities; and *(c)* classification on the statement of cash flows.

For public companies, the amendments were effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. CTBI adopted this ASU effective January 1, 2017, and it did not have a material impact on our consolidated financial statements.

- Ø **Revenue from Contracts with Customers –** In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for some costs to obtain or fulfill a contract with a customer, as well as enhanced disclosure requirements. In August 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 to fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2017. In March 2016, the FASB issued ASU 2016-08 which clarified the revenue recognition implementation guidance on principal versus agent considerations and is effective during the same period as ASU 2014-09. In April 2016, the FASB issued ASU 2016-10 which clarified the revenue recognition guidance regarding the identification of performance obligations and the licensing implementation and is effective during the same period as ASU 2014-09. In May 2016, the FASB issued ASU 2016-12 which narrowly amended the revenue recognition guidance regarding collectability, noncash consideration, presentation of sales tax, and transition. ASU 2016-12 is effective during the same period as ASU 2014-09. We adopted these Updates effective January 1, 2018 with no material change to the timing or amounts of income recognized, as the majority of the revenues earned by CTBI are not within the scope of ASU 2014-09.

- Ø **Accounting for Credit Losses** – In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The provisions of ASU 2016-13 were issued to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments that are not accounted for at fair value through net income, including loans held for investment, held-to-maturity debt securities, trade and other receivables, net investment in leases and other commitments to extend credit held by a reporting entity at each reporting date. This ASU requires that financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The amendments in ASU 2016-13 eliminate the probable incurred loss recognition in current GAAP and reflect an entity's current estimate of all expected credit losses. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the financial assets.

For purchased financial assets with a more-than-insignificant amount of credit deterioration since origination ("PCD assets") that are measured at amortized cost, the initial allowance for credit losses is added to the purchase price rather than being reported as a credit loss expense. Subsequent changes in the allowance for credit losses on PCD assets are recognized through the statement of income as a credit loss expense.

Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses rather than as a direct write-down to the security.

ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. CTBI has an implementation team working through the provisions of ASU 2016-13 including assessing the impact on its accounting and disclosures. The team has established the historical data that will be available and has identified the potential loan segments to be analyzed. Initial data analysis will begin in the first quarter of 2018.

- Ø **Statement of Cash Flows** – In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* Stakeholders indicated that there is diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. This ASU addresses the following eight specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The amendments in this Update apply to all entities that are required to present a statement of cash flows under Topic 230. This Update is the final version of Proposed Accounting Standards Update EITF-15F—*Statement of Cash Flows—Classification of Certain Cash Receipts and Cash Payments (Topic 230)*, which has been deleted. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The amendments in this Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. We adopted this ASU effective January 1, 2018 with no material impact on CTBI's consolidated financial statements.

- Ø **Simplifying the Test for Goodwill Impairment** – In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment*. These amendments eliminate Step 2 from the goodwill impairment test. The amendments also eliminate the requirements from any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods with those fiscal years. ASU 2017-04 should be implemented on a prospective basis. Management does not expect ASU 2017-04 to have an impact on CTBI's consolidated financial statements.

- Ø **Receivables – Nonrefundable Fees and Other Costs: Premium Amortization on Purchased Callable Debt Securities** – In April 2017, the FASB issued ASU No. 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities*. The ASU shortens the amortization period for certain callable debt securities held at a premium to the earliest call date. However, the amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments are effective for public business entities for fiscal periods beginning after December 15, 2018, including interim periods within those fiscal periods. Entities are required to apply the amendments on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We plan to early adopt this ASU effective January 1, 2018. We have reviewed the anticipated effects of this ASU and determined that we expect a $150 thousand reduction in retained earnings and a quarterly increase in amortization expense between $24 thousand and $30 thousand.

Ø **Income Statement—Reporting Comprehensive Income** – In February 2018, the FASB issued ASU No. 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220)*. On December 22, 2017, the U.S. federal government enacted a tax bill, Tax Cuts and Jobs Act of 2017. The guidance in GAAP requires deferred tax liabilities and assets to be adjusted for the effect of a change in tax laws or rates with the effect included in income from continuing operations in the reporting period that includes the enactment date. That guidance was applicable even in situations in which the related income tax effects of items in accumulated other comprehensive income were originally recognized in other comprehensive income (rather than in net income). Because the adjustment of deferred taxes due to the reduction of the historical corporate income tax rate to the newly enacted corporate income tax rate of 21 percent was required to be included in income from continuing operations, the tax effects of items within accumulated other comprehensive income (referred to as stranded tax effects for purposes of this Update) did not reflect the appropriate tax rate. The amendments in this ASU requires a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate. The amount of the reclassification is the difference between the historical corporate income tax rate and the newly enacted 21 percent corporate income tax rate. Consequently, the amendments in this Update eliminate the stranded tax effects associated with the change in the federal corporate income tax rate in the Tax Cuts and Jobs Act of 2017 and improve the usefulness of information reported to financial statement users. The amendments in this Update are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted for public business entities for reporting periods for which financial statements have not yet been issued by applying retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act of 2017 is recognized. We elected to early adopt this ASU, and therefore, have adjusted our consolidated financial statements effective December 31, 2017 with minimal effect to our financial position.

2. Cash and Due from Banks and Interest Bearing Deposits

Included in cash and due from banks and interest bearing deposits are amounts required to be held at the Federal Reserve or maintained in vault cash in accordance with regulatory reserve requirements. The balance requirements were $73.5 million and $74.1 million at December 31, 2017 and 2016, respectively.

At December 31, 2017, CTBI had cash accounts which exceeded federally insured limits, and therefore are not subject to FDIC insurance, with $124.3 million in deposits with the Federal Reserve, $21.3 million in deposits with US Bank, $0.3 million in deposits with Fifth Third Bank, and $3.5 million in deposits with the Federal Home Loan Bank.

3. Securities

Securities are classified into held-to-maturity and available-for-sale categories. Held-to-maturity (HTM) securities are those that CTBI has the positive intent and ability to hold to maturity and are reported at amortized cost. Available-for-sale (AFS) securities are those that CTBI may decide to sell if needed for liquidity, asset-liability management or other reasons. Available-for-sale securities are reported at fair value, with unrealized gains or losses included as a separate component of equity, net of tax.

The amortized cost and fair value of securities at December 31, 2017 are summarized as follows:

Available-for-Sale

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and government agencies	$ 211,574	$ 170	$ (1,172)	$ 210,572
State and political subdivisions	144,159	2,017	(1,161)	145,015
U.S. government sponsored agency mortgage-backed securities	208,959	357	(4,007)	205,309
Other debt securities	507	0	0	507
Total debt securities	565,199	2,544	(6,340)	561,403
CRA investment funds	25,000	76	(718)	24,358
Total available-for-sale securities	$ 590,199	$ 2,620	$ (7,058)	$ 585,761

Held-to-Maturity

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and political subdivisions	$ 659	$ 1	$ 0	$ 660
Total held-to-maturity securities	$ 659	$ 1	$ 0	$ 660

The amortized cost and fair value of securities at December 31, 2016 are summarized as follows:

Available-for-Sale

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and government agencies	$ 223,014	$ 193	$ (743)	$ 222,464
State and political subdivisions	133,351	1,957	(1,792)	133,516
U.S. government sponsored agency mortgage-backed securities	227,574	1,008	(3,526)	225,056
Other debt securities	0	0	0	0
Total debt securities	583,939	3,158	(6,061)	581,036
CRA investment funds	25,000	76	(718)	24,358
Total available-for-sale securities	$ 608,939	$ 3,234	$ (6,779)	$ 605,394

Held-to-Maturity

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and political subdivisions	$ 866	$ 1	$ 0	$ 867
Total held-to-maturity securities	$ 866	$ 1	$ 0	$ 867

The amortized cost and fair value of securities at December 31, 2017 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
(in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 4,288	$ 4,294	$ 0	$ 0
Due after one through five years	163,320	162,977	659	660
Due after five through ten years	43,595	44,022	0	0
Due after ten years	144,530	144,294	0	0
U.S. government sponsored agency mortgage-backed securities	208,959	205,309	0	0
Other debt securities	507	507	0	0
Total debt securities	565,199	561,403	659	660
CRA investment funds	25,000	24,358	0	0
Total securities	$ 590,199	$ 585,761	$ 659	$ 660

In 2017, there was a net gain of $73 thousand realized on sales and calls of AFS securities, consisting of a pre-tax gain of $278 thousand and a pre-tax loss of $205 thousand. There was a net gain of $522 thousand realized in 2016 and a net loss of $106 thousand realized in 2015.

The amortized cost of securities pledged as collateral, to secure public deposits and for other purposes, was $225.7 million at December 31, 2017 and $221.2 million at December 31, 2016.

The amortized cost of securities sold under agreements to repurchase amounted to $296.4 million at December 31, 2017 and $303.5 million at December 31, 2016.

CTBI evaluates its investment portfolio on a quarterly basis for impairment. The analysis performed as of December 31, 2017 indicates that all impairment is considered temporary, market and interest rate driven, and not credit-related. The percentage of total investments with unrealized losses as of December 31, 2017 was 69.5% compared to 65.6% as of December 31, 2016. The following tables provide the amortized cost, gross unrealized losses, and fair market value, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position as of December 31, 2017 that are not deemed to be other-than-temporarily impaired. There were no held-to-maturity securities that were deemed to be impaired as of December 31, 2017.

Available-for-Sale

(in thousands)	Amortized Cost	Gross Unrealized Losses	Fair Value
Less Than 12 Months			
U.S. Treasury and government agencies	$ 136,688	$ (840)	$ 135,848
State and political subdivisions	34,283	(416)	33,867
U.S. government sponsored agency mortgage-backed securities	62,768	(643)	62,125
Other debt securities	0	0	0
Total debt securities	233,739	(1,899)	231,840
CRA investment funds	7,500	(105)	7,395
Total <12 months temporarily impaired AFS securities	241,239	(2,004)	239,235
12 Months or More			
U.S. Treasury and government agencies	23,885	(332)	23,553
State and political subdivisions	16,930	(745)	16,185
U.S. government sponsored agency mortgage-backed securities	117,827	(3,364)	114,463
Other debt securities	0	0	0
Total debt securities	158,642	(4,441)	154,201
CRA investment funds	15,000	(613)	14,387
Total ≥12 months temporarily impaired AFS securities	173,642	(5,054)	168,588
Total			
U.S. Treasury and government agencies	160,573	(1,172)	159,401
State and political subdivisions	51,213	(1,161)	50,052
U.S. government sponsored agency mortgage-backed securities	180,595	(4,007)	176,588
Other debt securities	0	0	0
Total debt securities	392,381	(6,340)	386,041
CRA investment funds	22,500	(718)	21,782
Total temporarily impaired AFS securities	$ 414,881	$ (7,058)	$ 407,823

The analysis performed as of December 31, 2016 indicated that all impairment was considered temporary, market and interest rate driven, and not credit-related. The following tables provide the amortized cost, gross unrealized losses, and fair market value, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position as of December 31, 2016 that are not deemed to be other-than-temporarily impaired. There were no held-to-maturity securities that were deemed to be impaired as of December 31, 2016.

Available-for-Sale

(in thousands)	Amortized Cost	Gross Unrealized Losses	Fair Value
Less Than 12 Months			
U.S. Treasury and government agencies	$ 158,732	$ (716)	$ 158,016
State and political subdivisions	53,491	(1,780)	51,711
U.S. government sponsored agency mortgage-backed securities	135,939	(2,646)	133,293
Other debt securities	0	0	0
Total debt securities	348,162	(5,142)	343,020
CRA investment funds	17,500	(444)	17,056
Total <12 months temporarily impaired AFS securities	365,662	(5,586)	360,076
12 Months or More			
U.S. Treasury and government agencies	1,880	(27)	1,853
State and political subdivisions	751	(12)	739
U.S. government sponsored agency mortgage-backed securities	31,132	(880)	30,252
Other debt securities	0	0	0
Total debt securities	33,763	(919)	32,844
CRA investment funds	5,000	(274)	4,726
Total ≥12 months temporarily impaired AFS securities	38,763	(1,193)	37,570
Total			
U.S. Treasury and government agencies	160,612	(743)	159,869
State and political subdivisions	54,242	(1,792)	52,450
U.S. government sponsored agency mortgage-backed securities	167,071	(3,526)	163,545
Other debt securities	0	0	0
Total debt securities	381,925	(6,061)	375,864
CRA investment funds	22,500	(718)	21,782
Total temporarily impaired AFS securities	$ 404,425	$ (6,779)	$ 397,646

U.S. Treasury and Government Agencies

The unrealized losses in U.S. Treasury and government agencies were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than par which will equal amortized cost at maturity. CTBI does not consider those investments to be other-than-temporarily impaired at December 31, 2017, because CTBI does not intend to sell the investments and it is not more likely than not that we will be required to sell the investments before recovery of their amortized cost, which may be maturity.

State and Political Subdivisions

The unrealized losses in securities of state and political subdivisions were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than par which will equal amortized cost at maturity. CTBI does not consider those investments to be other-than-temporarily impaired at December 31, 2017, because CTBI does not intend to sell the investments before recovery of their amortized cost and it is not more likely than not that we will be required to sell the investments before recovery of their amortized cost, which may be maturity.

U.S. Government Sponsored Agency Mortgage-Backed Securities

The unrealized losses in U.S. government sponsored agency mortgage-backed securities were caused by interest rate increases. CTBI expects to recover the amortized cost basis over the term of the securities. CTBI does not consider those investments to be other-than-temporarily impaired at December 31, 2017, because (i) the decline in market value is attributable to changes in interest rates and not credit quality, (ii) CTBI does not intend to sell the investments, and (iii) it is not more likely than not we will be required to sell the investments before recovery of their amortized cost, which may be maturity.

CRA Investment Funds

CTBI's CRA investment funds consist of investments in fixed income mutual funds ($24.4 million of the total fair value and $718 thousand of the total unrealized losses in common stock investments). The severity of the impairment (fair value is approximately 2.9% less than cost) and the duration of the impairment correlates with the decline in long-term interest rates in 2017. CTBI evaluated the near-term prospects of these funds in relation to the severity and duration of the impairment. Based on that evaluation, CTBI does not consider those investments to be other-than-temporarily impaired at December 31, 2017.

4. Loans

Major classifications of loans, net of unearned income, deferred loan origination costs, and net premiums on acquired loans, are summarized as follows:

(in thousands)	December 31 2017	December 31 2016
Commercial construction	$ 76,479	$ 66,998
Commercial secured by real estate	1,188,680	1,085,428
Equipment lease financing	3,042	5,512
Commercial other	351,034	350,159
Real estate construction	67,358	57,966
Real estate mortgage	709,570	702,969
Home equity	99,356	91,511
Consumer direct	137,754	133,093
Consumer indirect	489,667	444,735
Total loans	$ 3,122,940	$ 2,938,371

CTBI has segregated and evaluates its loan portfolio through nine portfolio segments. CTBI serves customers in small and mid-sized communities in eastern, northeastern, central, and south central Kentucky, southern West Virginia, and northeastern Tennessee. Therefore, CTBI's exposure to credit risk is significantly affected by changes in these communities.

Commercial construction loans are for the purpose of erecting or rehabilitating buildings or other structures for commercial purposes, including any infrastructure necessary for development. Included in this category are improved property, land development, and tract development loans. The terms of these loans are generally short-term with permanent financing upon completion.

Commercial real estate loans include loans secured by nonfarm, nonresidential properties, 1-4 family/multi-family properties, farmland, and other commercial real estate. These loans are originated based on the borrower's ability to service the debt and secondarily based on the fair value of the underlying collateral.

Equipment lease financing loans are fixed or variable leases for commercial purposes.

Commercial other loans consist of commercial check loans, agricultural loans, receivable financing, floorplans, loans to financial institutions, loans for purchasing or carrying securities, and other commercial purpose loans. Commercial loans are underwritten based on the borrower's ability to service debt from the business's underlying cash flows. As a general practice, we obtain collateral such as real estate, equipment, or other assets, although such loans may be uncollateralized but guaranteed.

Real estate construction loans are typically for owner-occupied properties. The terms of these loans are generally short-term with permanent financing upon completion.

Residential real estate loans are a mixture of fixed rate and adjustable rate first and second lien residential mortgage loans. As a policy, CTBI holds adjustable rate loans and sells the majority of its fixed rate first lien mortgage loans into the secondary market. Changes in interest rates or market conditions may impact a borrower's ability to meet contractual principal and interest payments. Residential real estate loans are secured by real property.

Home equity lines are revolving adjustable rate credit lines secured by real property.

Consumer direct loans are a mixture of fixed rate and adjustable rate products comprised of unsecured loans, consumer revolving credit lines, deposit secured loans, and all other consumer purpose loans.

Consumer indirect loans are fixed rate loans secured by automobiles, trucks, vans, and recreational vehicles originated at the selling dealership underwritten and purchased by CTBI's indirect lending department. Both new and used products are financed. Only dealers who have executed dealer agreements with CTBI participate in the indirect lending program.

Not included in the loan balances above were loans held for sale in the amount of $1.0 million at December 31, 2017 and $1.2 million at December 31, 2016.

Refer to note 1 to the condensed consolidated financial statements for further information regarding our nonaccrual policy. Nonaccrual loans segregated by class of loans were as follows:

(in thousands)	December 31 2017	December 31 2016
Commercial:		
Commercial construction	$ 1,207	$ 1,912
Commercial secured by real estate	7,028	6,326
Commercial other	934	1,559
Residential:		
Real estate construction	318	11
Real estate mortgage	8,243	6,260
Home equity	389	555
Total nonaccrual loans	$ 18,119	$ 16,623

The following tables present CTBI's loan portfolio aging analysis, segregated by class, as of December 31, 2017 and 2016:

(in thousands)	December 31, 2017						
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans	90+ and Accruing*
Commercial:							
Commercial construction	$ 138	$ 0	$ 1,238	$ 1,376	$ 75,103	$ 76,479	$ 31
Commercial secured by real estate	4,047	1,599	8,514	14,160	1,174,520	1,188,680	2,665
Equipment lease financing	430	0	0	430	2,612	3,042	0
Commercial other	835	77	652	1,564	349,470	351,034	87
Residential:							
Real estate construction	224	202	223	649	66,709	67,358	223
Real estate mortgage	2,064	5,029	11,605	18,698	690,872	709,570	6,293
Home equity	595	178	428	1,201	98,155	99,356	167
Consumer:							
Consumer direct	983	148	62	1,193	136,561	137,754	62
Consumer indirect	4,085	1,399	648	6,132	483,535	489,667	648
Total	$ 13,401	$ 8,632	$ 23,370	$ 45,403	$ 3,077,537	$ 3,122,940	$ 10,176

(in thousands)	December 31, 2016						
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans	90+ and Accruing*
Commercial:							
Commercial construction	$ 22	$ 0	$ 1,940	$ 1,962	$ 65,036	$ 66,998	$ 28
Commercial secured by real estate	2,033	478	8,847	11,358	1,074,070	1,085,428	3,015
Equipment lease financing	0	0	0	0	5,512	5,512	0
Commercial other	997	122	1,235	2,354	347,805	350,159	141
Residential:							
Real estate construction	707	42	152	901	57,065	57,966	152
Real estate mortgage	1,493	5,278	10,695	17,466	685,503	702,969	6,295
Home equity	829	288	905	2,022	89,489	91,511	467
Consumer:							
Consumer direct	873	265	68	1,206	131,887	133,093	68
Consumer indirect	3,288	851	681	4,820	439,915	444,735	681
Total	$ 10,242	$ 7,324	$ 24,523	$ 42,089	$ 2,896,282	$ 2,938,371	$ 10,847

*90+ and Accruing are also included in 90+ Days Past Due column.

The risk characteristics of CTBI's material portfolio segments are as follows:

Commercial construction loans generally are made to customers for the purpose of building income-producing properties. Personal guarantees of the principals are generally required. Such loans are made on a projected cash flow basis and are secured by the project being constructed. Construction loan draw procedures are included in each specific loan agreement, including required documentation items and inspection requirements. Construction loans may convert to term loans at the end of the construction period, or may be repaid by the take-out commitment from another financing source. If the loan is to convert to a term loan, the repayment ability is based on the borrower's projected cash flow. Risk is mitigated during the construction phase by requiring proper documentation and inspections whenever a draw is requested. Loans in amounts greater than $500,000 generally require a performance bond to be posted by the general contractor to assure completion of the project.

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. Management monitors and evaluates commercial real estate loans based on collateral and risk grade criteria.

Equipment lease financing is underwritten by our commercial lenders using the same underwriting standards as would be applied to a secured commercial loan requesting 100% financing. The pricing for equipment lease financing is comparable to that of borrowers with similar quality commercial credits with similar collateral. Maximum terms of equipment leasing are determined by the type and expected life of the equipment to be leased. Residual values are determined by appraisals or opinion letters from industry experts. Leases must be in conformity with our consolidated annual tax plan. As we underwrite our equipment lease financing in a manner similar to our commercial loan portfolio described below, the risk characteristics for this portfolio mirror that of the commercial loan portfolio.

Commercial loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee; however, some short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

With respect to residential loans that are secured by 1-4 family residences and are generally owner occupied, CTBI generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in 1-4 family residences. Residential construction loans are handled through the home mortgage area of the bank. The repayment ability of the borrower and the maximum loan-to-value ratio are calculated using the normal mortgage lending criteria. Draws are processed based on percentage of completion stages including normal inspection procedures. Such loans generally convert to term loans after the completion of construction.

Consumer loans are secured by consumer assets such as automobiles or recreational vehicles. Some consumer loans are unsecured such as small installment loans and certain lines of credit. Our determination of a borrower's ability to repay these loans is primarily dependent on the personal income and credit rating of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

The indirect lending area of the bank generally deals with purchasing/funding consumer contracts with new and used automobile dealers. The dealers generate consumer loan applications which are forwarded to the indirect loan processing area for approval or denial. Loan approvals or denials are based on the creditworthiness and repayment ability of the borrower, and on the collateral value. The dealers may have limited recourse agreements with CTB.

Credit Quality Indicators:

CTBI categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. CTBI also considers the fair value of the underlying collateral and the strength and willingness of the guarantor(s). CTBI analyzes commercial loans individually by classifying the loans as to credit risk. Loans classified as loss, doubtful, substandard, or special mention are reviewed quarterly by CTBI for further deterioration or improvement to determine if appropriately classified and valued if deemed impaired. All other commercial loan reviews are completed every 12 to 18 months. In addition, during the renewal process of any loan, as well as if a loan becomes past due or if other information becomes available, CTBI will evaluate the loan grade. CTBI uses the following definitions for risk ratings:

- *Pass* grades include investment grade, low risk, moderate risk, and acceptable risk loans. The loans range from loans that have no chance of resulting in a loss to loans that have a limited chance of resulting in a loss. Customers in this grade have excellent to fair credit ratings. The cash flows are adequate to meet required debt repayments.

- *Watch* graded loans are loans that warrant extra management attention but are not currently criticized. Loans on the watch list may be potential troubled credits or may warrant "watch" status for a reason not directly related to the asset quality of the credit. The watch grade is a management tool to identify credits which may be candidates for future classification or may temporarily warrant extra management monitoring.

- *Other assets especially mentioned (OAEM)* reflects loans that are currently protected but are potentially weak. These loans constitute an undue and unwarranted credit risk but not to the point of justifying a classification of substandard. The credit risk may be relatively minor yet constitute an unwarranted risk in light of circumstances surrounding a specific asset. Loans in this grade display potential weaknesses which may, if unchecked or uncorrected, inadequately protect CTBI's credit position at some future date. The loans may be adversely affected by economic or market conditions.

- *Substandard* grading indicates that the loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged. These loans have a well-defined weakness or weaknesses that jeopardize the orderly liquidation of the debt with the distinct possibility that CTBI will sustain some loss if the deficiencies are not corrected.

- *Doubtful* graded loans have the weaknesses inherent in the substandard grading with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The probability of loss is extremely high, but because of certain important and reasonably specific pending factors which may work to CTBI's advantage or strengthen the asset(s), its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral, and refinancing plans.

The following tables present the credit risk profile of CTBI's commercial loan portfolio based on rating category and payment activity, segregated by class of loans, as of December 31, 2017 and 2016:

(in thousands)	Commercial Construction	Commercial Secured by Real Estate	Equipment Leases	Commercial Other	Total
December 31, 2017					
Pass	$ 67,846	$ 1,053,701	$ 3,005	$ 305,655	$ 1,430,207
Watch	3,323	65,182	0	29,008	97,513
OAEM	1,304	22,401	37	3,206	26,948
Substandard	3,828	47,223	0	12,947	63,998
Doubtful	178	173	0	218	569
Total	$ 76,479	$ 1,188,680	$ 3,042	$ 351,034	$ 1,619,235
December 31, 2016					
Pass	$ 55,315	$ 975,383	$ 5,206	$ 299,301	$ 1,335,205
Watch	3,366	51,932	137	32,780	88,215
OAEM	2,535	25,772	169	7,913	36,389
Substandard	5,592	31,945	0	9,599	47,136
Doubtful	190	396	0	566	1,152
Total	$ 66,998	$ 1,085,428	$ 5,512	$ 350,159	$ 1,508,097

The following tables present the credit risk profile of CTBI's residential real estate and consumer loan portfolios based on performing or nonperforming status, segregated by class, as of December 31, 2017 and 2016:

(in thousands)	Real Estate Construction	Real Estate Mortgage	Home Equity	Consumer Direct	Consumer Indirect	Total
December 31, 2017						
Performing	$ 66,817	$ 695,034	$ 98,800	$ 137,692	$ 489,019	$ 1,487,362
Nonperforming (1)	541	14,536	556	62	648	16,343
Total	$ 67,358	$ 709,570	$ 99,356	$ 137,754	$ 489,667	$ 1,503,705
December 31, 2016						
Performing	$ 57,803	$ 690,414	$ 90,489	$ 133,025	$ 444,054	$ 1,415,785
Nonperforming (1)	163	12,555	1,022	68	681	14,489
Total	$ 57,966	$ 702,969	$ 91,511	$ 133,093	$ 444,735	$ 1,430,274

(1) A loan is considered nonperforming if it is 90 days or more past due or on nonaccrual.

The total of consumer mortgage loans secured by real estate properties for which formal foreclosure proceedings are in process totaled $3.7 million at December 31, 2017 compared to $3.5 million at December 31, 2016.

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable CTBI will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans but also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance, or other actions intended to maximize collection.

The following table presents impaired loans, the average investment in impaired loans, and interest income recognized on impaired loans for the years ended December 31, 2017, 2016, and 2015:

	December 31, 2017				
(in thousands)	Recorded Balance	Unpaid Contractual Principal Balance	Specific Allowance	Average Investment in Impaired Loans	*Interest Income Recognized
Loans without a specific valuation allowance:					
Commercial construction	$ 4,431	$ 4,439	$ 0	$ 4,835	$ 200
Commercial secured by real estate	28,480	30,365	0	27,753	1,344
Equipment lease financing	0	0	0	34	0
Commercial other	9,481	11,252	0	10,444	539
Real estate construction	318	318	0	534	0
Real estate mortgage	1,564	1,570	0	1,591	36
Loans with a specific valuation allowance:					
Commercial construction	153	173	25	155	0
Commercial secured by real estate	2,985	4,095	966	3,932	8
Commercial other	0	0	0	65	0
Totals:					
Commercial construction	4,584	4,612	25	4,990	200
Commercial secured by real estate	31,465	34,460	966	31,685	1,352
Equipment lease financing	0	0	0	34	0
Commercial other	9,481	11,252	0	10,509	539
Real estate construction	318	318	0	534	0
Real estate mortgage	1,564	1,570	0	1,591	36
Total	$ 47,412	$ 52,212	$ 991	$ 49,343	$ 2,127

(in thousands)	December 31, 2016 Recorded Balance	Unpaid Contractual Principal Balance	Specific Allowance	Average Investment in Impaired Loans	*Interest Income Recognized
Loans without a specific valuation allowance:					
Commercial construction	$ 4,102	$ 4,123	$ 0	$ 4,367	$ 218
Commercial secured by real estate	29,025	29,594	0	31,136	1,609
Equipment lease financing	0	0	0	0	0
Commercial other	11,215	13,155	0	11,561	632
Real estate mortgage	1,483	1,483	0	1,691	52
Loans with a specific valuation allowance:					
Commercial construction	1,507	1,509	213	2,290	0
Commercial secured by real estate	4,731	5,885	1,035	4,151	19
Commercial other	139	139	65	483	0
Totals:					
Commercial construction	5,609	5,632	213	6,657	218
Commercial secured by real estate	33,756	35,479	1,035	35,287	1,628
Equipment lease financing	0	0	0	0	0
Commercial other	11,354	13,294	65	12,044	632
Real estate mortgage	1,483	1,483	0	1,691	52
Total	$ 52,202	$ 55,888	$ 1,313	$ 55,679	$ 2,530

(in thousands)	December 31, 2015 Recorded Balance	Unpaid Contractual Principal Balance	Specific Allowance	Average Investment in Impaired Loans	*Interest Income Recognized
Loans without a specific valuation allowance:					
Commercial construction	$ 2,861	$ 2,862	$ 0	$ 4,574	$ 200
Commercial secured by real estate	30,761	32,166	0	30,605	1,378
Equipment lease financing	0	0	0	0	0
Commercial other	7,500	9,148	0	8,802	316
Real estate mortgage	1,744	1,744	0	1,179	50
Loans with a specific valuation allowance:					
Commercial construction	3,402	3,402	831	3,631	0
Commercial secured by real estate	2,660	2,768	1,227	2,349	7
Commercial other	960	1,153	403	836	1
Totals:					
Commercial construction	6,263	6,264	831	8,205	200
Commercial secured by real estate	33,421	34,934	1,227	32,954	1,385
Equipment lease financing	0	0	0	0	0
Commercial other	8,460	10,301	403	9,638	317
Real estate mortgage	1,744	1,744	0	1,179	50
Total	$ 49,888	$ 53,243	$ 2,461	$ 51,976	$ 1,952

*Cash basis interest is substantially the same as interest income recognized.

Included in certain loan categories of impaired loans are certain loans and leases that have been modified in a troubled debt restructuring, where economic concessions have been granted to borrowers who have experienced financial difficulties. These concessions typically result from our loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Modifications of terms for our loans and their inclusion as troubled debt restructurings are based on individual facts and circumstances. Loan modifications that are included as troubled debt restructurings may involve either an increase or reduction of the interest rate, extension of the term of the loan, or deferral of principal and/or interest payments, regardless of the period of the modification. All of the loans identified as troubled debt restructuring were modified due to financial stress of the borrower. In order to determine if a borrower is experiencing financial difficulty, an evaluation is performed to determine the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under CTBI's internal underwriting policy.

When we modify loans and leases in a troubled debt restructuring, we evaluate any possible impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan or lease agreement, or use the current fair value of the collateral, less selling costs for collateral dependent loans. If we determined that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. In periods subsequent to modification, we evaluate all troubled debt restructuring, including those that have payment defaults, for possible impairment and recognize impairment through the allowance.

During 2017, certain loans were modified in troubled debt restructurings, where economic concessions were granted to borrowers consisting of reductions in the interest rates, payment extensions, forgiveness of principal, and forbearances. Presented below, segregated by class of loans, are troubled debt restructurings that occurred during the years ended December 31, 2017 and 2016:

	Year Ended December 31, 2017				
(in thousands)	Number of Loans	Term Modification	Rate Modification	Combination	Post-Modification Outstanding Balance
Commercial:					
Commercial construction	2	$ 0	$ 0	$ 114	$ 114
Commercial secured by real estate	15	2,199	0	192	2,391
Commercial other	22	1,072	0	136	1,208
Residential:					
Real estate construction	1	846	0	0	846
Real estate mortgage	3	988	0	0	988
Total troubled debt restructurings	43	$ 5,105	$ 0	$ 442	$ 5,547

	Year Ended December 31, 2016				
(in thousands)	Number of Loans	Term Modification	Rate Modification	Combination	Post-Modification Outstanding Balance
Commercial:					
Commercial construction	1	$ 1,288	$ 0	$ 0	$ 1,288
Commercial secured by real estate	27	8,827	0	581	9,408
Commercial other	14	5,088	0	87	5,175
Residential:					
Real estate construction	0	0	0	0	0
Real estate mortgage	1	0	0	281	281
Total troubled debt restructurings	43	$ 15,203	$ 0	$ 949	$ 16,152

No charge-offs have resulted from modifications for any of the presented periods. We had commitments to extend additional credit in the amount of $0.2 million on loans that are considered troubled debt restructurings.

Loans retain their accrual status at the time of their modification. As a result, if a loan is on nonaccrual at the time it is modified, it stays as nonaccrual, and if a loan is on accrual at the time of the modification, it generally stays on accrual. Commercial and consumer loans modified in a troubled debt restructuring are closely monitored for delinquency as an early indicator of possible future default. If loans modified in a troubled debt restructuring subsequently default, CTBI evaluates the loan for possible further impairment. The allowance for loan and lease losses may be increased, adjustments may be made in the allocation of the allowance, or partial charge-offs may be taken to further write-down the carrying value of the loan. Presented below, segregated by class of loans, are loans that were modified as troubled debt restructurings within the past twelve months which have subsequently defaulted. CTBI considers a loan in default when it is 90 days or more past due or transferred to nonaccrual.

(in thousands)	Year Ended December 31, 2017	
	Number of Loans	Recorded Balance
Commercial:		
Commercial secured by real estate	0	$ 0
Commercial other	0	0
Residential:		
Real estate construction	1	846
Real estate mortgage	0	0
Total defaulted restructured loans	1	$ 846

(in thousands)	Year Ended December 31, 2016	
	Number of Loans	Recorded Balance
Commercial:		
Commercial secured by real estate	1	$ 67
Commercial other	1	12
Residential:		
Real estate construction	0	0
Real estate mortgage	0	0
Total defaulted restructured loans	2	$ 79

5. Mortgage Banking and Servicing Rights

Mortgage banking activities primarily include residential mortgage originations and servicing. As discussed in note 1 above, mortgage servicing rights ("MSRs") are carried at fair market value. The fair value is determined quarterly based on an independent third-party valuation using a discounted cash flow analysis and calculated using a computer pricing model. The system used in this evaluation, Compass Point, attempts to quantify loan level idiosyncratic risk by calculating a risk derived value. As a result, each loan's unique characteristics determine the valuation assumptions ascribed to that loan. Additionally, the computer valuation is based on key economic assumptions including the prepayment speeds of the underlying loans generated using the Andrew Davidson Prepayment Model, FHLMC/FNMA guidelines, the weighted average life of the loan, the discount rate, the weighted average coupon, and the weighted-average default rate, as applicable. Along with the gains received from the sale of loans, fees are received for servicing loans. These fees include late fees, which are recorded in interest income, and ancillary fees and monthly servicing fees, which are recorded in noninterest income. Costs of servicing loans are charged to expense as incurred. Changes in fair market value of the MSRs are reported as an increase or decrease to mortgage banking income.

The following table presents the components of mortgage banking income:

(in thousands) **Year Ended December 31**	**2017**	**2016**	**2015**
Net gain on sale of mortgage loans held for sale	$ 1,232	$ 1,831	$ 1,978
Net loan servicing income (expense)			
Servicing fees	1,255	1,239	1,197
Late fees	84	78	88
Ancillary fees	239	322	212
Fair value adjustments	(361)	(324)	(289)
Net loan servicing income	1,217	1,315	1,208
Mortgage banking income	$ 2,449	$ 3,146	$ 3,186

Mortgage loans serviced for others are not included in the accompanying balance sheets. Loans serviced for the benefit of others (primarily FHLMC) totaled $462 million, $466 million, and $458 million at December 31, 2017, 2016, and 2015, respectively. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors, and processing foreclosures. Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were approximately $1.0 million at December 31, 2017, 2016, and 2015, respectively.

Activity for capitalized mortgage servicing rights using the fair value method is as follows:

(in thousands)	**2017**	**2016**	**2015**
Fair value of MSRs, beginning of period	$ 3,433	$ 3,236	$ 2,968
New servicing assets created	412	521	557
Change in fair value during the period due to:			
Time decay (1)	(184)	(175)	(168)
Payoffs (2)	(268)	(313)	(247)
Changes in valuation inputs or assumptions (3)	91	164	126
Fair value of MSRs, end of period	$ 3,484	$ 3,433	$ 3,236

(1) Represents decrease in value due to regularly scheduled loan principal payments and partial loan paydowns.
(2) Represents decrease in value due to loans that paid off during the period.
(3) Represents change in value resulting from market-driven changes in interest rates.

The fair values of capitalized mortgage servicing rights were $3.5 million, $3.4 million, and $3.2 million at December 31, 2017, 2016, and 2015, respectively. Fair values for the years ended December 31, 2017, 2016, and 2015 were determined by third-party valuations with a resulting 10.1% average discount rate over the last three years, respectively, and weighted average default rates of 3.03%, 3.02%, and 2.64%, respectively. Prepayment speeds generated using the Andrew Davidson Prepayment Model averaged 10.0%, 9.5%, and 10.0% at December 31, 2017, 2016, and 2015, respectively. MSR values are very sensitive to movement in interest rates as expected future net servicing income depends on the projected balance of the underlying loans, which can be greatly impacted by the level of prepayments. CTBI does not currently hedge against changes in the fair value of its MSR portfolio.

6. Related Party Transactions

In the ordinary course of business, CTB has made extensions of credit and had transactions with certain directors and executive officers of CTBI or our subsidiaries, including their associates (as defined by the Securities and Exchange Commission). We believe such extensions of credit and transactions were made on substantially the same terms, including interest rate and collateral, as those prevailing at the same time for comparable transactions with other persons.

Activity for related party extensions of credit during 2017 and 2016 is as follows:

(in thousands)	**2017**	**2016**
Related party extensions of credit, beginning of period	$ 27,081	$ 29,224
New loans and advances on lines of credit	522	2,456
Repayments	(2,615)	(4,599)
Increase (decrease) due to changes in related parties	(8,156)	0
Related party extensions of credit, end of period	$ 16,832	$ 27,081

The aggregate balances of related party deposits at December 31, 2017 and 2016 were $15.8 million and $15.5 million, respectively.

A director of CTBI is a shareholder in a law firm that provided services to CTBI and its subsidiaries during the years 2017, 2016, and 2015. Approximately $1.1 million in legal fees and $0.1 million in expenses paid on behalf of CTBI, $1.2 million total, were paid to this law firm during 2017. Approximately $1.0 million in legal fees and $0.1 million in expenses, $1.1 million total, were paid during 2016, and approximately $1.2 million in legal fees and $0.1 million in expenses, $1.3 million in total, were paid during 2015.

7. Allowance for Loan and Lease Losses

The following tables present the balance in the allowance for loan and lease losses ("ALLL") and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2017, 2016, and 2015:

2017

(in thousands)	Commercial Construction	Commercial Secured by Real Estate	Equipment Lease Financing	Commercial Other	Real Estate Construction	Real Estate Mortgage	Home Equity	Consumer Direct	Consumer Indirect	Total
ALLL										
Balance, beginning of year	$ 884	$ 14,191	$ 42	$ 4,656	$ 629	$ 6,027	$ 774	$ 1,885	$ 6,845	$ 35,933
Provision charged to expense	(237)	2,281	(24)	1,744	31	189	257	418	2,862	7,521
Losses charged off	(10)	(2,038)	0	(1,893)	0	(615)	(178)	(965)	(5,386)	(11,085)
Recoveries	49	75	0	532	0	87	4	525	2,510	3,782
Balance, end of year	$ 686	$ 14,509	$ 18	$ 5,039	$ 660	$ 5,688	$ 857	$ 1,863	$ 6,831	$ 36,151
Ending balance:										
Individually evaluated for impairment	$ 25	$ 966	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 991
Collectively evaluated for impairment	$ 661	$ 13,543	$ 18	$ 5,039	$ 660	$ 5,688	$ 857	$ 1,863	$ 6,831	$ 35,160
Loans										
Ending balance:										
Individually evaluated for impairment	$ 4,584	$ 31,465	$ 0	$ 9,481	$ 318	$ 1,564	$ 0	$ 0	$ 0	$ 47,412
Collectively evaluated for impairment	$ 71,895	$ 1,157,215	$ 3,042	$ 341,553	$ 67,040	$ 708,006	$ 99,356	$ 137,754	$ 489,667	$ 3,075,528

2016

(in thousands)	Commercial Construction	Commercial Secured by Real Estate	Equipment Lease Financing	Commercial Other	Real Estate Construction	Real Estate Mortgage	Home Equity	Consumer Direct	Consumer Indirect	Total
ALLL										
Balance, beginning of year	$ 2,199	$ 14,434	$ 79	$ 4,225	$ 550	$ 6,678	$ 839	$ 1,594	$ 5,496	$ 36,094
Provision charged to expense	(1,035)	1,220	(37)	2,128	264	291	(20)	912	4,149	7,872
Losses charged off	(316)	(1,641)	0	(2,136)	(192)	(1,043)	(54)	(1,236)	(5,050)	(11,668)
Recoveries	36	178	0	439	7	101	9	615	2,250	3,635
Balance, end of year	$ 884	$ 14,191	$ 42	$ 4,656	$ 629	$ 6,027	$ 774	$ 1,885	$ 6,845	$ 35,933
Ending balance:										
Individually evaluated for impairment	$ 213	$ 1,035	$ 0	$ 65	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,313
Collectively evaluated for impairment	$ 671	$ 13,156	$ 42	$ 4,591	$ 629	$ 6,027	$ 774	$ 1,885	$ 6,845	$ 34,620
Loans										
Ending balance:										
Individually evaluated for impairment	$ 5,609	$ 33,756	$ 0	$ 11,354	$ 0	$ 1,483	$ 0	$ 0	$ 0	$ 52,202
Collectively evaluated for impairment	$ 61,389	$ 1,051,672	$ 5,512	$ 338,805	$ 57,966	$ 701,486	$ 91,511	$ 133,093	$ 444,735	$ 2,886,169

2015

(in thousands)	Commercial Construction	Commercial Secured by Real Estate	Equipment Lease Financing	Commercial Other	Real Estate Construction	Real Estate Mortgage	Home Equity	Consumer Direct	Consumer Indirect	Total
ALLL										
Balance, beginning of year	$ 2,896	$ 13,618	$ 119	$ 4,263	$ 534	$ 6,094	$ 756	$ 1,574	$ 4,593	$ 34,447
Provision charged to expense	(707)	2,135	(40)	1,338	147	1,888	158	891	2,840	8,650
Losses charged off	(3)	(1,379)	0	(1,961)	(135)	(1,421)	(129)	(1,306)	(3,536)	(9,870)
Recoveries	13	60	0	585	4	117	54	435	1,599	2,867
Balance, end of year	$ 2,199	$ 14,434	$ 79	$ 4,225	$ 550	$ 6,678	$ 839	$ 1,594	$ 5,496	$ 36,094
Ending balance:										
Individually evaluated for impairment	$ 831	$ 1,227	$ 0	$ 403	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,461
Collectively evaluated for impairment	$ 1,368	$ 13,207	$ 79	$ 3,822	$ 550	$ 6,678	$ 839	$ 1,594	$ 5,496	$ 33,633
Loans										
Ending balance:										
Individually evaluated for impairment	$ 6,263	$ 33,421	$ 0	$ 8,460	$ 0	$ 1,744	$ 0	$ 0	$ 0	$ 49,888
Collectively evaluated for impairment	$ 71,757	$ 1,019,498	$ 8,514	$ 350,438	$ 61,750	$ 706,130	$ 89,450	$ 126,406	$ 390,130	$ 2,824,073

8. Premises and Equipment

Premises and equipment are summarized as follows:

(in thousands) **December 31**	**2017**	**2016**
Land and buildings	$ 79,173	$ 78,086
Leasehold improvements	4,894	4,886
Furniture, fixtures, and equipment	38,096	36,831
Construction in progress	80	769
Total premises and equipment	122,243	120,572
Less accumulated depreciation and amortization	(75,925)	(72,632)
Premises and equipment, net	$ 46,318	$ 47,940

Depreciation and amortization of premises and equipment for 2017, 2016, and 2015 was $3.9 million, $3.7 million, and $3.7 million, respectively.

9. Other Real Estate Owned

Activity for other real estate owned was as follows:

(in thousands)	**2017**	**2016**
Beginning balance of other real estate owned	$ 35,856	$ 40,674
New assets acquired	5,382	5,900
Fair value adjustments	(3,034)	(1,214)
Sale of assets	(6,208)	(9,504)
Ending balance of other real estate owned	$ 31,996	$ 35,856

Carrying costs and fair value adjustments associated with foreclosed properties were $4.5 million, $2.9 million, and $3.5 million for 2017, 2016, and 2015, respectively. See note 1 for a description of our accounting policies relative to foreclosed properties and other real estate owned. Included in the sale of assets above was the disposal of a $0.1 million property which was not acquired through foreclosure. As a result of the relocation of our Campbellsville First Street branch to the Bypass location in 2017, the First Street property was listed for sale and booked into other real estate owned.

The major classifications of foreclosed properties are shown in the following table:

(in thousands) **December 31**	**2017**	**2016**
1-4 family	$ 5,908	$ 6,210
Agricultural/farmland	68	93
Construction/land development/other	16,158	20,778
Multifamily	176	270
Non-farm/non-residential	9,686	8,505
Total foreclosed properties	$ 31,996	$ 35,856

10. Deposits

Major classifications of deposits are categorized as follows:

(in thousands) **December 31**	**2017**	**2016**
Noninterest bearing deposits	$ 790,930	$ 767,918
NOW accounts	51,218	45,872
Money market deposits	692,021	649,917
Savings	416,551	404,558
Certificates of deposit and other time deposits of $100,000 or more	759,025	651,882
Certificates of deposit and other time deposits less than $100,000	554,118	561,161
Total deposits	$ 3,263,863	$ 3,081,308

Certificates of deposit and other time deposits of $250,000 or more at December 31, 2017 and 2016 were $232.5 million and $228.6 million, respectively. Wholesale brokered deposits at December 31, 2017 totaled $82.3 million. There were no brokered deposits in our 2016 balances.

Maturities of certificates of deposits and other time deposits are presented below:

	Maturities by Period at December 31, 2017						
(in thousands)	**Total**	**Within 1 Year**	**2 Years**	**3 Years**	**4 Years**	**5 Years**	**After 5 Years**
Certificates of deposit and other time deposits of $100,000 or more	$ 759,025	$ 556,382	$ 61,844	$ 79,013	$ 32,611	$ 29,175	$ 0
Certificates of deposit and other time deposits less than $100,000	554,118	455,593	41,147	22,443	20,149	14,673	113
Total maturities	$ 1,313,143	$ 1,011,975	$ 102,991	$ 101,456	$ 52,760	$ 43,848	$ 113

11. Borrowings

Short-term debt is categorized as follows:

(in thousands) **December 31**	**2017**	**2016**
Repurchase agreements	$ 243,814	$ 251,065
Federal funds purchased	7,312	4,816
Total short-term debt	$ 251,126	$ 255,881

All federal funds purchased mature and reprice daily. See note 12 for information regarding the maturities of our repurchase agreements. The average rates paid for federal funds purchased and repurchase agreements on December 31, 2017 were 1.30% and 1.01%, respectively.

The maximum balance for repurchase agreements at any month-end during 2017 occurred at September 30, 2017, with a month-end balance of $260.0 million. The average balance of repurchase agreements for the year was $251.0 million.

On November 30, 2017, Community Trust Bancorp, Inc. signed an amendment to a revolving credit promissory note, dated October 31, 2014 and last amended February 3, 2017, for a line of credit in the amount of $12 million at a floating interest rate of 2.00% in excess of the one-month LIBOR rate. This amendment extended the maturity date to November 30, 2018 with an unused commitment fee of 0.30%. Currently, all $12 million remains available for general corporate purposes.

Long-term debt is categorized as follows:

(in thousands) **December 31**	**2017**	**2016**
Junior subordinated debentures, 3.07%, due 6/1/37	$ 59,341	$ 61,341

On March 30, 2007, CTBI issued $61.3 million in junior subordinated debentures to a newly formed unconsolidated Delaware statutory trust subsidiary which in turn issued $59.5 million of capital securities in a private placement to institutional investors. The debentures, which mature in 30 years but are redeemable at par at CTBI's option after five years, were issued at a rate of 6.52% until June 1, 2012, and thereafter at a floating rate based on the three-month LIBOR plus 1.59%. The underlying capital securities were issued at the equivalent rates and terms. The proceeds of the debentures were used to fund the redemption on April 2, 2007 of all CTBI's outstanding 9.0% and 8.25% junior subordinated debentures in the total amount of $61.3 million. In May 2017, CTBI was able to purchase $2.0 million of the junior subordinated debentures in the open market at a purchase price of $1.4 million, resulting in a gain of $0.6 million. The junior subordinated debentures will be retained by CTBI until maturity, and CTBI will continue to report the junior subordinated debentures at the net amount outstanding of $59.3 million.

On November 29, 2017, the coupon rate was set at 3.07% for the March 1, 2018 distribution date, which was based on the three-month LIBOR rate as of November 29, 2017 of 1.48% plus 1.59%.

12. Repurchase Agreements

We utilize securities sold under agreements to repurchase to facilitate the needs of our customers and provide additional funding to our balance sheet. Repurchase agreements are transactions whereby we offer to sell to a counterparty an undivided interest in an eligible security at an agreed upon purchase price, and which obligates CTBI to repurchase the security on an agreed upon date at an agreed upon repurchase price plus interest at an agreed upon rate. Securities sold under agreements to repurchase are recorded at the amount of cash received in connection with the transaction and are reflected in the accompanying consolidated balance sheets.

We monitor collateral levels on a continuous basis and maintain records of each transaction specifically describing the applicable security and the counterparty's fractional interest in that security, and we segregate the security from its general assets in accordance with regulations governing custodial holdings of securities. The primary risk with our repurchase agreements is market risk associated with the securities securing the transactions, as we may be required to provide additional collateral based on fair value changes of the underlying securities. Securities pledged as collateral under repurchase agreements are maintained with our safekeeping agents. The carrying value of investment securities available for sale pledged as collateral under repurchase agreements totaled $295.4 million and $302.3 million at December 31, 2017 and December 31, 2016, respectively.

The remaining contractual maturity of the securities sold under agreements to repurchase by class of collateral pledged included in the accompanying consolidated balance sheets as of December 31, 2017 and December 31, 2016 is presented in the following tables:

	December 31, 2017				
	Remaining Contractual Maturity of the Agreements				
(in thousands)	Overnight and Continuous	Up to 30 days	30-90 days	Greater Than 90 days	Total
Repurchase agreements and repurchase-to-maturity transactions:					
U.S. Treasury and government agencies	$ 24,957	$ 0	$ 16,771	$ 67,867	$ 109,595
State and political subdivisions	62,620	0	567	12,161	75,348
U.S. government sponsored agency mortgage-backed securities	13,360	0	4,662	40,849	58,871
Total	$ 100,937	$ 0	$ 22,000	$ 120,877	$ 243,814

	December 31, 2016				
	Remaining Contractual Maturity of the Agreements				
(in thousands)	Overnight and Continuous	Up to 30 days	30-90 days	Greater Than 90 days	Total
Repurchase agreements and repurchase-to-maturity transactions:					
U.S. Treasury and government agencies	$ 17,249	$ 0	$ 14,349	$ 73,076	$ 104,674
State and political subdivisions	55,354	0	1,998	10,272	67,624
U.S. government sponsored agency mortgage-backed securities	23,386	0	8,003	47,378	78,767
Total	$ 95,989	$ 0	$ 24,350	$ 130,726	$ 251,065

13. Advances from Federal Home Loan Bank

Federal Home Loan Bank advances consisted of the following monthly amortizing borrowings at December 31:

(in thousands)	2017	2016
Monthly amortizing	$ 845	$ 944
Total FHLB advances	$ 845	$ 944

The advances from the FHLB that require monthly principal payments were due for repayment as follows:

	Principal Payments Due by Period at December 31, 2017						
(in thousands)	Total	Within 1 Year	2 Years	3 Years	4 Years	5 Years	After 5 Years
Outstanding advances, weighted average interest rate – 1.14%	$ 845	$ 411	$ 20	$ 20	$ 20	$ 21	$ 353

At December 31, 2016, CTBI had monthly amortizing FHLB advances totaling $0.9 million at a weighted average interest rate of 1.33%.

Advances totaling $0.8 million at December 31, 2017 were collateralized by FHLB stock of $17.9 million and a blanket lien on qualifying 1-4 family first mortgage loans. As of December 31, 2017, CTBI had a $547.8 million FHLB borrowing capacity with $0.8 million in advances and $251.5 million in letters of credit used for public fund pledging leaving $295.5 million available for additional advances. The advances had fixed interest rates ranging from 0.00% to 4.85% with a weighted average rate of 1.14%. The advances are subject to restrictions or penalties in the event of prepayment.

14. Income Taxes

The components of the provision for income taxes, exclusive of tax effect of unrealized securities gains and losses, are as follows:

(in thousands)	2017	2016	2015
Current income tax expense	$ 20,108	$ 18,417	$ 18,416
Deferred income tax expense	(259)	701	115
Effect of Tax Cuts & Jobs Act (benefit)	(2,831)	-	-
Total income tax expense	$ 17,018	$ 19,118	$ 18,531

The Tax Cuts and Jobs Act (the "Act") was enacted in December 2017. The Act reduces the U.S. federal corporate tax rate from 35 percent to 21 percent. As of December 31, 2017, we have substantially completed our accounting for the tax effects of enactment of the Act; however, in certain cases, we have made a reasonable estimate of the effects on our existing deferred tax balances. We do not believe the actual results will vary materially from those estimates. The effect of the Tax Cuts and Jobs Act (benefit) listed above reflects the revaluation of our net deferred tax liability based on a U.S. federal tax rate of 21 percent.

A reconciliation of income tax expense at the statutory rate to our actual income tax expense is shown below:

(in thousands)	2017		2016		2015	
Computed at the statutory rate	$ 23,979	35.00%	$ 23,262	35.00%	$ 22,737	35.00%
Adjustments resulting from:						
Tax-exempt interest	(1,259)	(1.84)	(1,289)	(1.94)	(1,275)	(1.96)
Housing and new markets credits	(2,579)	(3.76)	(2,680)	(4.03)	(2,692)	(4.14)
Dividends received deduction	(129)	(0.19)	(136)	(0.20)	(128)	(0.20)
Bank owned life insurance	(492)	(0.72)	(518)	(0.78)	(549)	(0.84)
ESOP dividend deduction	(319)	(0.47)	(313)	(0.47)	(298)	(0.46)
Stock option exercises and restricted stock vesting	(170)	(0.25)	-	-	-	-
Effect of Tax Cuts & Jobs Act	(2,831)	(4.13)	-	-	-	-
Other, net	818	1.20	792	1.18	736	1.13
Total	$ 17,018	24.84%	$ 19,118	28.76%	$ 18,531	28.53%

The components of the net deferred tax liability as of December 31 are as follows:

(in thousands)	2017	2016
Deferred tax assets:		
Allowance for loan and lease losses	$ 7,592	$ 12,577
Interest on nonperforming loans	560	806
Accrued expenses	442	1,883
Allowance for other real estate owned	1,322	1,898
Limited partnership investments	64	0
Unrealized losses on AFS securities	932	1,241
Other	204	282
Total deferred tax assets	11,116	18,687
Deferred tax liabilities:		
Depreciation and amortization	(12,270)	(20,287)
FHLB stock dividends	(2,076)	(3,460)
Loan fee income	(263)	(536)
Mortgage servicing rights	(732)	(1,202)
Capitalized lease obligations	(14)	(65)
Limited partnership investments	0	(411)
Other	(195)	(562)
Total deferred tax liabilities	(15,550)	(26,523)
Net deferred tax liability	$ (4,434)	$ (7,836)

CTBI accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. CTBI determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment.

With a few exceptions, CTBI is no longer subject to U.S. federal tax examinations by tax authorities for years before 2014, and state and local income tax examinations by tax authorities for years before 2013. For federal tax purposes, CTBI recognizes interest and penalties on income taxes as a component of income tax expense.

CTBI files consolidated income tax returns with its subsidiaries.

15. Employee Benefits

CTBI maintains two separate retirement savings plans, a 401(k) Plan and an Employee Stock Ownership Plan ("ESOP").

The 401(k) Plan is available to all employees (age 21 and over) with one year of service and who work at least 1,000 hours per year. Participants in the plan have the option to contribute from 1% to 20% of their annual compensation. CTBI matches 50% of participant contributions up to 4% of gross pay. CTBI may at its discretion, contribute an additional percentage of covered employees' compensation. CTBI's matching contributions were $1.0 million for the years ended December 31, 2017, 2016, and 2015. The 401(k) Plan owned 406,021, 482,426, and 515,062 shares of CTBI's common stock at December 31, 2017, 2016, and 2015, respectively. Substantially all shares owned by the 401(k) were allocated to employee accounts on those dates. The market price of the shares at the date of allocation is essentially the same as the market price at the date of purchase.

The ESOP Plan has the same entrance requirements as the 401(k) Plan above. CTBI currently contributes 4% of covered employees' gross compensation to the ESOP. The ESOP uses the contributions to acquire shares of CTBI's common stock. CTBI's contributions to the ESOP were $1.6 million for the year ended December 31, 2017 and $1.5 million for the years ended December 31, 2016 and 2015. The ESOP owned 737,079, 788,308, and 765,630 shares of CTBI's common stock at December 31, 2017, 2016, and 2015, respectively. Substantially all shares owned by the ESOP were allocated to employee accounts on those dates. The market price of the shares at the date of allocation is essentially the same as the market price at the date of purchase.

Stock-Based Compensation:

As of December 31, 2017, CTBI maintained one active and two inactive incentive stock ownership plans covering key employees. The 2015 Stock Ownership Incentive Plan (“2015 Plan”) was approved by the Board of Directors and the Shareholders in 2015. The 2006 Stock Ownership Incentive Plan (“2006 Plan”) was approved by the Board of Directors and the Shareholders in 2006. The 2006 Plan was rendered inactive as of April 28, 2015. The 1998 Stock Option Plan (“1998 Plan”) was approved by the Board of Directors and the Shareholders in 1998. The 1998 Plan was rendered inactive as of April 26, 2006. The 2015 Plan has 550,000 shares authorized, 519,140 of which were available at December 31, 2017. Shares issuable pursuant to awards which were granted under the prior plans on or before their respective expiration or termination dates will be issued from the remaining shares reserved for issuance under the prior plans. The shares of common stock reserved for issuance under the prior plans in excess of the number of shares as to which options or other benefits are awarded thereunder, and any shares as to which options or other benefits granted under the prior plans may lapse, expire, terminate or be canceled, will not be reserved and available for issuance or reissuance under the 2015 Plan. The following table provides detail of the number of shares to be issued upon exercise of outstanding stock-based awards and remaining shares available for future issuance under all of CTBI's equity compensation plans as of December 31, 2017:

Plan Category *(shares in thousands)*	**Number of Shares to Be Issued Upon Exercise**	**Weighted Average Price**	**Shares Available for Future Issuance**
Equity compensation plans approved by shareholders:			
Stock options	45	$ 32.26	519(a)
Restricted stock	(c)	(b)	(a)
Performance units	(d)	(b)	(a)
Stock appreciation rights (“SARs”)	(e)	(b)	(a)
Total			519

(a) *Under the 2015 Plan, 550,000 shares are authorized for issuance; 33,668 have been issued as of December 31, 2017. In January of 2016, 18,069 restricted stock shares were issued under the terms of the 2015 Plan pursuant to awards granted under the 2006 Plan. Additional shares will not be issued pursuant to awards granted from prior plans.*

(b) *Not applicable*

(c) *The maximum number of shares of restricted stock that may be granted is 550,000 shares, and the maximum that may be granted to a participant during any calendar year is 75,000 shares.*

(d) *No performance units payable in stock had been issued as of December 31, 2017. The maximum payment that can be made pursuant to performance units granted to any one participant in any calendar year shall be $1,000,000.*

(e) *No SARS have been issued. The maximum number of shares with respect to which SARs may be granted to a participant during any calendar year shall be 100,000 shares.*

The following table details the shares available for future issuance under the 2015 Plan at December 31, 2017.

Plan Category	**Shares Available for Future Issuance**
Shares available at January 1, 2017	540,131
Stock option issuances	0
Restricted stock issuances	(23,668)
Forfeitures	2,677
Shares available for future issuance	519,140

There were no stock options issued in 2017. CTBI uses a Black-Scholes option pricing model with the following weighted average assumptions, which are evaluated and revised as necessary, in estimating the grant-date fair value of each option grant for the year end:

	2016	**2015**
Expected option life (in years)	7.5	7.5
Expected volatility	34.34%	43.11%
Expected dividend yield	3.70%	3.72%
Risk-free interest rate	1.45%	1.54%

The expected life of options granted is estimated from past experience activity and represents the period of time that granted options are expected to be outstanding. The expected volatility is based on historical volatility of the stock using a historical look back that approximates the expected life of the option grant. The interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. CTBI's stock-based compensation expense for the years 2017, 2016, and 2015 was $0.6 million, $0.5 million, and $0.8 million, respectively. Included in stock-based compensation expense were dividends paid on restricted stock shares in the amount of $53 thousand, $37 thousand, and $80 thousand, respectively, for the same periods.

The 2015 Plan:

CTBI's stock option activity for the 2015 Plan for the years ended December 31, 2017 and 2016 is summarized as follows:

December 31	**2017**		**2016**	
	Options	**Weighted Average Exercise Price**	**Options**	**Weighted Average Exercise Price**
Outstanding at beginning of year	10,000	$ 33.55	0	$ 0
Granted	0	0	10,000	33.55
Exercised	0	0	0	0
Forfeited/expired	0	0	0	0
Outstanding at end of year	10,000	$ 33.55	10,000	$ 33.55
Exercisable at end of year	0	$ 0	0	$ 0

A summary of the status of CTBI's 2015 Plan for nonvested options as of December 31, 2017, and changes during the year ended December 31, 2017, is presented as follows:

Nonvested Options	**Options**	**Weighted Average Grant Date Fair Value**
Nonvested at January 1, 2017	10,000	$ 6.82
Granted	0	0
Vested	0	0
Forfeited	0	0
Nonvested at December 31, 2017	10,000	$ 6.82

The weighted average remaining contractual term in years of the options outstanding at December 31, 2017 was 8.1 years.

There were no options granted from the 2015 Plan for the year ended December 31, 2017.

The following table shows the intrinsic values of options exercised, exercisable, and outstanding for the 2015 Plan for the years ended December 31, 2017:

(in thousands)	**2017**
Options exercised	$ 0
Options exercisable	0
Outstanding options	136

The following table shows restricted stock activity for the 2015 Plan for the years ended December 31, 2017 and 2016:

December 31	**2017**		**2016**	
	Grants	**Weighted Average Fair Value at Grant**	**Grants**	**Weighted Average Fair Value at Grant**
Outstanding at beginning of year	17,496	$ 33.55	0	$ 0
Granted*	23,668	46.45	18,069	33.55
Vested	(5,751)	35.79	(442)	33.55
Forfeited	(2,328)	41.31	(131)	33.55
Outstanding at end of year	33,085	$ 41.84	17,496	$ 33.55

* Grants issued in 2016 were issued under the terms of the 2015 Plan pursuant to awards granted and earned under the 2006 Plan.

The 2006 Plan:

CTBI's stock option activity for the 2006 Plan for the years ended December 31, 2017, 2016, and 2015 is summarized as follows:

December 31	2017		2016		2015	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	61,041	$ 29.84	118,574	$ 32.36	98,821	$ 32.35
Granted	0	0	0	0	20,000	32.27
Exercised	(25,665)	27.01	(57,423)	35.02	(247)	24.12
Forfeited/expired	0	0	(110)	35.41	0	0
Outstanding at end of year	35,376	$ 31.90	61,041	$ 29.84	118,574	$ 32.36
Exercisable at end of year	5,376	$ 25.22	30,629	$ 26.64	87,749	$ 32.12

A summary of the status of CTBI's 2006 Plan for nonvested options as of December 31, 2017, and changes during the year ended December 31, 2017, is presented as follows:

Nonvested Options	Options	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2017	30,412	$ 7.00
Granted	0	0
Vested	(412)	8.23
Forfeited	0	0
Nonvested at December 31, 2017	30,000	$ 6.98

The weighted average remaining contractual term in years of the options outstanding at December 31, 2017 was 6.0 years.

There were no options granted from the 2006 Plan for the years 2017 and 2016. The weighted-average fair value of options granted from the 2006 Plan during the year 2015 was $0.1 million or $6.60 per share.

The following table shows the intrinsic values of options exercised, exercisable, and outstanding for the 2006 Plan for the years ended December 31, 2017, 2016, and 2015:

(in thousands)	2017	2016	2015
Options exercised	$ 537	$ 139	$ 3
Options exercisable	118	703	275
Outstanding options	538	1,206	334

The following table shows restricted stock activity for the years ended December 31, 2017, 2016, and 2015:

December 31	2017		2016		2015	
	Grants	Weighted Average Fair Value at Grant	Grants	Weighted Average Fair Value at Grant	Grants	Weighted Average Fair Value at Grant
Outstanding at beginning of year	11,989	$ 32.85	64,735	$ 28.92	101,309	$ 26.19
Granted	0	0	0	0	10,582	32.27
Vested	(6,214)	32.48	(52,521)	28.01	(46,482)	23.66
Forfeited	(349)	33.31	(225)	32.52	(674)	33.31
Outstanding at end of year	5,426	$ 33.24	11,989	$ 32.85	64,735	$ 28.92

The 1998 Plan:

The 1998 Plan had no outstanding options and no activity for the year ended December 31, 2017. CTBI's stock option activity for the 1998 Plan for the years ended December 31, 2016 and 2015 is summarized as follows:

December 31	2016		2015	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	2,980	$ 29.49	43,960	$ 29.43
Granted	0	0	0	0
Exercised	(2,980)	29.49	(40,980)	29.42
Forfeited/expired	0	0	0	0
Outstanding at end of year	0	$ 0	2,980	$ 29.49
Exercisable at end of year	0	$ 0	2,980	$ 29.49

The following table shows the intrinsic values of options exercised, exercisable, and outstanding for the 1998 Plan for the years ended December 31, 2016 and 2015:

(in thousands)	2016	2015
Options exercised	$ 13	$ 241
Options exercisable	0	16
Outstanding options	0	16

There were no nonvested options in the 1998 Plan for the years December 31, 2017, 2016, and 2015.

The following table shows the unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the plans at December 31, 2017, 2016, and 2015 and the total grant-date fair value of shares vested, cash received from option exercises under all share-based payment arrangements, and the actual tax benefit realized for the tax deductions from option exercises of the share-based payment arrangements for the years ended December 31, 2017, 2016, and 2015.

(in thousands)	2017	2016	2015
Unrecognized compensation cost of unvested share-based compensation arrangements granted under the plan at year-end	$ 1,242	$ 835	$ 495
Grant date fair value of shares vested for the year	564	1,490	1,111
Cash received from option exercises under all share-based payment arrangements for the year	693	2,099	1,212
Tax benefit realized for the tax deductions from option exercises of the share-based payment arrangements for the year	138	3	82

The unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the plans at December 31, 2017 is expected to be recognized over a weighted-average period of 2.6 years.

16. Operating Leases

Certain premises and equipment are leased under operating leases. Additionally, certain premises are leased or subleased to third parties. These leases generally contain renewal options and require CTBI to pay all executory costs, such as taxes, maintenance fees, and insurance. Minimum non-cancellable rental payments and rental receipts are as follows:

(in thousands)	Payments	Receipts
2018	$ 2,050	$ 574
2019	1,673	411
2020	1,626	351
2021	1,515	235
2022	1,392	100
Thereafter	3,783	145
Total	$ 12,039	$ 1,816

Rental expense net of rental income under operating leases was $1.4 million for 2017, $1.3 million for 2016, and $1.3 million for 2015.

17. Fair Market Value of Financial Assets and Liabilities

Fair Value Measurements

ASC 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. In this standard, the FASB clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, ASC 820 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy is as follows:

Level 1 Inputs – Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis as of December 31, 2017 and December 31, 2016 and indicate the level within the fair value hierarchy of the valuation techniques.

(in thousands)		Fair Value Measurements at December 31, 2017 Using		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets measured – recurring basis				
Available-for-sale securities:				
U.S. Treasury and government agencies	$ 210,572	$ 64,598	$ 145,974	$ 0
State and political subdivisions	145,015	0	145,015	0
U.S. government sponsored agency mortgage-backed securities	205,309	0	205,309	0
Other debt securities	507	0	507	0
CRA investment funds	24,358	24,358	0	0
Mortgage servicing rights	3,484	0	0	3,484

(in thousands)		Fair Value Measurements at December 31, 2016 Using		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets measured – recurring basis				
Available-for-sale securities:				
U.S. Treasury and government agencies	$ 222,464	$ 44,934	$ 177,530	$ 0
State and political subdivisions	133,516	0	133,516	0
U.S. government sponsored agency mortgage-backed securities	225,056	0	225,056	0
Other debt securities	0	0	0	0
CRA investment funds	24,358	24,358	0	0
Mortgage servicing rights	3,433	0	0	3,433

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. These valuation methodologies were applied to all of CTBI's financial assets carried at fair value. CTBI had no liabilities measured and recorded at fair value as of December 31, 2017 and December 31, 2016. There have been no significant changes in the valuation techniques during the year ended December 31, 2017. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Available-for-Sale Securities

Securities classified as available-for-sale are reported at fair value on a recurring basis. U.S. Treasury and government agencies and CTBI's CRA investment funds are classified as Level 1 of the valuation hierarchy where quoted market prices are available in the active market on which the individual securities are traded.

If quoted market prices are not available, CTBI obtains fair value measurements from an independent pricing service, such as Interactive Data, which utilizes pricing models to determine fair value measurement. CTBI reviews the pricing quarterly to verify the reasonableness of the pricing. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other factors. U.S. Treasury and government agencies, state and political subdivisions, U.S. government sponsored agency mortgage-backed securities, and other debt securities are classified as Level 2 inputs.

In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Fair value determinations for Level 3 measurements are estimated on a quarterly basis where assumptions used are reviewed to ensure the estimated fair value complies with accounting standards generally accepted in the United States. As of December 31, 2017, CTBI does not own any securities valued using Level 3 inputs.

Mortgage Servicing Rights

Mortgage servicing rights do not trade in an active, open market with readily observable prices. CTBI reports mortgage servicing rights at fair value on a recurring basis with subsequent remeasurement of MSRs based on change in fair value.

In determining fair value, CTBI utilizes the expertise of an independent third party. Accordingly, fair value is determined by the independent third party by utilizing assumptions about factors such as mortgage interest rates, discount rates, mortgage loan prepayment speeds, market trends and industry demand. Due to the nature of the valuation inputs, mortgage servicing rights are classified within Level 3 of the hierarchy. Fair value determinations for Level 3 measurements of mortgage servicing rights are tested for impairment on a quarterly basis where assumptions used are reviewed to ensure the estimated fair value complies with accounting standards generally accepted in the United States. See the table below for inputs and valuation techniques used for Level 3 mortgage servicing rights.

Transfers between Levels

There were no transfers between Levels 1, 2, and 3 as of December 31, 2017.

Level 3 Reconciliation

Following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheet using significant unobservable (Level 3) inputs:

Mortgage Servicing Rights

(in thousands)	2017	2016
Beginning balance	$ 3,433	$ 3,236
Total recognized gains (losses)		
Included in net income	91	164
Issues	412	521
Settlements	(452)	(488)
Ending balance	$ 3,484	$ 3,433
Total gains (losses) for the period included in net income attributable to the change in unrealized gains or losses related to assets still held at the reporting date	$ 91	$ 164

Realized and unrealized gains and losses for items reflected in the table above are included in net income in the consolidated statements of income as follows:

Noninterest Income

(in thousands)	2017	2016
Total losses	$ (361)	$ (324)

Nonrecurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a nonrecurring basis as of December 31, 2017 and December 31, 2016 and indicate the level within the fair value hierarchy of the valuation techniques.

(in thousands)		Fair Value Measurements at December 31, 2017 Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured – nonrecurring basis				
Impaired loans (collateral dependent)	$ 2,709	$ 0	$ 0	$ 2,709
Other real estate owned	18,951	0	0	18,951

(in thousands)		Fair Value Measurements at December 31, 2016 Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured – nonrecurring basis				
Impaired loans (collateral dependent)	$ 5,506	$ 0	$ 0	$ 5,506
Other real estate owned	4,388	0	0	4,388

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheet, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Impaired Loans (Collateral Dependent)

The estimated fair value of collateral-dependent impaired loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy.

CTBI considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by the Chief Credit Officer. Appraisals are reviewed for accuracy and consistency by the Chief Credit Officer. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by the Chief Credit Officer by comparison to historical results.

Loans considered impaired under ASC 310-35, *Impairment of a Loan,* are loans for which, based on current information and events, it is probable that the creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are subject to nonrecurring fair value adjustments to reflect subsequent (i) partial write-downs that are based on the observable market price or current appraised value of the collateral or (ii) the full charge-off of the loan carrying value. Fair value adjustments on impaired loans disclosed above were $1.0 million and $0.6 million for the years ended December 31, 2017 and December 31, 2016, respectively.

Other Real Estate Owned

In accordance with the provisions of ASC 360, *Property, Plant, and Equipment,* other real estate owned (OREO) is carried at the lower of fair value at acquisition date or current estimated fair value, less estimated cost to sell when the real estate is acquired. Estimated fair value of OREO is based on appraisals or evaluations. OREO is classified within Level 3 of the fair value hierarchy. Long-lived assets are subject to nonrecurring fair value adjustments to reflect subsequent partial write-downs that are based on the observable market price or current appraised value of the collateral. Fair value adjustments on other real estate owned discussed above were $2.5 million and $1.2 million for the years ended December 31, 2017 and December 31, 2016, respectively.

Our policy for determining the frequency of periodic reviews is based upon consideration of the specific properties and the known or perceived market fluctuations in a particular market and is typically between 12 and 18 months but generally not more than 24 months. Appraisers are selected from the list of approved appraisers maintained by management.

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements at December 31, 2017 and December 31, 2016.

(in thousands)

	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value at December 31, 2017	**Valuation Technique(s)**	**Unobservable Input**	**Range (Weighted Average)**
Mortgage servicing rights	$ 3,484	Discount cash flows, computer pricing model	Constant prepayment rate	7.0% - 45.0% (10.0%)
			Probability of default	0.0% - 100.0% (3.0%)
			Discount rate	10.0% - 11.5% (10.1%)
Impaired loans (collateral-dependent)	$ 2,709	Market comparable properties	Marketability discount	1.9% - 89.8% (38.5%)
Other real estate owned	$ 18,951	Market comparable properties	Comparability adjustments	6.0% - 58.6% (15.0%)

(in thousands)

	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value at December 31, 2016	**Valuation Technique(s)**	**Unobservable Input**	**Range (Weighted Average)**
Mortgage servicing rights	$ 3,433	Discount cash flows, computer pricing model	Constant prepayment rate	7.0% - 27.0% (9.5%)
			Probability of default	0.0% - 100.0% (3.0%)
			Discount rate	10.0% - 11.5% (10.1%)
Impaired loans (collateral-dependent)	$ 5,506	Market comparable properties	Marketability discount	0.0% - 100.0% (33.7%)
Other real estate owned	$ 4,388	Market comparable properties	Comparability adjustments	10.0% - 100.0% (14.9%)

Sensitivity of Significant Unobservable Inputs

The following is a discussion of the sensitivity of significant unobservable inputs, the interrelationships between those inputs and other unobservable inputs used in recurring fair value measurement and of how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

Mortgage Servicing Rights

Fair market value for mortgage servicing rights is derived based on unobservable inputs, such as prepayment speeds of the underlying loans generated using the Andrew Davidson Prepayment Model, FHLMC/FNMA guidelines, the weighted-average life of the loan, the discount rate, the weighted average coupon, and the weighted average default rate. Significant increases (decreases) in either of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for prepayment speeds is accompanied by a directionally opposite change in the assumption for interest rates.

Fair Value of Financial Instruments

The following table presents estimated fair value of CTBI's financial instruments as of December 31, 2017 and indicates the level within the fair value hierarchy of the valuation techniques.

(in thousands)		Fair Value Measurements at December 31, 2017 Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash and cash equivalents	$ 175,274	$ 175,274	$ 0	$ 0
Certificates of deposit in other banks	9,800	0	9,772	0
Securities available-for-sale	585,761	88,956	496,805	0
Securities held-to-maturity	659	0	660	0
Loans held for sale	1,033	1,060	0	0
Loans, net	3,086,789	0	0	3,092,437
Federal Home Loan Bank stock	17,927	0	17,927	0
Federal Reserve Bank stock	4,887	0	4,887	0
Accrued interest receivable	13,338	0	13,338	0
Mortgage servicing rights	3,484	0	0	3,484
Financial liabilities:				
Deposits	$ 3,263,863	$ 790,930	$ 2,319,278	$ 0
Repurchase agreements	243,814	0	0	243,932
Federal funds purchased	7,312	0	7,312	0
Advances from Federal Home Loan Bank	845	0	841	0
Long-term debt	59,341	0	0	44,166
Accrued interest payable	2,228	0	2,228	0
Unrecognized financial instruments:				
Letters of credit	$ 0	$ 0	$ 0	$ 0
Commitments to extend credit	0	0	0	0
Forward sale commitments	0	0	0	0

The following table presents estimated fair value of CTBI's financial instruments as of December 31, 2016 and indicates the level within the fair value hierarchy of the valuation techniques.

(in thousands)		Fair Value Measurements at December 31, 2016 Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash and cash equivalents	$ 144,716	$ 144,716	$ 0	$ 0
Certificates of deposit in other banks	980	0	982	0
Securities available-for-sale	605,394	69,292	536,102	0
Securities held-to-maturity	866	0	867	0
Loans held for sale	1,244	1,260	0	0
Loans, net	2,902,438	0	0	2,882,348
Federal Home Loan Bank stock	17,927	0	17,927	0
Federal Reserve Bank stock	4,887	0	4,887	0
Accrued interest receivable	11,922	0	11,922	0
Mortgage servicing rights	3,433	0	0	3,433
Financial liabilities:				
Deposits	$ 3,081,308	$ 767,918	$ 2,321,690	$ 0
Repurchase agreements	251,065	0	0	250,820
Federal funds purchased	4,816	0	4,816	0
Advances from Federal Home Loan Bank	944	0	1,009	0
Long-term debt	61,341	0	0	49,073
Accrued interest payable	1,200	0	1,200	0
Unrecognized financial instruments:				
Letters of credit	$ 0	$ 0	$ 0	$ 0
Commitments to extend credit	0	0	0	0
Forward sale commitments	0	0	0	0

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents – The carrying amount approximates fair value.

Certificates of deposit in other banks – Fair values are based on quoted market prices or dealer quotes for similar instruments.

Securities held-to-maturity – Fair values are based on quoted market prices, if available. If a quoted price is not available, fair value is estimated using quoted prices for similar securities. The fair value estimate is provided to management from a third party using modeling assumptions specific to each type of security that are reviewed and approved by management. Quarterly sampling of fair values provided by additional third parties supplement the fair value review process.

Loans held for sale – The fair value is predetermined at origination based on sale price.

Loans (net of the allowance for loan and lease losses) – The fair value of fixed rate loans and variable rate mortgage loans is estimated by discounting the future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. For other variable rate loans, the carrying amount approximates fair value.

Federal Home Loan Bank stock – The carrying value of Federal Home Loan Bank stock approximates fair value based on the redemption provisions of the Federal Home Loan Bank.

Federal Reserve Bank stock – The carrying value of Federal Reserve Bank stock approximates fair value based on the redemption provisions of the Federal Reserve Bank.

Accrued interest receivable – The carrying amount approximates fair value.

Deposits – The fair value of fixed maturity time deposits is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities. For deposits including demand deposits, savings accounts, NOW accounts, and certain money market accounts, the carrying value approximates fair value.

Repurchase agreements – The fair value is estimated by discounting future cash flows using current rates.

Federal funds purchased – The carrying amount approximates fair value.

Advances from Federal Home Loan Bank – The fair value of these fixed-maturity advances is estimated by discounting future cash flows using rates currently offered for advances of similar remaining maturities.

Long-term debt – The fair value is estimated by discounting future cash flows using current rates.

Accrued interest payable – The carrying amount approximates fair value.

Commitments to originate loans, forward sale commitments, letters of credit, and lines of credit – The fair value of commitments to originate loans is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of forward sale commitments is estimated based on current market prices for loans of similar terms and credit quality. The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date. The fair values of these commitments are not material.

18. Off-Balance Sheet Transactions and Guarantees

CTBI is a party to transactions with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include standby letters of credit and commitments to extend credit in the form of unused lines of credit. CTBI uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

At December 31, CTBI had the following off-balance sheet financial instruments, whose approximate contract amounts represent additional credit risk to CTBI:

(in thousands)	2017	2016
Standby letters of credit	$ 29,308	$ 29,917
Commitments to extend credit	516,731	570,467
Total off-balance sheet financial instruments	$ 546,039	$ 600,384

Standby letters of credit represent conditional commitments to guarantee the performance of a third party. The credit risk involved is essentially the same as the risk involved in making loans. At December 31, 2017, we maintained a credit loss reserve recorded in other liabilities of approximately $7 thousand relating to these financial standby letters of credit. The reserve coverage calculation was determined using essentially the same methodology as used for the allowance for loan and lease losses. Approximately 64% of the total standby letters of credit are secured, with $15.3 million of the total $29.3 million secured by cash. Collateral for the remaining secured standby letters of credit varies but is comprised primarily of accounts receivable, inventory, property, equipment, and income-producing properties.

Commitments to extend credit are agreements to originate loans to customers as long as there is no violation of any condition of the contract. At December 31, 2017, a credit loss reserve recorded in other liabilities of $248 thousand was maintained relating to these commitments. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate, and residential real estate. A portion of the commitments is to extend credit at fixed rates. Fixed rate loan commitments at December 31, 2017 of $52.2 million had interest rates ranging predominantly from 3.00% to 5.00%, respectively, and terms predominantly two years or less. These credit commitments were based on prevailing rates, terms, and conditions applicable to other loans being made at December 31, 2017.

Included in our commitments to extend credit are mortgage loans in the process of origination which are intended for sale to investors in the secondary market. These forward sale commitments are on an individual loan basis that CTBI originates as part of its mortgage banking activities. CTBI commits to sell the loans at specified prices in a future period, typically within 60 days. These commitments are acquired to reduce market risk on mortgage loans in the process of origination and mortgage loans held for sale since CTBI is exposed to interest rate risk during the period between issuing a loan commitment and the sale of the loan into the secondary market. Total mortgage loans in the process of origination amounted to $2.5 million and $2.9 million at December 31, 2017 and 2016, respectively, and mortgage loans held for sale amounted to $1.0 million and $1.2 million for the years ended December 31, 2017 and 2016, respectively.

19. Concentrations of Credit Risk

CTBI's banking activities include granting commercial, residential, and consumer loans to customers primarily located in eastern, northeastern, central, and south central Kentucky, southern West Virginia, and northeastern Tennessee. CTBI is continuing to manage all components of its portfolio mix in a manner to reduce risk from changes in economic conditions. Concentrations of credit, as defined for regulatory purposes, are reviewed quarterly by management to ensure that internally established limits based on Tier 1 Capital plus the allowance for loan and lease losses are not exceeded. At December 31, 2017 and 2016, our concentrations of hotel/motel industry credits were 47% and 41% of Tier 1 Capital plus the allowance for loan and lease losses, respectively. Lessors of non-residential buildings credits were 45% and 45%, respectively. Lessors of residential buildings and dwellings were 39% and 37%, respectively. These percentages are within our internally established limits regarding concentrations of credit.

20. Commitments and Contingencies

CTBI and our subsidiaries, and from time to time, our officers, are named defendants in legal actions arising from ordinary business activities. Management, after consultation with legal counsel, believes any pending actions at December 31, 2017 are without merit or that the ultimate liability, if any, will not materially affect our consolidated financial position or results of operations.

CTB will be required to make certain customer reimbursements related to two deposit add-on products. As previously discussed in CTBI's prior year Form 10-K and most recent Form 10-Q, management established a related accrual in 2014, which was not considered material. The time period and amount of the reimbursements have not yet been determined; therefore, the actual amount may materially vary from the amount management has evaluated as most likely at December 31, 2017.

21. Regulatory Matters

CTBI's principal source of funds is dividends received from our banking subsidiary, CTB. Regulations limit the amount of dividends that may be paid by CTB without prior approval. During 2018, approximately $56.1 million plus any 2018 net profits can be paid by CTB without prior regulatory approval.

The Federal Reserve Bank adopted quantitative measures which assign risk weightings to assets and off-balance sheet items and also define and set minimum regulatory capital requirements (risk based capital ratios). All banks are required to have a minimum Tier 1 (core capital) leverage ratio of 4% of adjusted quarterly average assets, common equity Tier 1 capital ratio of at least 4.5% of risk-weighted assets, Tier 1 capital of at least 6% of risk-weighted assets, and total capital of at least 8% of risk-weighted assets. Tier 1 capital consists principally of shareholders' equity including capital-qualifying subordinated debt but excluding unrealized gains and losses on securities available-for-sale, less goodwill and certain other intangibles. Total capital consists of Tier 1 capital plus certain debt instruments and the reserve for credit losses, subject to limitation. Failure to meet certain capital requirements can initiate certain actions by regulators that, if undertaken, could have a direct material effect on our consolidated financial statements. The regulations also define well-capitalized levels of Tier 1 leverage, common equity Tier 1 capital, Tier 1, and total capital as 5%, 6.5%, 8%, and 10%, respectively. We had Tier 1 leverage, common equity Tier 1 capital, Tier 1, and total capital ratios above the well-capitalized levels at December 31, 2017 and 2016. We believe, as of December 31, 2017, CTBI meets all capital adequacy requirements for which it is subject to be defined as well-capitalized under the regulatory framework for prompt corrective action.

Under the current Federal Reserve Board's regulatory framework, certain capital securities offered by wholly owned unconsolidated trust preferred entities of CTBI are included as Tier 1 regulatory capital. On March 1, 2005, the Federal Reserve Board adopted a final rule that allows the continued limited inclusion of trust preferred securities in the Tier 1 capital of bank holding companies ("BHCs"). Under the final rule, trust preferred securities and other restricted core capital elements are subject to stricter quantitative limits. The Board's final rule limits restricted core capital elements to 25 percent of all core capital elements, net of goodwill less any associated deferred tax liability. Amounts of restricted core capital elements in excess of these limits generally may be included in Tier 2 capital. The final rule provided a five-year transition period, which ended March 31, 2009, for application of the quantitative limits. The requirement for trust preferred securities to include a call option has been eliminated, and standards for the junior subordinated debt underlying trust preferred securities eligible for Tier 1 capital treatment have been clarified. The final rule addresses supervisory concerns, competitive equity considerations, and the accounting for trust preferred securities. The final rule also strengthens the definition of regulatory capital by incorporating longstanding Board policies regarding the acceptable terms of capital instruments included in banking organizations' Tier 1 or Tier 2 capital. The final rule did not have a material impact on our regulatory ratios.

Consolidated Capital Ratios

(in thousands)	Actual		For Capital Adequacy Purposes	
	Amount	Ratio	Amount	Ratio
As of December 31, 2017:				
Tier 1 capital (to average assets)	$ 525,707	12.89%	$ 163,136	4.00%
Common equity Tier 1 capital (to risk weighted assets)	468,207	15.33	137,438	4.50
Tier 1 capital (to risk weighted assets)	525,707	17.22	183,173	6.00
Total capital (to risk weighted assets)	562,114	18.41	244,265	8.00
As of December 31, 2016:				
Tier 1 capital (to average assets)	$ 496,432	12.75%	$ 155,743	4.00%
Common equity Tier 1 capital (to risk weighted assets)	436,932	15.18	129,525	4.50
Tier 1 capital (to risk weighted assets)	496,432	17.25	172,672	6.00
Total capital (to risk weighted assets)	532,332	18.50	230,198	8.00

Community Trust Bank, Inc.'s Capital Ratios

(in thousands)	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2017:						
Tier 1 capital (to average assets)	$ 501,537	12.35%	$ 162,441	4.00%	$ 203,051	5.00%
Common equity Tier 1 capital (to risk weighted assets)	501,537	16.46	137,115	4.50	198,055	6.50
Tier 1 capital (to risk weighted assets)	501,537	16.46	182,820	6.00	243,760	8.00
Total capital (to risk weighted assets)	537,944	17.65	243,827	8.00	304,784	10.00
As of December 31, 2016:						
Tier 1 capital (to average assets)	$ 472,615	12.19%	$ 155,083	4.00%	$ 193,854	5.00%
Common equity Tier 1 capital (to risk weighted assets)	472,615	16.46	129,208	4.50	186,634	6.50
Tier 1 capital (to risk weighted assets)	472,615	16.46	172,278	6.00	229,704	8.00
Total capital (to risk weighted assets)	508,515	17.71	229,708	8.00	287,134	10.00

On July 2, 2013, the Federal Reserve approved final rules that substantially amend the regulatory risk-based capital rules applicable to CTBI and CTB. The FDIC subsequently approved these rules. The final rules implement the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act.

The rules include new risk-based capital and leverage ratios, which are being phased in from 2015 to 2019, and refine the definition of what constitutes "capital" for purposes of calculating those ratios. The new minimum capital level requirements applicable to CTBI and CTB under the final rules are: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from previous rules); and (iv) a Tier 1 leverage ratio of 4% for all institutions. The final rules also establish a "capital conservation buffer" above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital. The capital conservation buffer began to be phased in on January 1, 2016 at 0.625% of risk-weighted assets and will increase by 0.625% annually until fully implemented in January 2019. An institution is subject to limitations on certain activities including payment of dividends, share repurchases, and discretionary bonuses to executive officers if its capital level is below the total capital plus capital conservation buffer amount.

The final rules also implement revisions and clarifications consistent with Basel III regarding the various components of Tier 1 capital, including common equity, unrealized gains and losses (which are not considered a component of Tier 1 capital), as well as certain instruments that will no longer qualify as Tier 1 capital, some of which will be phased out over time. However, the final rules provide that small depository institution holding companies with less than $15 billion in total assets as of December 31, 2009 (which includes CTBI) will be able to permanently include non-qualifying instruments that were issued and included in Tier 1 or Tier 2 capital prior to May 19, 2010 in additional Tier 1 or Tier 2 capital until they redeem such instruments or until the instruments mature.

The final rules also contain revisions to the prompt corrective action framework, which is designed to place restrictions on insured depository institutions, including CTB, if their capital levels begin to show signs of weakness. These revisions took effect January 1, 2015. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions are required to meet the following increased capital level requirements in order to qualify as "well capitalized:" (i) a common equity Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8% (increased from 6%); (iii) a total capital ratio of 10% (unchanged from previous rules); and (iv) a Tier 1 leverage ratio of 5% (unchanged from previous rules).

The final rules set forth certain changes for the calculation of risk-weighted assets, which we were required to utilize beginning January 1, 2015. The standardized approach final rule utilizes an increased number of credit risk exposure categories and risk weights, and also addresses: (i) an alternative standard of creditworthiness consistent with Section 939A of the Dodd-Frank Act; (ii) revisions to recognition of credit risk mitigation; (iii) rules for risk weighting of equity exposures and past due loans; (iv) revised capital treatment for derivatives and repo-style transactions; and (v) disclosure requirements for top-tier banking organizations with $50 billion or more in total assets that are not subject to the "advance approach rules" that apply to banks with greater than $250 billion in consolidated assets. We currently satisfy the well-capitalized and the capital conservation standards, and based on our current capital composition and levels, we anticipate that our capital ratios, on a Basel III basis, will continue to exceed the well-capitalized minimum capital requirements and capital conservation buffer standards.

22. Parent Company Financial Statements

Condensed Balance Sheets

(in thousands) **December 31**	**2017**	**2016**
Assets:		
Cash on deposit	$ 1,500	$ 1,525
Investment in and advances to subsidiaries	587,575	556,975
Goodwill	4,973	4,973
Premises and equipment, net	250	142
Other assets	200	391
Total assets	$ 594,498	$ 564,006
Liabilities and shareholders' equity:		
Long-term debt	$ 61,341	$ 61,341
Other liabilities	2,458	2,050
Total liabilities	63,799	63,391
Shareholders' equity	530,699	500,615
Total liabilities and shareholders' equity	$ 594,498	$ 564,006

Condensed Statements of Income and Comprehensive Income

(in thousands) **Year Ended December 31**	**2017**	**2016**	**2015**
Income:			
Dividends from subsidiary banks	$ 24,661	$ 20,708	$ 19,808
Other income	904	459	414
Total income	25,565	21,167	20,222
Expenses:			
Interest expense	1,723	1,417	1,170
Depreciation expense	116	107	130
Other expenses	2,858	2,256	2,465
Total expenses	4,697	3,780	3,765
Income before income taxes and equity in undistributed income of subsidiaries	20,868	17,387	16,457
Income tax benefit	(1,445)	(1,373)	(1,371)
Income before equity in undistributed income of subsidiaries	22,313	18,760	17,828
Equity in undistributed income of subsidiaries	29,180	28,586	28,604
Net income	$ 51,493	$ 47,346	$ 46,432
Other comprehensive loss:			
Unrealized holding losses on securities available-for-sale:			
Unrealized holding losses arising during the period	(820)	(4,578)	(342)
Less: Reclassification adjustments for realized gains (losses) included in net income	73	522	(106)
Tax benefit	(312)	(1,785)	(83)
Implementation of ASU 2018-02	(621)	0	0
Other comprehensive loss, net of tax	(1,202)	(3,315)	(153)
Comprehensive income	$ 50,291	$ 44,031	$ 46,279

Condensed Statements of Cash Flows

(in thousands) **Year Ended December 31**	**2017**	**2016**	**2015**
Cash flows from operating activities:			
Net income	$ 51,493	$ 47,346	$ 46,432
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	116	107	130
Equity in undistributed earnings of subsidiaries	(29,180)	(28,586)	(28,604)
Stock-based compensation	636	458	783
Excess tax benefits of stock-based compensation	0	100	104
Gain on debt repurchase	(560)	0	0
Changes in:			
Other assets	145	519	240
Other liabilities	412	(90)	968
Net cash provided by operating activities	23,062	19,854	20,053
Cash flows from investing activities:			
Payment for investment in subsidiary	(1,440)	0	0
Purchase of premises and equipment	(179)	(104)	(45)
Net cash used in investing activities	(1,619)	(104)	(45)
Cash flows from financing activities:			
Issuance of common stock	1,513	2,985	2,082
Repurchase of common stock	0	(382)	(189)
Excess tax benefits of stock-based compensation	0	(100)	(104)
Dividends paid	(22,981)	(22,190)	(21,330)
Net cash used in financing activities	(21,468)	(19,687)	(19,541)
Net increase (decrease) in cash and cash equivalents	(25)	63	467
Cash and cash equivalents at beginning of year	1,525	1,462	995
Cash and cash equivalents at end of year	$ 1,500	$ 1,525	$ 1,462

23. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

Year Ended December 31 *(in thousands except per share data)*	**2017**	**2016**	**2015**
Numerator:			
Net income	$ 51,493	$ 47,346	$ 46,432
Denominator:			
Basic earnings per share:			
Weighted average shares	17,631	17,548	17,431
Diluted earnings per share:			
Dilutive effect of equity grants	22	18	52
Adjusted weighted average shares	17,653	17,566	17,483
Earnings per share:			
Basic earnings per share	$ 2.92	$ 2.70	$ 2.66
Diluted earnings per share	2.92	2.70	2.66

There were no options to purchase common shares that were excluded from the diluted calculations above for the years ended December 31, 2017 and 2016. In addition to in-the-money stock options, unvested restricted stock grants were also used in the calculation of diluted earnings per share based on the treasury method. Options to purchase 58,063 common shares at a weighted average price of $35.409 were excluded from the diluted calculations above for the year ended December 31, 2015, because the exercise prices on the options were greater than the average market price for the period.

24. Accumulated Other Comprehensive Income

Unrealized gains (losses) on AFS securities

Amounts reclassified from accumulated other comprehensive income (AOCI) and the affected line items in the statements of income during the years ended December 31, 2017, 2016, and 2015 were:

	Amounts Reclassified from AOCI		
Year Ended December 31 *(in thousands)* **Affected line item in the statements of income**	**2017**	**2016**	**2015**
Securities gains (losses)	$ 73	$ 522	$ (106)
Tax expense (benefit)	26	183	(37)
Total reclassifications out of AOCI	$ 47	$ 339	$ (69)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, Board of Directors, and Audit Committee
Community Trust Bancorp, Inc.
Pikeville, Kentucky

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Community Trust Bancorp, Inc. (Company) as of December 31, 2017 and 2016, the related consolidated statements of income and comprehensive income, changes in shareholder's equity and cash flows for each of the years in the three-year period ended December 31, 2017 (collectively referred to as the financial statements). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 28, 2018, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the Public Company Accounting Oversight Board (United States).

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2006.

/s/ BKD, LLP
Louisville, Kentucky
February 28, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, Board of Directors, and Audit Committee
Community Trust Bancorp, Inc.
Pikeville, Kentucky

Opinion on the Internal Control over Financial Reporting

We have audited Community Trust Bancorp, Inc.'s (Company) internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company and our report dated February 28, 2018, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the U.S. Securities and Exchange Commission and the Public Company Accounting Oversight Board (United States).

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definitions and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BKD, LLP
Louisville, Kentucky
February 28, 2018

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

CTBI's management is responsible for establishing and maintaining effective disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-15 (e) of the Securities Exchange Act of 1934. As of December 31, 2017, an evaluation was carried out by CTBI's management, with the participation of our Chief Executive Officer and our Chief Financial Officer of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, management concluded that disclosure controls and procedures as of December 31, 2017 were effective in ensuring material information required to be disclosed in this annual report on Form 10-K was recorded, processed, summarized, and reported on a timely basis.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2017 based on the control criteria in the 2013 COSO Framework issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. Based on such evaluation, we have concluded that CTBI's internal control over financial reporting is effective as of December 31, 2017.

There were no changes in CTBI's internal control over financial reporting that occurred during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, CTBI's internal control over financial reporting.

MANAGEMENT REPORT ON INTERNAL CONTROL

We, as management of Community Trust Bancorp, Inc. and its subsidiaries ("CTBI"), are responsible for establishing and maintaining adequate internal control over financial reporting. Pursuant to the rules and regulations of the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention of overriding controls. Accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

Because of the inherent limitations, any system of internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements due to the possibility that a control can be circumvented or overridden or that misstatements due to error or fraud may occur that are not detected. Also, projections of the effectiveness to future periods are subject to the risk that the internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures included in such controls may deteriorate.

Management has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2017 based on the control criteria in the 2013 COSO Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, we have concluded that CTBI's internal control over financial reporting is effective as of December 31, 2017.

The effectiveness of CTBI's internal control over financial reporting as of December 31, 2017 has been audited by BKD, LLP, an independent registered public accounting firm that audited the CTBI's consolidated financial statements included in this annual report.

February 28, 2018

/s/ Jean R. Hale
Jean R. Hale
Chairman, President, and
Chief Executive Officer

/s/ Kevin J. Stumbo
Kevin J. Stumbo
Executive Vice President, Chief Financial Officer,
and Treasurer

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

The information required by this item other than the information set forth below is omitted because CTBI is filing a definitive proxy statement pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report which includes the required information. The required information contained in CTBI's proxy statement is incorporated herein by reference.

Executive Officers of the Registrant

Set forth below are the executive officers of CTBI, their positions with CTBI, and the year in which they first became an executive officer or director.

Name and Age (1)	Positions and Offices Currently Held	Date First Became Director or Executive Officer		Principal Occupation
Jean R. Hale; 71	Chairman, President and CEO	1992		Chairman, President and CEO of Community Trust Bancorp, Inc.
Mark A. Gooch; 59	Executive Vice President and Secretary	1997		President and CEO of Community Trust Bank, Inc.
Larry W. Jones; 71	Executive Vice President	2002		Executive Vice President/ Central Kentucky Region President of Community Trust Bank, Inc.
James B. Draughn; 58	Executive Vice President	2001		Executive Vice President/Operations of Community Trust Bank, Inc.
Kevin J. Stumbo; 57	Executive Vice President, Chief Financial Officer, and Treasurer	2002		Executive Vice President/ Chief Financial Officer of Community Trust Bank, Inc.
Ricky D. Sparkman; 55	Executive Vice President	2002		Executive Vice President/ South Central Region President of Community Trust Bank, Inc.
Richard W. Newsom; 63	Executive Vice President	2002		Executive Vice President/ Eastern Region President of Community Trust Bank, Inc.
James J. Gartner; 76	Executive Vice President	2002		Executive Vice President/ Chief Credit Officer of Community Trust Bank, Inc.
Steven E. Jameson; 61	Executive Vice President	2004	(2)	Executive Vice President/ Chief Internal Audit & Risk Officer
D. Andrew Jones; 55	Executive Vice President	2010		Executive Vice President/ Northeastern Region President of Community Trust Bank, Inc.
Andy D. Waters; 52	Executive Vice President	2011		President and CEO of Community Trust and Investment Company
C. Wayne Hancock; 43	Executive Vice President	2014	(3)	Executive Vice President/Senior Staff Attorney

(1) The ages listed for CTBI's executive officers are as of February 28, 2018.

(2) Mr. Jameson is a non-voting member of the Executive Committee.

(3) Mr. Hancock was employed as Senior Staff Attorney of Community Trust Bank, Inc. in September 2008. He was promoted to Senior Vice President in April 2009 and named Executive Vice President in April 2014.

Item 11. Executive Compensation

The information required by this item is omitted because CTBI is filing a definitive proxy statement pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report which includes the required information. The required information contained in CTBI's proxy statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The information required by this item other than the information provided below is omitted because CTBI is filing a definitive proxy statement pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report which includes the required information. The required information contained in CTBI's proxy statement is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information as of December 31, 2017, with respect to compensation plans under which common shares of CTBI are authorized for issuance to officers or employees in exchange for consideration in the form of services provided to CTBI and/or its subsidiaries. At December 31, 2017, we maintained one active and two inactive incentive stock option plans covering key employees. The 2015 Stock Ownership Incentive Plan ("2015 Plan") was approved by the Board of Directors and the Shareholders in 2015. The 2006 Stock Ownership Incentive Plan ("2006 Plan") was approved by the Board of Directors and the Shareholders in 2006. The 2006 Plan was rendered inactive as of April 28, 2015. The 1998 Stock Option Plan ("1998 Plan") was approved by the Board of Directors and the Shareholders in 1998. The 1998 Plan was rendered inactive as of April 26, 2006. The 2015 Plan has 550,000 shares authorized, 519,140 of which were available at December 31, 2017. Shares issuable pursuant to awards which were granted under the prior plans on or before their respective expiration or termination dates will be issued from the remaining shares reserved for issuance under the prior plans. The shares of common stock reserved for issuance under the prior plans in excess of the number of shares as to which options or other benefits are awarded thereunder, and any shares as to which options or other benefits granted under the prior plans may lapse, expire, terminate or be canceled, will not be reserved and available for issuance or reissuance under the 2015 Plan.

	A	B	C
Plan Category *(shares in thousands)*	**Number of Common Shares to be Issued Upon Exercise**	**Weighted Average Price**	**Number of Securities Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in Column A)**
Equity compensation plans approved by shareholders:			
Stock options	45	$32.26	519
Equity compensation plans not approved by shareholders	0	--	0
Total			519

Additional information regarding CTBI's stock option plans can be found in notes 1 and 15 to the consolidated financial statements.

Item 13. Certain Relationships, Related Transactions, and Director Independence

The information required by this item is omitted because CTBI is filing a definitive proxy statement pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report which includes the required information. The required information contained in CTBI's proxy statement is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item is omitted because CTBI is filing a definitive proxy statement pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report which includes the required information. The required information contained in CTBI's proxy statement is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

The following financial statements of CTBI and the auditor's report thereon are filed as part of this Form 10-K under Item 8. Financial Statements and Supplementary Data:

Consolidated Balance Sheets
Consolidated Statements of Income and Other Comprehensive Income
Consolidated Statements of Shareholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements
Reports of Independent Registered Public Accounting Firm

2. Financial Statement Schedules

All required financial statement schedules for CTBI have been included in this Form 10-K in the consolidated financial statements or the related footnotes.

3. Exhibits

Exhibit No.	Description of Exhibits
3.1	Articles of Incorporation and all amendments thereto {incorporated by reference to registration statement no. 33-35138}
3.2	By-laws of CTBI as amended July 25, 1995 {incorporated by reference to registration statement no. 33-61891}
3.3	By-laws of CTBI as amended January 29, 2008 {incorporated by reference to current report on Form 8-K filed January 30, 2008}
10.1	Community Trust Bancorp, Inc. Employee Stock Ownership Plan (effective January 1, 2007) {incorporated herein by reference to Form 10-K for the fiscal year ended December 31, 2006 under SEC file no. 000-111-29}
10.2	Community Trust Bancorp, Inc. Savings and Employee Stock Ownership Plan (Amendment Number One effective January 1, 2002, Amendment Number Two effective January 1, 2004, Amendment Number Three effective March 28, 2005, and Amendment Number Four effective January 1, 2006) {incorporated herein by reference to Form 10-K for the fiscal year ended December 31, 2006 under SEC file no. 000-111-29}
10.4	Community Trust Bancorp, Inc. 1998 Stock Option Plan {incorporated by reference to registration statement no. 333-74217}
10.5	Community Trust Bancorp, Inc. 2006 Stock Ownership Incentive Plan {incorporated by reference to Proxy Statement dated March 24, 2006}
10.6	Form of Severance Agreement between Community Trust Bancorp, Inc. and executive officers (currently in effect with respect to twelve executive officers) {incorporated herein by reference to Form 10-K for the fiscal year ended December 31, 2001 under SEC file no. 000-111-29}
10.7	Senior Management Incentive Compensation Plan (2018) {incorporated herein by reference to current report on Form 8-K dated January 23, 2018}
10.8	Restricted Stock Agreement {incorporated herein by reference to Form 10-K for the fiscal year ended December 31, 2011 under SEC file no. 000-111-29}
10.9	Employee Incentive Compensation Plan (2018) {incorporated herein by reference to current report on Form 8-K dated January 23, 2018}
10.10	Amendment to the Community Trust Bancorp, Inc. 2006 Stock Ownership Incentive Plan {incorporated herein by reference to current report on Form 8-K dated January 26, 2012}
10.11	Community Trust Bancorp, Inc. 2015 Stock Ownership Incentive Plan {incorporated herein by reference to registration statement no. 333-208053}
10.15	Community Trust Bancorp, Inc. 2015 Executive Committee Long-Term Incentive Compensation Plan {incorporated herein by reference to current report on Form 8-K dated January 27, 2015}
10.16	Community Trust Bancorp, Inc. 2016 Executive Committee Long-Term Incentive Compensation Plan {incorporated herein by reference to current report on Form 8-K dated January 28, 2016}
10.17	Community Trust Bancorp, Inc. 2017 Executive Committee Long-Term Incentive Compensation Plan {incorporated herein by reference to current report on Form 8-K dated January 24, 2017}
10.18	Community Trust Bancorp, Inc. 2018 Executive Committee Long-Term Incentive Compensation Plan {incorporated herein by reference to current report on Form 8-K dated January 23, 2018}

21	List of subsidiaries
23.1	Consent of BKD, LLP, Independent Registered Public Accounting Firm
31.1	Certification of Principal Executive Officer (Jean R. Hale, Chairman, President, and Chief Executive Officer)
31.2	Certification of Principal Financial Officer (Kevin J. Stumbo, Executive Vice President, Chief Financial Officer, and Treasurer)
32.1	Certification of Jean R. Hale, Chairman, President and CEO, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Kevin J. Stumbo, Executive Vice President, Chief Financial Officer, and Treasurer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Community Trust Bancorp, Inc. Dividend Reinvestment Plan, as amended December 20, 2013 {incorporated by reference to registration statement no. 333-193011}
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

(b) Exhibits

The response to this portion of Item 15 is submitted in (a) 3. above.

(c) Financial Statement Schedules

None

COMMUNITY TRUST BANCORP, INC. AND SUBSIDIARIES
INDEX TO EXHIBITS

Exhibit No.	Description of Exhibits
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3.2	By-laws of CTBI as amended July 25, 1995 {incorporated herein by reference}
3.3	By-laws of CTBI as amended January 29, 2008 {incorporated herein by reference}
10.1	Community Trust Bancorp, Inc. Employee Stock Ownership Plan (effective January 1, 2007) {incorporated herein by reference}
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10.4	Community Trust Bancorp, Inc. 1998 Stock Option Plan {incorporated herein by reference}
10.5	Community Trust Bancorp, Inc. 2006 Stock Ownership Incentive Plan {incorporated herein by reference}
10.6	Form of Severance Agreement between Community Trust Bancorp, Inc. and executive officers (currently in effect with respect to twelve executive officers) {incorporated herein by reference}
10.7	Senior Management Incentive Compensation Plan (2018) {incorporated herein by reference}
10.8	Restricted Stock Agreement{incorporated herein by reference}
10.9	Employee Incentive Compensation Plan (2018) {incorporated herein by reference}
10.10	Amendment to the Community Trust Bancorp, Inc. 2006 Stock Ownership Incentive Plan {incorporated herein by reference}
10.11	Community Trust Bancorp, Inc. 2015 Stock Ownership Incentive Plan {incorporated herein by reference}
10.15	Community Trust Bancorp, Inc. 2015 Executive Committee Long-Term Incentive Compensation Plan {incorporated herein by reference}
10.16	Community Trust Bancorp, Inc. 2016 Executive Committee Long-Term Incentive Compensation Plan {incorporated herein by reference}
10.17	Community Trust Bancorp, Inc. 2017 Executive Committee Long-Term Incentive Compensation Plan {incorporated herein by reference}
10.18	Community Trust Bancorp, Inc. 2018 Executive Committee Long-Term Incentive Compensation Plan {incorporated herein by reference}
21	List of subsidiaries
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31.1	Certification of Principal Executive Officer (Jean R. Hale, Chairman, President and CEO)
31.2	Certification of Principal Financial Officer (Kevin J. Stumbo, Executive Vice President, Chief Financial Officer, and Treasurer)
32.1	Certification of Jean R. Hale, Chairman, President and CEO, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Kevin J. Stumbo, Executive Vice President, Chief Financial Officer, and Treasurer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Community Trust Bancorp, Inc. Dividend Reinvestment Plan, as amended December 20, 2013
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf the undersigned, thereunto duly authorized.

COMMUNITY TRUST BANCORP, INC.

February 28, 2018

By: /s/ Jean R. Hale
Jean R. Hale
Chairman, President, and Chief Executive Officer

/s/ Kevin J. Stumbo
Kevin J. Stumbo
Executive Vice President, Chief Financial Officer, and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Date	Signature	Title
February 28, 2018	/s/ Jean R. Hale Jean R. Hale	Chairman, President, and Chief Executive Officer
February 28, 2018	/s/ Kevin J. Stumbo Kevin J. Stumbo	Executive Vice President, Chief Financial Officer, and Treasurer
February 28, 2018	/s/ Charles J. Baird Charles J. Baird	Director
February 28, 2018	/s/ Nick Carter Nick Carter	Director
February 28, 2018	/s/ James E. McGhee, II James E. McGhee II	Director
February 28, 2018	/s/ M. Lynn Parrish M. Lynn Parrish	Director
February 28, 2018	/s/ James R. Ramsey James R. Ramsey	Director
February 28, 2018	/s/ Anthony W. St. Charles Anthony W. St. Charles	Director